INVESTCORP

UNIQUELY GLOBAL

INVESTCORP ANNUAL REPORT 2018

A BROADER REACH

THE FOCUS OF 2018 WAS TO ELEVATE INVESTCORP'S POSITION AS A GLOBAL LEADER. THROUGH A COMBINATION OF STRATEGIC THOUGHT, LEADERSHIP INITIATIVES, SUCCESSFUL TRANSACTIONS, GLOBAL PARTNERSHIPS AND MORE, INVESTCORP CONTINUED TO POSITION ITSELF AS A UNIQUELY GLOBAL INVESTMENT MANAGEMENT FIRM.

Capturing Real Estate Opportunities in the US and Europe

Investcorp's Real Estate Investment business continued to uncover opportunities in its key markets. While focused on gateway markets, our team has diversified the types of assets it owns, expanding into emerging growth sectors such as industrials, logistics and offices. These investments reflect our broader strategy underpinned by properties that offer long-term, stable cash flows and totaled $565 million in new investments this year.

Entering New Sectors Through Corporate Investments

The Corporate Investment business completed four deals this year and continued to find opportunities across the advisory, technology, healthcare, automotive and safety solutions industries. Key investments included Kee Safety Ltd., KS Group and ICR, among others, all of which demonstrated qualities such as strong management teams, steady cash flows and opportunities for continued growth. We also successfully fully exited three investments over the past year with a total enterprise value of $1.9 billion and returned $789 million in proceeds to Investcorp and its investors from these exits and other distributions during the year.

Expanding Credit Capabilities

Last March marked the official integration of the Credit Management business and launch of Investcorp Credit Management, which manages approximately $11.5 billion today. This year, the business launched new products including its European Credit Funds business, expanded its team with senior hires and showcased its thought leadership in its Opportunities in Credit white paper.

Alternative Investment Solutions Partnerships

Through investments in Shoals Capital Management and Steamboat Capital Partners, the Alternative Investment Solutions business continued to expand its Hedge Fund Partnerships platform. These partnerships further diversify the breadth of strategies offered to our investors, giving clients access to niche segments of the market through proven managers with unique philosophies. Investcorp has now seeded 19 emerging managers to date.

Milken Global Conference

Earlier this year, Investcorp participated in the Milken Global Conference in Los Angeles, where they engaged with investors, media and industry leaders, showcasing the breadth and depth of Investcorp's expertise. The Executive Chairman along with a number of senior executives spoke on different panels, which explored Global Investment outlook and opportunities, as these regions continue to experience economic growth.

AT INVESTCORP, WE ARE A GLOBAL BUSINESS POISED FOR GROWTH IN EVERY REGION IN WHICH WE OPERATE. SINCE OUR FOUNDING, WE HAVE MAINTAINED A GLOBAL VISION AND THIS YEAR WE BELIEVE WE TRULY SET THE STAGE FOR OUR NEXT PHASE OF GROWTH. WE SEE THE WORLD THROUGH A UNIQUE LENS AND WILL CONTINUE TO USE THAT TO THE ADVANTAGE OF OUR INVESTORS AND SHAREHOLDERS.

WE ARE UNIQUELY GLOBAL.

MESSAGE TO SHAREHOLDERS

The Board of Directors of Investcorp is pleased to submit the consolidated audited financial statements for Investcorp's 35th fiscal year ended June 30, 2018.

Dear Shareholders,

We are pleased to report that it has been another positive year for Investcorp. 2018 has seen the continuation of the Firm's growth momentum, healthy levels of investment activity and continued high levels of fundraising across the business.

Geographical expansion, a wider investor base and a broader product offering for our clients enabled us to grow net income by 4% to $125 million. Earnings per share rose to $1.30 per share, up from $1.25 in the previous period. We have proposed an aggregated cash dividend of $19,059,278 to holders of record of ordinary shares (excluding treasury shares) at the rate of $0.24 per ordinary share in line with the previous fiscal year. The proposed dividend is subject to shareholders approval at the Ordinary General Meeting of Shareholders on September 25, 2018, which will also be the record date.

Continuing Growth and Momentum Across the Firm

Significant progress has been made toward the targets set out in our medium-term growth-driven strategy. Set against the backdrop of challenging macroeconomic and geopolitical conditions, particularly in the Gulf, we delivered solid performance across all of Investcorp's business lines and our assets under management (AUM) grew to $22.6 billion. These achievements are evidence of our commitment to transforming into a bigger, more global Firm with a broader range of products, ultimately enabling us to better serve the needs of our increasingly diversified client base, both in the Gulf and internationally.

Our efforts toward broadening our investor reach, geographically and by type, continue to yield positive results. Investment activity rose by 36% to $2.8 billion, while total placement and fundraising activities rose by 77% to $7.3 billion. This reflects a growing and active client base in the Gulf and a deep pool of institutional investors in the United States, Europe and Asia. Additionally, distributions to investors touched $7.0 billion, the highest level in the Firm's history as a result of strong investment realization activity together with strong contribution from the recently acquired Credit Management business.

Fee income remained steady at $321 million (FY 2017: $320 million) with lower deal fees more than offset by higher level of recurring AUM fees, which grew by 27% to $173 million. Asset-based income increased by 30% to $133 million, primarily driven by successful corporate investment realizations. This drove an increase in gross operating income of 8%, reaching $454 million.

‘WE ARE PLEASED THAT INVESTCORP HAS CONTINUED TO GROW ACROSS A RANGE OF KEY PERFORMANCE MEASURES. WE WILL CONTINUE TO SEIZE OPPORTUNITIES TO HELP US ACHIEVE OUR MEDIUM- TO LONG-TERM OBJECTIVES OVER THE YEARS AHEAD.’

As a global Firm, we are continually looking to position ourselves to capitalize on growth opportunities for the future. One area of focus is on capturing adjacencies across all lines of business and harvesting cross-selling opportunities as well as cost synergies. For example, through leveraging our historic expertise in real estate investing in the US, we have expanded that business line to now include European real estate investments. Completing the placement of our first two UK real estate portfolios was a major milestone, and since then we have made a substantial office property acquisition in Germany. We continue to explore additional real estate investment opportunities across Europe.

Overall, our balance sheet and liquidity position remain robust, and provide adequate headroom to support our organic growth agenda and also pursue inorganic investment opportunities as and where appropriate. Total assets as of June 30, 2018 stood at $2.5 billion and total accessible liquidity remains strong at $1.0 billion even after full repayment of a $250 million bond which matured in November 2017, and the repayment of $100 million of preference shares during the year. The Firm’s capital adequacy ratio of 31.5% remains significantly in excess of the requirements of the Central Bank of Bahrain (12.5%).

Business Line Performance

Underlying performance in our corporate investment portfolio remained strong. Healthy levels of investment activity across the business resulted in three new deals totaling $406 million, two support fundings, $75 million invested through and alongside Investcorp’s Technology Funds III and IV and a further $48 million invested in two special opportunities. $580 million was raised from investors during the period with $789 million returned in distributions.

Our Real Estate division also performed well, in another active year that saw the team execute its first fundraising for European investments. In the US, we maintained our position as one of the market leaders and acquired a diverse set of 102 properties across the residential, office and industrial sectors; with total investment activity reaching $419 million. Total investment activity in Europe across a diverse set of 17 industrial and logistics properties in the UK and two office properties in Germany was $147 million. In total, we raised $569 million in new fundraising for real estate investments from investors, 10% more than last year. This included investments from Asian investors for the first time. Distributions from real estate investments also more than doubled to $713 million (FY17: $300 million).

For our Alternative Investment Solutions business, AUM rose by 7% to $3.7 billion (FY 2017: $3.5 billion) driven by strong performance across the products. The business grew further via a strategic partnership with Shoals Capital Management, which currently manages approximately $160 million, and Steamboat, which was a new launch.

The Credit Management (ICM) business has been successfully integrated into Investcorp and has made a significant contribution in 2018 as expected. ICM reported a 6% increase in AUM to $11.5 billion (FY 2017: $10.8 billion) and showed strong levels of activity in its first full year under the Investcorp umbrella, $5.6 billion of fundraising, including $1.6 billion of new CLO Issuance activity and $5.5 billion of distributions (including refinancings and resets of existing CLOs). ICM is a clear crystallization of our strategy to diversify our product offerings and bring the full suite of opportunities that we offer across the Investcorp platform to a broader institutional investor base.

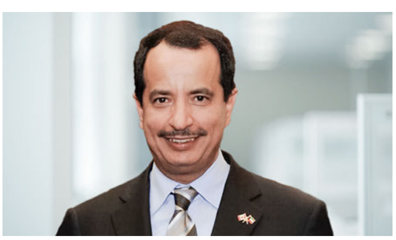
Elsewhere, Asia is playing an increasing role in our growth strategy both in terms of fundraising and placement as well as a source of investment opportunities. Through leveraging our hub in Singapore, we have established new client relationships that have already translated into incremental fundraising. Similarly, the appointment of Deepak Parekh, Chairman of HDFC Limited, India's leading financial services conglomerate, to the Firm's International Advisory Board is an initial and critical step in being better positioned to capitalize on attractive opportunities in India going forward.

Outlook

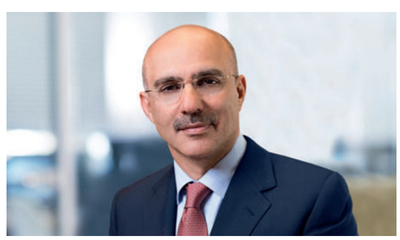
We are pleased that Investcorp has continued to grow across a range of key performance measures. We will continue to seize opportunities to help us achieve our medium- to long-term objectives over the years ahead.

2018 has presented a number of geopolitical and economic challenges, particularly in the Gulf region. However, we are beginning 2019 with solid momentum. Fundraising activity remains high and we look forward to further globalization, diversification of our investor base and maintaining our ambitious investments and realizations targets. At Investcorp, we remain confident in our ability to continue delivering for the year ahead and beyond. We are focused on leveraging the growth momentum of the past year to capitalize on the many opportunities ahead of us, and are committed to seeking to deliver continued attractive returns to our clients and shareholders.

On behalf of the Investcorp Board of Directors, we would like to thank all of our shareholders for their continued support. Investcorp has achieved a great deal over the past 12 months and we firmly believe that we can build on this to have another successful year in 2019.



Dr. Yousef Hamad Al-Ebraheem
Chairman of the Board of Directors



Mohammed Bin Mahfoodh Bin Saad Alardhi
Executive Chairman

INCREASING INFLUENCE

TAKING THE GLOBAL STAGE

Non-Gulf portion of client AUM

67%

Fundraising from outside the Gulf up by

121%

Net income up by 4% to

$125M

Clockwise from top left: *Co-Chief Executive Officers Rishi Kapoor and Hazem Ben-Gacem; Bloomberg Invest Abu Dhabi Summit; Investcorp's second annual Credit Symposium in New York City*

This year we focused on growth and diversification even more. We proactively entered the global conversation as one of the leading voices on today's most pressing global financial issues.

We participated in the Milken Global Conference, World Economic Forum, BOAO Forum for Asia and the Munich Security Conference, where our executives spoke on panels and engaged with leaders across business, academia and politics. We also invited our clients to experience the value of our thought leadership, investment strategies and network through convening events in North America and the Gulf, bringing together industry leaders and investors to discuss ways to embrace the opportunities and challenges in today's evolving landscape.

Credit Symposium in New York City

At our second annual Credit Symposium, Investcorp's Credit Management and Alternative Investment Solutions businesses gathered over 100 industry leaders across the institutional investment ecosystem to discuss opportunities across the credit spectrum from mid-market credit to Italian non-performing loans.

CEO Conference in the Gulf

Investcorp convened over 20 CEOs and C-suite executives from the Firm's portfolio companies in MENA and Turkey to discuss how emerging technology across industries will impact their business models.

Accolades from Banker Middle East

Banker Middle East named Investcorp the 'Best private equity house in EMEA' and the 'Best private equity exit in EMEA,' for our exit of food manufacturer Tyrrells.

Bloomberg Invest Abu Dhabi

Speaking alongside other leading industry executives, Rishi Kapoor, Co-Chief Executive Officer, took the stage at Bloomberg Invest to share his insights with institutional investors about how to identify smart investments in the Middle East.

EXPANDING EXPERTISE

INVESTING IN NEW VERTICALS

27%

rise in AUM fees, fuelled by ICM

$1.7B

total investment activity across ICM

$147M

invested in European Real Estate

Over the past year we have focused on expanding each of our four core businesses through investments in related strategic verticals. Within each of our business lines, we are investing in subsectors and strategies where we see opportunities to deliver potential value to our investors and further seek to build our long-term track record of success. As we scale our business, our priority remains the same — ensuring each of our businesses is operating to its fullest potential.

To further scale the European business, we have made tremendous progress on our newly launched pan-European real estate strategy with the closing of our first three European real estate portfolios and first German real estate deal. Our Corporate Investment business is achieving growth in the market through a number of new acquisitions, including innovative healthcare deals. Further, we have expanded our credit business horizontally with the launch of our dedicated European Credit Funds business.

Marquee Investment in Abu Dhabi Hospital
Investcorp announced its third healthcare investment — the construction of the landmark hospital complex, Al Reem Hospital and Rehabilitation Centre, an essential building block of Abu Dhabi's Vision 2030.

New Chapter in European Real Estate
With the debut of the European real estate portfolio, Investcorp began to replicate the success of its US real estate business, completing our first three European portfolios across the industrial and logistics sector in the United Kingdom and the office sector in Germany.

Top: *Investcorp announces its investment into Abu Dhabi Hospital*
Bottom: *Investcorp acquires Kee Safety Ltd., a global supplier of products designed to protect people from hazards*

German Dental Buy-and-Build Strategy
This year, Investcorp debuted a new platform to enter the highly fragmented German dental sector. Within this strategy, the Firm acquired Privatzahnarztklinik Schloss Schellenstein GmbH, a leading center for implantology and dental surgery, and Acura Kliniken, a licensed hospital in Albstadt, Germany.

Expansion of Corporate Investment Expertise
With the acquisition of KS Group, a supplier of aftermarket auto body parts in the US, Investcorp's Corporate Investment team demonstrated its expertise and long-term track record of investments in the North American automotive industry. The additional investment in ICR, a leading strategic communications and advisory firm, and acquisition of Kee Safety Ltd., a global supplier of safety solutions and products designed to protect people from hazards, further expanded Investcorp's private equity expertise in the US and UK respectively.

SUSTAINING GROWTH

DRIVING CONTINUED BUSINESS MOMENTUM

$2.8B

Investment activity up by 36%

$7.3B

Placement and fundraising rose by 77%

$7B

Record distributions across business lines

Clockwise from top left: *Deepak Parekh, Chairman of Housing Development Finance Corporation; Jeremy Ghose, Managing Director, Head Investcorp Credit Management; Credit Management business expands into European credit; Investcorp completes first European real estate portfolio*

Looking ahead, we are embarking on the next chapter of our global growth strategy by building upon strategic initiatives that will drive new opportunities for our clients and shareholders. As our business continues to evolve, our growing investor base and multi-asset-class offerings underscore our position as a truly global institution.

Across the Firm, we are expanding both our business teams and bench of senior advisors with individuals who bring decades of industry expertise and diverse perspectives on the global marketplace. Beyond performance, our business is more importantly defined by our strongest asset — our people.

Ambitious Global Growth Strategy Enters Next Phase
Driven by strong transactional activity and higher overall assets under management, Investcorp continued its expansion this year with clients across the Gulf, US, Europe and Asia.

Investcorp's International Advisory Board Adds Leading Voices
Investcorp added two of the most respected voices on the international financial and economic stage to its International Advisory Board: Dr. Mohamed El-Erian, Chief Economic Advisor at Allianz, and Deepak Parekh, Chairman of HDFC Limited.

Credit Management Business Expands into European Credit Funds
Building on its first year of success, Investcorp Credit Management drove additional growth in Europe with its new European Credit Funds business, which focuses on the structuring and fundraising for closed ended credit funds and separately managed accounts.

US Real Estate Portfolio Grows in Key Markets
Through acquisitions in key gateway markets such as New York, Florida and Arizona, Investcorp's Real Estate Investment business has further solidified its position as one of the leading global investors in US real estate.

SHARING INSIGHTS

DEVELOPING FUTURE LEADERS

40

future leaders from across the GCC participate in Investcorp Leadership Program held this year at INSEAD

1st

CEO Conference in the Gulf draws over 20 C-suite executives from our portfolio companies

3

white papers — *Platform Investments Buy-and-Build Comes of Age, Healthcare Prescription for the GCC,* and *Opportunities in Credit*

Clockwise from top left: *The Executive Chairman speaks to CNBC at Davos; Columbia Business School; Investcorp hosts its 2018 Leadership Program at INSEAD; Investcorp Insights Forum in Bahrain*

As we evolve globally, our dedication to supporting future leaders remains a cornerstone of our business as they will be the ones to build bridges across our cultures and continents.

Within the Gulf, we established partnerships with regional organizations, such as the Dubai Business Women Council and Bahrain FinTech Bay, in order to empower the region's business professionals to drive positive change for future generations. Through the establishment of the Nemir Kirdar Eisenhower Fellowship, we are supporting Saudi Arabia's young leaders.

Across the globe, we provide hundreds of leaders with opportunities to further advance and develop their skills through the convening events we host. By collaborating with some of the most esteemed business schools in the world, such as the Harvard Kennedy School, Columbia Business School and INSEAD, we offer today's CEOs and C-suite executives valuable forums for sharing their insights into the current business landscape.

The Investcorp Leadership Program Held This Year at INSEAD
With INSEAD, one of the world's leading business schools, Investcorp welcomed over 40 future leaders from across the GCC region to the exclusive 2018 Investcorp Leadership Program in France.

Nemir Kirdar Eisenhower Fellowship
Investcorp honored the distinguished legacy of Nemir Kirdar, its founder and former chairman, with an Eisenhower fellowship named after him. The inaugural recipient of the fellowship was Shahd Attar, an advocate for women's empowerment and career success in Saudi Arabia.

Investcorp Hosts Harvard Kennedy School Dean's Council Dinner
Investcorp hosted the yearly Harvard Kennedy School Dean's Council Dinner in London, welcoming more than 80 guests from the Council's membership and the School's alumni community to discuss how to advance the School's efforts to effect positive change in the world.

Insights Forum Hosted with Columbia Business School
In partnership with Columbia Business School, Investcorp hosted in Bahrain an exclusive Insights Forum that convened 40 business leaders from the Gulf to discuss the changing business landscape in the region.

Bahrain FinTech Bay Partnership
As a founding partner of the Bahrain FinTech Bay, the largest dedicated FinTech hub in the Middle East and Africa, Investcorp worked closely with the organization to drive entrepreneurship in Bahrain.

AT A GLANCE

OUR BUSINESS

Investcorp is a leading, global, alternative investment manager for individuals, families and institutional investors. Since its founding in 1982, it has built a global reputation for superior performance, innovation and service. Guided by our uniquely global vision, Investcorp has embarked on an ambitious, albeit prudent, growth strategy. Through a disciplined investment approach across four lines of business, the Firm continues to focus on generating investor and shareholder value.

AUM increased by 6% to

$22.6B

EPS up by 4% to

$1.30

13%

Annual growth in Book Value per Share over last 4 years

Stable cost-to-income ratio of

65%

CORPORATE INVESTMENT

We are one of the most active global mid-market private equity firms, with over 30 years' experience of successfully investing across North America, Europe and the MENA region. With more than $41 billion in transaction value, our past and present portfolios include more than 175 investments across a range of sectors.

REAL ESTATE INVESTMENT

We focus on mid-market core and core-plus opportunities in US and European commercial real estate, targeting properties that generate current cash flow and capital appreciation. Over the past 23 years, we have completed more than 600 property investments totaling more than $15 billion. We rank among the most active Gulf real estate investors in the US, with annual transaction volumes of approximately $1 billion per year.

ALTERNATIVE INVESTMENT SOLUTIONS

We manage assets across customized multi-manager solutions, hedge fund partnerships, alternative risk premia and special opportunities portfolios. We believe that our differentiating characteristics — alignment of interests, nimble and innovative approach, disciplined process, deep and talented team, integrated investment program, and proprietary research — allow us to better serve our clients in achieving their investment objectives. Today we manage approximately $3.7 billion.

CREDIT MANAGEMENT

With approximately $11.5 billion in assets under management, we are a leading global credit manager based in London, New York and Singapore. We manage funds that invest primarily in senior secured corporate debt issued by mid- and large-cap corporates in Western Europe and the US. Our global team has extensive credit experience investing through numerous market cycles, offering a long track record of achieving market outperformance, consistent growth and low default rates and developing attractive income-generating products.

FINANCIAL REVIEW

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BUSINESS REVIEW

"As we continue our growth momentum across the business, we are pleased that the Firm has continued to report strong performance across a range of our key indicators, delivering high-quality earnings.

Following the successful integration of Investcorp Credit Management, I am pleased to see the delivery of the anticipated strategic benefits of the acquisition in terms of diversification of both products and clients. Our real estate division produced strong results this year, while our corporate investment and alternative investment solutions teams continued to deliver.

2018 has presented a number of geopolitical and economic challenges, particularly in the Gulf region, yet fundraising activity remains high, there is an impressive pace of capital being deployed, and we have significantly expanded our global investor base. Our robust balance sheet, experience and expertise will enable us to take advantage of interesting investment opportunities globally and allow us to continue the growth trajectory that we have set. We look forward with great confidence as we become a bigger, more geographically diversified firm and are committed to continuing to seek superior returns for our clients and shareholders.

Finally, I'd like to take this opportunity to thank Mohammed Al-Shroogi, who has elected to retire from his role as Co-CEO on 1 August. Mohammed has been one of the driving forces behind the Firm's successes over the last few years and I am delighted he will remain with us as a Senior Advisor."

Mohammed Alardhi, Executive Chairman

GROWTH INITIATIVES

A number of strategic initiatives have been completed and several are well underway to realize Investcorp's medium-term objective of more than doubling assets under management, including:

Inorganic growth:

The Firm announced that it had signed an agreement to acquire a minority ownership interest in an independent Swiss-regulated private bank based in Geneva and Luxembourg, subject to regulatory and other approvals, which are expected to be received shortly

The Firm continues to receive and evaluate other potential opportunities

Fundraising platform:

Continued progress on implementation of a Global Distribution capability across the Firm's current markets

Recently established presence in Asia has contributed to fundraising for Investcorp's Technology Fund IV and the first investment from Asian-based investors in Investcorp's real estate investments

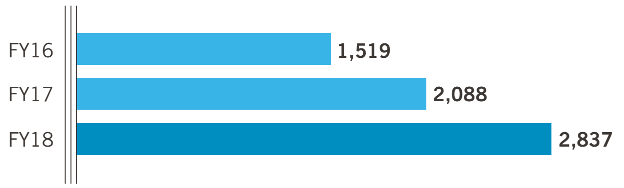
Investment platform:

Completed the acquisition of first two UK real estate portfolios as well as a substantial office property acquisition in Germany. The UK portfolios were successfully placed with investors in FY18 and the German portfolio will be offered to investors in FY19

Third investment made by Investcorp's Technology Fund IV, which was launched last year

Completed acquisition of two office buildings in midtown Manhattan for Investcorp's third real estate club deal offering in the last two years

Investment activity ($m)

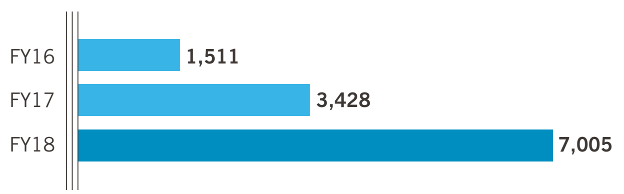


Robust levels of activity with $2.8 billion of aggregate investment across Investcorp's businesses, a 36% year-on-year increase

Deal-by-deal placement ($m)

Investcorp raised more than $1.0 billion in new money from Gulf investors for the fourth year in a row, despite the challenging macro-economic and political conditions

Realizations and distributions ($m)



Distributions to Investcorp and its clients from investment realizations and other distributions more than doubled to $7.0 billion, the highest level in the Firm's history

Profit for the year ($m)

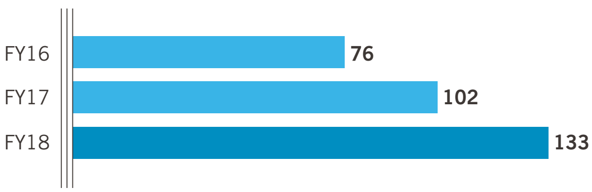
The rise in profit for the year is predominantly attributable to the contribution of the newly acquired credit management business and successful corporate investment realizations in US and Europe

BUSINESS REVIEW

Fee income ($m)

Fee income exceeded $300 million for the sixth consecutive year, with recurring AUM fees growing by 27%

Asset-based income ($m)



Asset-based income grew by 30%, driven by successful corporate investment realizations in US and Europe

Cost-to-income

Interest expense decreased by 2% due to lower average drawn balances. Operating expenses increased by 9%, reflecting the full-year impact of the newly acquired credit management business and the expansion of Investorp's distribution platform

FY18 KEY BUSINESS HIGHLIGHTS

Shareholder KPIs

$1.30	Fully diluted EPS
11%	Return on equity
$12.13	Book value per share

Balance sheet KPIs

Jun-17	Jun-18	
$2.7b	$2.5b	**Total assets** decrease reflects the utilization of cash & equivalents for buyback of $100 million preference shares and repayment of $250 million bond
$1.1b	$1.1b	**Total equity** remained constant with the reduction due to buyback of preference shares offset by the profit for the year
$984m	$996m	**Accessible liquidity** substantially covers next four years of debt
0.4x	0.5x	**Net leverage** remains well below 1.0x
31.7%	31.5%	**Basel III regulatory capital** well above CBB minimum requirements
0.7x	0.7x	**Co-investments/permanent & long-term capital** well below 1.0x

BUSINESS REVIEW

Fundraising ($m)

$580	Corporate investment
$569	Real estate
$563	Alternative investment solutions
$5,619	Credit management

Total fundraising was **$7.3 billion** (FY17: $4.1 billion)

$482 million placed with clients in corporate investments

$99 million raised for the new technology fund

$569 million placed with clients across five new real estate portfolios and one club deal

$546 million of inflows for AIS. An additional $17 million was placed in a special opportunity portfolio

$1.6 billion raised for three new CLOs

$3.9 billion of net new investments in six refinancings and six resets of older CLOs

$163 million of inflows for senior secured loan funds

$31 million for a new Credit Opportunities Portfolio product

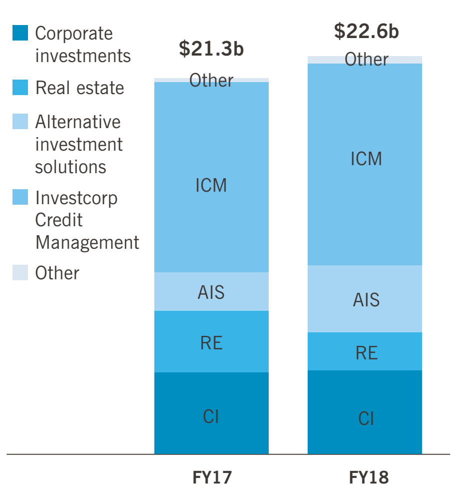
Corporate investments client AUM increased by 5% to $3.8 billion, largely due to continued fundraising for Technology Fund IV

Real estate client AUM increased by 4% during the year to $1.8 billion, with strong fundraising for new portfolios partially offset by a good pace of realizations of older properties

AIS client AUM increased by 8% to $3.5 billion, primarily due to the new partnerships entered into with Steamboat Capital Partners and Shoals Capital Management during FY18

Credit management AUM increased by 5% due to three new CLO issuances and subscriptions into open-ended funds

Total AUM ($b)



INVESTMENT ACTIVITY

$548 million…

…the aggregate capital deployed in three new CI investments: including $75 million invested through or alongside Investcorp's technology funds in one new investment and five add-on investments. Also including $48 million of capital invested in two special opportunities and $20 million of support capital invested in two existing portfolio companies

$1.7 billion…

…the aggregate investment in six new CLOs for the **credit management** business

Jamestown CLO X
(Warehoused from FY17)
$141 million
July 2017

Harvest CLO XVIII
€420 million
March 2018

Harvest CLO XIX
€390 million
May 2018

Jamestown CLO XI
(Warehoused)
$338 million
June 2018

Jamestown CLO XII
(Warehoused)
$85 million
June 2018

Harvest CLO XX
(Warehoused)
€143 million
June 2018

$565 million…

…the aggregate capital deployed in six new **real estate portfolios**, including three apartment properties, an industrial portfolio in the US and an industrial property in the UK which will form part of portfolios for placement in FY19

BUSINESS REVIEW

EXITS & DISTRIBUTIONS

Corporate investment exits included the sale of **Esmalglass**, a leading producer of intermediate products for the global ceramic industry; **CEME**, a manufacturer of fluid control components for consumer applications; and the signing of an agreement to sell **Nobel Learning**, a leading provider of private education in the United States (from pre-school up to high school)

Significant real estate exits included the realizations of three portfolios: **2014 Diversified Properties Portfolio** (with the sale of 3400 Carlisle, 2811 McKinney, One Allen Center and San Remo); **2013 Office I Portfolio** (Pin Oak Portfolio and Oak Creek Center Portfolio); and **Atlanta Multifamily Portfolio** (Manchester at Mansell and Chatsworth)

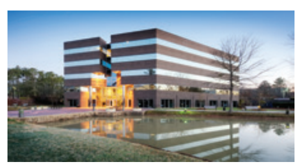
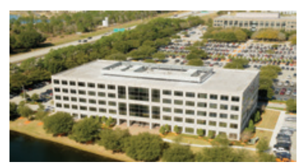
Total realization proceeds and other distributions to Investcorp and its clients were $7.0 billion, including $5.5 billion related to the credit management business














INVESTCORP'S KEY PERFORMANCE INDICATORS*:

	FY14	FY15	FY16	FY17	**FY18**	5-year view (FY14-FY18)	
Fee income ($m)	316	308	307	320	**321**	1572	(cumulative)
Asset-based income ($m)	48	73	76	102	**133**	432	(cumulative)
Gross operating income ($m)	363	381	383	422	**454**	2003	(cumulative)
Cost-to-income ratio	66%	64%	71%	65%	**65%**	66%	(average)
Return on average assets	4%	5%	4%	5%	**5%**	5%	(average)
Return on ordinary shareholders' equity	11%	16%	10%	12%	**11%**	12%	(average)
Diluted earnings per share ($)**	0.76	1.29	0.94	1.25	**1.30**	5.54	(cumulative)
Book value per share ($)**	7.38	9.00	10.15	11.10	**12.13**	64%	(cumulative growth)
Dividend per ordinary share ($)**	0.15	0.15	0.24	0.24	**0.24**	1.02	(cumulative)

* Restated for adoption of IFRS15 for FY14.

** The weighted average ordinary shares and the resulting metrics for FY14 and FY15 have been realigned to reflect the share split executed in FY16.

BUSINESS REVIEW

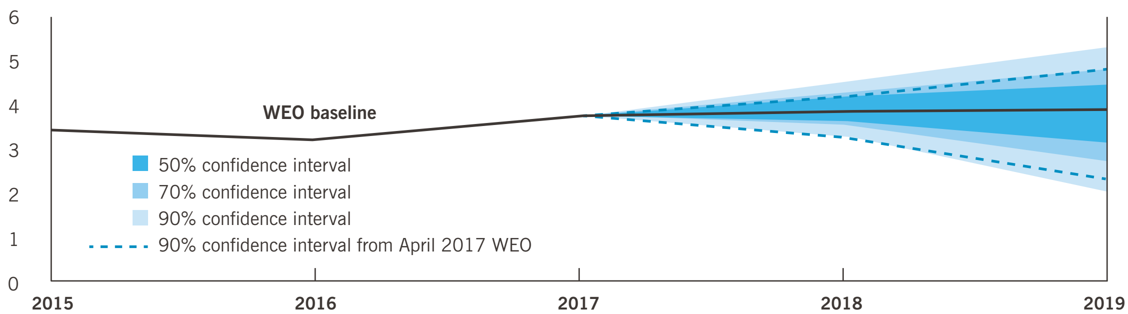
BUSINESS ENVIRONMENT

Global growth hit 3.8% in 2017 and is expected to tick up to 3.9% in 2018 and 2019 according to the International Monetary Fund's World Economic Outlook. This continued strength has been driven by a notable rebound in global trade, resurgent investment spending in advanced nations as well as further growth in both emerging Asia and Europe. Factors supporting global growth are positive market sentiment, strong momentum and the domestic and international repercussions of US expansionary fiscal policy. This is good news in the short term; however, in the medium term, global growth is projected to decline to approximately 3.7% as the cyclical upswing and US fiscal stimulus run their course.

The risks around the central growth forecast are two-sided and broadly even over 2018-2019.

Prospects for World GDP Growth[1]

(% change)



Source: World Economic Outlook April 2018, International Monetary Fund

Financial conditions still appear to be loose globally despite equity market turbulence in early February as well as declines in March. The markets are reflecting a confidence in the global outlook and financial conditions remain supportive. An example of this is central bank monetary policies being well absorbed by markets and well anticipated. In the United States, short-term interest rates increased in December and March as the labor market improved along with emerging signs of strengthening inflation. The European Central Bank announced in January 2018 that it would halve the pace of its asset purchase program from €60 billion to €30 billion and may continue at a measured pace until the end of September 2018. In other advanced economies, the United Kingdom elevated its bank rate to 50 bps in November, and Canada raised its policy rate to 1.25% in January. In emerging market economies, conditions since August 2017 have also pointed towards a pickup in economic activity. Brazil and Russia eased monetary policy, equity markets have strengthened and long-term interest rates on local currency bonds have increased.

Growth in the **United States** is projected to expand at a faster pace in 2018 and decrease slightly in 2019, with a growth forecast of 2.9% and 2.7% respectively. Stronger growth activity is expected in 2018 due to improved external demand as well as the economic impact of the December 2017 tax reform, most notably the lower corporate tax rates and allowance for full expensing of investment. The bi-partisan budget agreement passed in February is expected to add to growth through 2020; however, the potential increased fiscal deficit may offset some earlier growth gains from 2022 onward.

In the **Euro area**, the above trend growth rates in 2018 and 2019 are 2.4% and 2.0% respectively, a reflection of supportive monetary policy, stronger-than-expected domestic demand and improved external demand prospects. On a regional basis, growth is expected to decrease modestly in the medium term in Germany (2.5% in 2018 and 2.0% in 2019), Italy (1.5% in 2018 and 1.1% in 2019), Spain (2.8% in 2018 and 2.2% in 2019) and France (2.1% in 2018 and 2.0% in 2019). The IMF feels that this is due to low productivity in the region amid weak reform efforts and unfavorable demographics.

Growth in emerging markets and developing economies is expected to rise to 4.9% in 2018 and 5.1% in 2019. This projected uptick is a reflection of stabilization for commodity exporters, some of which underwent adjustments following a drastic price drop in commodity prices in 2016. Beyond 2019, growth in these markets is expected to stabilize at 5% over the medium term, a reflection of the further strengthening in commodity exports. Other factors contributing to the projected uptick in growth include a gradual increase in India's growth rate which is expected, structurally, to raise output as well as the strong growth in other commodity importers.

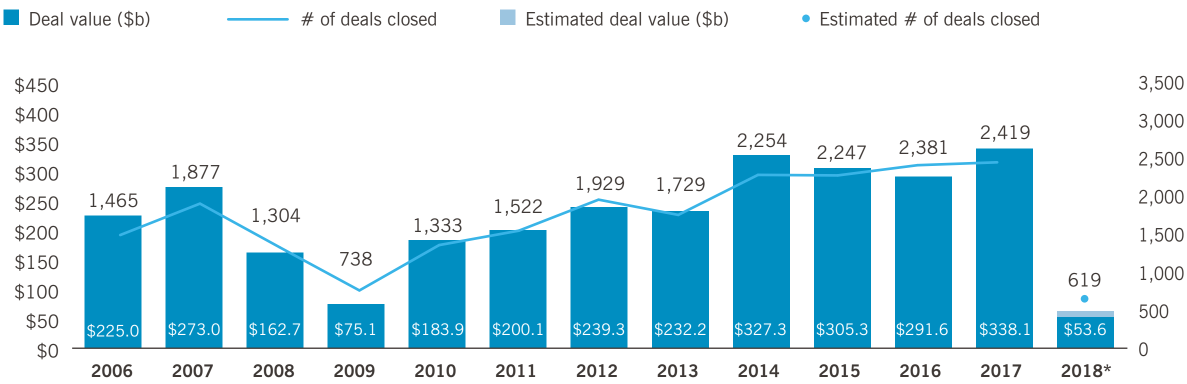
The outlook across the **Middle East** has turned somewhat positive as oil prices are helping the recovery in domestic demand in oil exporting countries. However, the fiscal adjustment that is still needed may continue to weigh on growth prospects. In Saudi Arabia, which is the region's largest economy, growth is expected to reach 1.7% in 2018 and 1.9% in 2019. Many countries within the Gulf Cooperation Council[1] ('GCC') experienced a dip in growth rates in 2017 before experiencing a substantial uptick in 2018. Many of the region's oil importers are set to experience a continued acceleration, with growth rising from 3.4% in 2018 to 3.7% in 2019.

CORPORATE INVESTMENT – NORTH AMERICA AND EUROPE

The private equity market in 2018 remains as competitive as in 2017. According to the IMF's World Economic Outlook issued in April this year, world growth strengthened to 3.8% in 2017, driven by investment recovery in advanced economies and healthy growth in Asian emerging markets. In 2018, global growth is expected to reach 3.9%, supported by favorable market sentiment and accommodative financial conditions.

In the US, 2017 was a record-setting year for both deal value and transaction count. In Q1 2018, 619 middle-market transactions were completed, totaling $53.6 billion in deal value – a 17% increase in the number of transactions but a 40% decrease in total value compared to the prior year. The greater number of deals but less capital invested signals a shift toward smaller transactions. The median middle market deal size was $170.0 million in Q1 2018, down from the $188.4 million median middle-market deal size for the full year 2017. IT/Technology investment continues to grow – outpacing growth of any other deal types. Multiples in the US remain high due to increased competition among PE firms in the middle-market space.

US PE deal flow by year



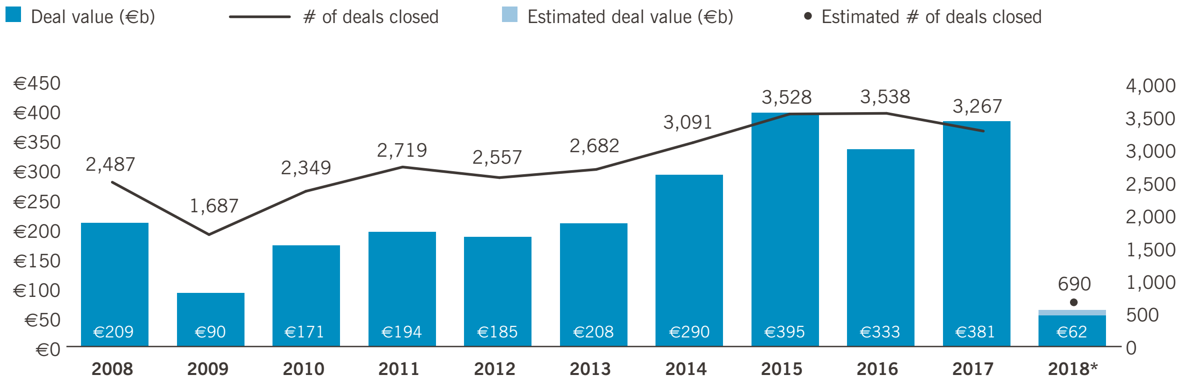
*As of March 31, 2018. Unknown values are estimated based on known figures.
Source: Pitchbook 1Q 2018 US Breakdown Report

In Europe, deal flow started relatively slowly in Q1 2018, though the significant pipeline of deals that were announced in Q4 2017 and Q1 2018 is expected to add to a steady deal count throughout the remainder of the year. Capital of €62.5 billion was deployed across 690 transactions in the first quarter of 2018, representing a 21% decrease in deal value and a 7% decrease in the number of deals closed, respectively, over the same period in the prior year. The median deal size increased to €33.9 million for deals closed in Q1 2018, higher than any full-year total since 2006, which indicates that activity in the upper middle market is picking up. Similar to the US, the number of deals in IT/Technology sustained its growth in Q1 2018. This trend is expected to continue at least for the remainder of 2018.

1 The Gulf Cooperation Council consists of six Middle Eastern Countries: Bahrain, Kingdom of Saudi Arabia, Kuwait, Oman, Qatar, and the United Arab Emirates.

BUSINESS REVIEW

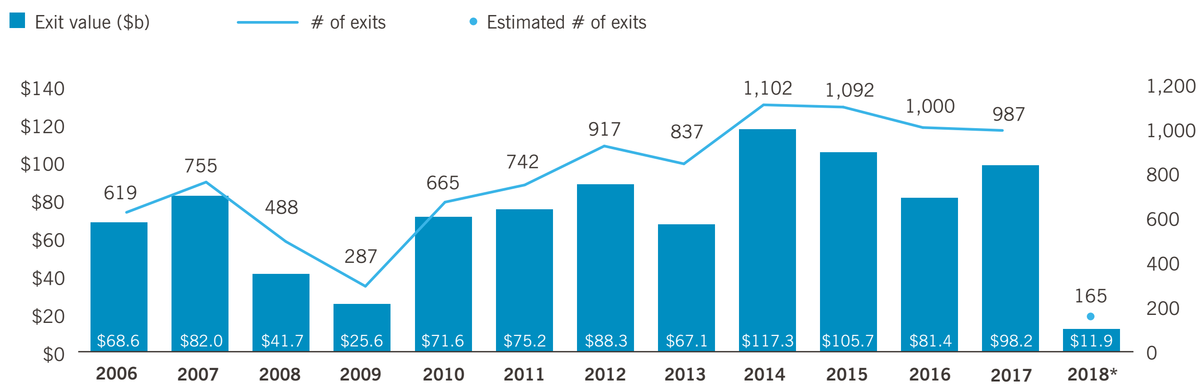
Europe PE deal flow



*As of March 31, 2018. Unknown values are estimated based on known figures.
Source: Pitchbook 1Q 2018 European Breakdown Report

The US exit market was at its lowest level in five years in the first three months of 2018, with 165 transactions and an exit volume of $12 billion. This trend is expected to continue, as most investments made prior to 2008 have already been sold and the majority of companies acquired from 2014-2016 are not yet ready for sale. Secondary buyouts accounted for about one-half of middle-market exits in Q1 2018, a trend that was the same in 2016 and 2017. IT deal exits follow a pattern similar to deal flow, with IT deals now accounting for a larger proportion of PE-backed exits.

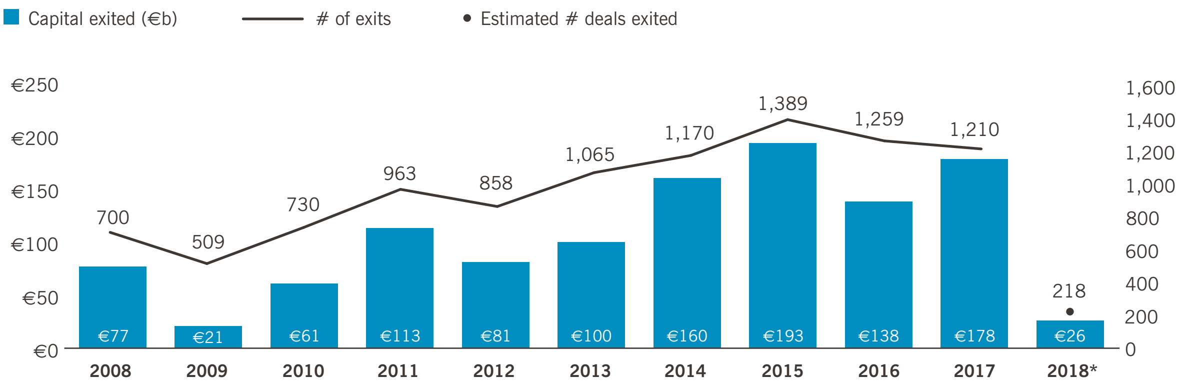
US PE-backed exits



*As of March 31, 2018. Unknown values are estimated based on known figures.
Source: Pitchbook 1Q 2018 US Breakdown Report

Similar to the US, the European exit market in Q1 2018 fell to its lowest level in the last four years. However, this trend is expected to reverse slightly during the remainder of 2018 as a number of exits of €1 billion or more announced in Q1 2018 have not yet closed. The median size of PE-backed IPOs fell from €120 million in Q1 2017 to €70 million in Q1 2018. The median size of M&A exits fell to €47 million in Q1 2018, the lowest level since 2010. Secondary buyouts continue to play a prominent role in European PE exits and accounted for 52% of all exits in the first quarter of 2018.

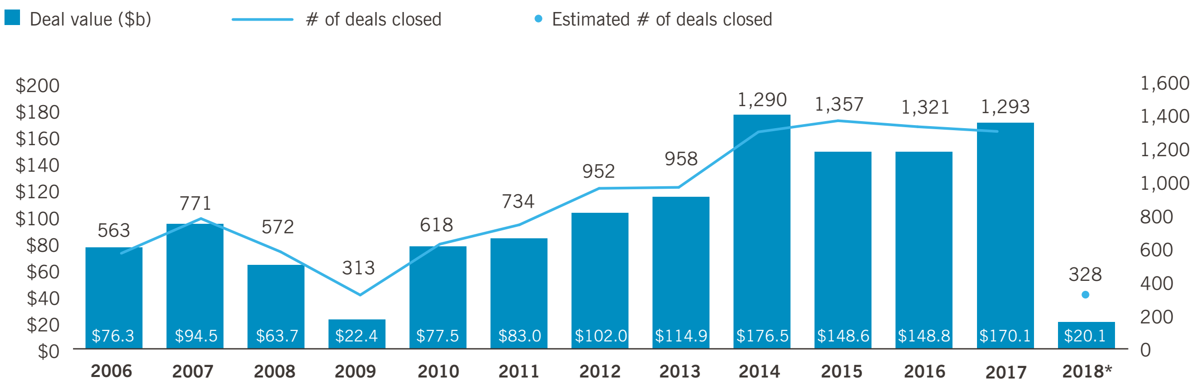
European PE-backed exits



*As of March 31, 2018. Unknown values are estimated based on known figures.
Source: Pitchbook 1Q 2018 European Breakdown Report

Add-on investments now represent more than half of all buyout activity. Nearly 30% of PE-backed companies now undertake at least one add-on acquisition, compared to less than 20% that did so in the early 2000s. Heightened add-on activity in recent years is largely being driven by prolific buyers that pursue numerous add-ons per platform. More than 25% of add-ons are now being acquired by platforms with at least five total add-on deals. It takes time to execute deals and integrate businesses; as such, the median time to exit tends to be about a year longer for companies that undergo at least one add-on investment.

US PE add-on activity



*As of March 31, 2018. Unknown values are estimated based on known figures.
Source: Pitchbook 1Q 2018 US Breakdown Report

BUSINESS REVIEW

CORPORATE INVESTMENT – MENA

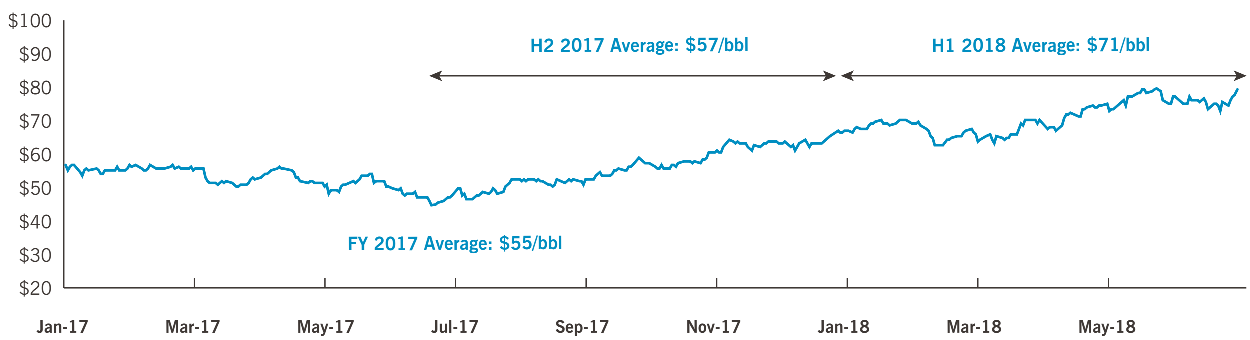
The GCC witnessed a contraction in growth in 2017, with real GDP growth at -0.2% driven by the effect of the OPEC oil production cuts as well as overall economic slowdown.

Growth in Saudi Arabia in particular contracted by -0.7% last year on the back of government spending cuts as well as oil production cuts. Overall consumer spending has been impacted due to recent reforms such as the implementation of value added taxes ('VAT') and the reduction of fuel and electricity subsidies. The country is also witnessing a significant number of expatriates leaving the country on the back of expatriate levies as well as a strong push by the government on Saudization, which had an impact on both consumer spending and the operating costs of private sector companies.

Nonetheless, the IMF expects the GCC's overall real GDP growth in calendar year 2018 to pick up to 1.9%, underpinned by expansionary fiscal policies implemented by the GCC governments and recovery in oil prices. Non-oil GDP growth is expected to grow to 2.7% in 2018 compared to 1.8% in 2017, on the back of pro-growth government initiatives and a slower pace of fiscal consolidation. Similarly, growth in Saudi Arabia is expected to pick up to 1.7% in 2018.

During the first half of 2018 ('H1 2018'), crude oil prices averaged $71 per barrel, up 25% compared to $57 per barrel in the second half of 2017, amid falling inventory levels, geopolitical risks emerging from the withdrawal of the US from the Iran nuclear agreement and the reinstatement of US sanctions on Iran in May 2018. Oil prices were also buoyed by initial discussions concerning Saudi Arabia's willingness to continue production cuts into 2019, and the possible reduction in other oil producing countries. The US Energy Information Administration projects oil prices to average $72 per barrel in 2018.

Brent Crude Oil Price, January 1, 2017 – June 30, 2018 ($/bbl)



Source: Bloomberg

Countries in the GCC region continue to focus on diversifying their economies, increasing the role of the private sector as well as promoting foreign direct participation within their economies.

In H1 2018, the UAE government approved 100% foreign ownership of UAE-based businesses, with a ten-year visa for investors, scientists, doctors, engineers, entrepreneurs and innovators. A strong testament to the UAE's continued focus on diversification and growth is that the country ranked first in 11 global competitiveness indices among six different competitive reports, issued by the World Economic Forum, the World Bank Group, the European Institute of Business Administration ('INSEAD') and the International Institute for Management Development.

In February 2018, Saudi Arabia approved a new bankruptcy law geared towards increasing foreign and private sector investments in the country. The law focuses on adequate consideration for the rights of creditors, regulated selling of bankruptcy assets, reducing the cost of bankruptcy procedures, facilitation of proceedings for small debtors and raising the country's ranking in the settlement of bankruptcies.

In June 2018, Morgan Stanley Capital International ('MSCI') announced the inclusion of Saudi Arabia in the MSCI Emerging Markets Index, following a two-step inclusion process. The move followed a similar announcement by FTSE Russell in March 2018, to promote Saudi Arabia to 'Secondary Emerging Market' status. These developments are expected to deepen the Saudi stock market, attract foreign investment and improve liquidity.

In April 2018, the Saudi Council of Economic and Development Affairs approved the Kingdom's privatization program, which aims to generate $9 – $11 billion in non-oil revenue by 2020 and create up to 12,000 jobs. The initiative also targets 14 public-private partnership ('PPP') investments worth approximately $7 billion. Key plans include the privatization of the national football league, flour mills and part of Saudi Saline Water Conversion Corporation. The full program has over 100 potential initiatives in more than 10 sectors including Healthcare, Education, Housing and Energy and targets $16 billion in non-government investments by 2020 with a goal of contributing up to $4 billion to GDP and up to $9 billion worth of savings from PPP investments.

In addition, Saudi Arabia and SoftBank signed a memorandum of understanding to build a $200 billion solar power development that would almost triple Saudi Arabia's electricity generation capacity and cut $40 billion off power costs. Saudi Arabia also plans to grow its tourism and entertainment sector and recently lifted a 35-year ban on cinemas, with more than 300 cinemas expected to open by 2030.

GCC governments are also resorting to non-oil revenue sources by implementing new taxes, thereby strengthening the tax culture and tax administration within their economies. Both Saudi Arabia and the UAE implemented a 5% VAT in January 2018, with other GCC countries expected to follow suit, albeit at a slower pace than initially envisioned. Saudi Arabia expects a VAT income of approximately $9.4 billion in the first year, while the UAE estimates a VAT income of approximately $3.3 billion.

In summary, while uncertainties around oil prices remain, GCC governments on the whole remain committed to wide-ranging economic and social reforms to transform their economies away from the traditional reliance on oil and to create a more dynamic private sector.

The Turkish economy registered a real GDP growth of 7.4% in Q1 2018, in line with full-year 2017 growth, mainly fueled by a credit impulse supported by state loan guarantees and fiscal expansion policies. The current account deficit ('CAD') and inflation, however, continue to remain key issues with CAD widening to 5.6% in 2017 on account of rising core imports, higher gold and energy prices and inflation reaching 11.9% in 2017 on the back of currency depreciation as well the upward pressure on energy prices. The widening CAD and rising inflation also led to the Central Bank of Turkey raising interest rates by 500 bps during H1 2018 to 17.75%.

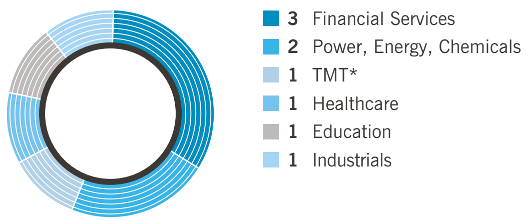
A decision to hold snap elections in the country during the end of June created further political uncertainty during H1 2018, causing the Turkish Lira to depreciate by 21% to reach TL4.60: US$1 as of June 30, 2018, having already remained vulnerable to the large CAD and investor concerns over geopolitical risks.

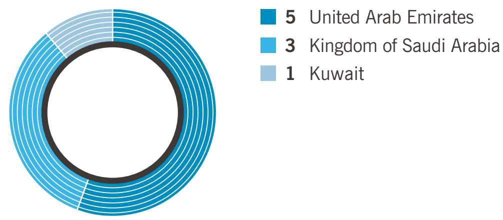
The IMF expects Turkey's real GDP growth in 2018 to moderate towards 4.4% as the impact of expansionary fiscal measures implemented in 2017 fades and interest rates increase. Furthermore, while higher oil prices continue to pose upside risks for the CAD, a moderation in gold imports and continued recovery in the tourism sector could help contain this risk.

During H1 2018, the primary GCC stock exchanges registered five real estate investment trust ('REIT') issuances in Saudi Arabia and two initial public offerings ('IPO') in Oman, with a total capital raised of approximately $730 million. This compares to four REIT issuances and one IPO in H1 2017, with a total capital raised of $365 million. The Saudi NOMU market (an alternative equity market to the Saudi Tadawul) which was launched in Q1 2017 and aimed at smaller-cap companies registered only one IPO in H1 2018 compared to 8 IPOs in H1 2017.

The first half of 2018 recorded 45 M&A transactions in the GCC region, relatively in line with the first half of 2017, which recorded 48 transactions. Nine of these transactions were led by a financial buyer in H1 2018 compared to seven transactions in H1 2017. Financial Services was the most active sector, with the UAE being the most active market. During the same period, there were five exits by a financial investor.

Breakdown of GCC Private Equity Transactions in H1 2018 (January 1 – June 30)





Source: Merger Market, Investcorp Analysis as of June 30, 2018
*TMT (technology, media and telecom)

In H1 2018, Turkey recorded three IPOs of greater than $100 million in value, with a total capital raised of $1.3 billion, compared to the same number of IPOs in 2017 but with $722 million capital raised.

On the M&A front, Turkey recorded 35 M&A transactions in H1 2018 compared to 42 transactions in H1 2017 (-17%). Six out of these transactions were led by a financial buyer compared to nine transactions in H1 2017. During the same period, there were exits by a financial investor.

In summary, the medium- to long-term outlook of the GCC region remains positive, supported by favorable demographic trends and initiatives by the governments to increase participation of the private sector and foreign direct investments.

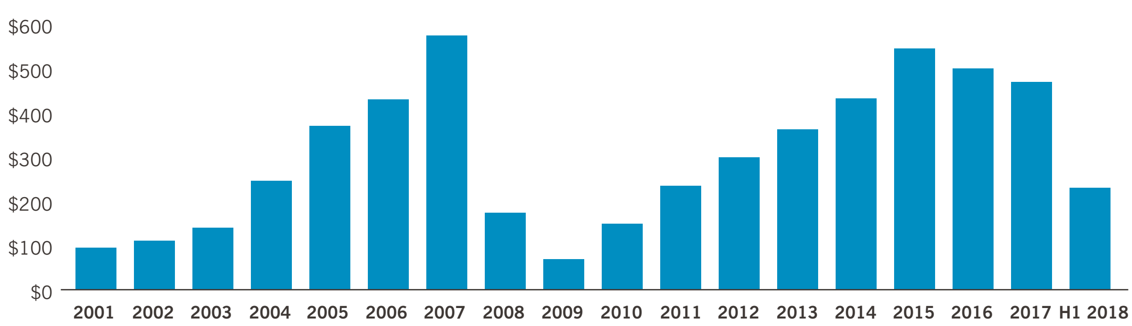
While near-term risks remain, the medium to long-term outlook for the Turkish economy remains positive on account of the country's strong fundamentals such as its sizeable young population, its aspiring middle class, its entrepreneurial culture and its strategic geographical position as a trading hub.

REAL ESTATE INVESTMENT – NORTH AMERICA

Commercial real estate market fundamentals in the US remain healthy across most asset classes in a majority of metropolitan areas. A relatively stable US economy continues to drive demand for US property, with an increase in leasing activity, market rents and values. US job growth has continued to grow, with the US adding over 2.3 million jobs through June 2018, up from 2 million for the same prior year period, and the unemployment rate stands at 4.0% as of June 2018 (versus 4.4% in June 2017). In addition, US consumer confidence remains high. These positive trends continue to have a favorable impact on the office, multifamily, retail, industrial and hospitality sectors.

US real estate transaction volume is up 2% year-to-date through June 2018 versus the same period last year. However, the growth was not uniform across property types. The industrial sector experienced record high volume levels in Q2 2018, while the retail sector saw the biggest volume drop during the quarter. Overall prices have held steady and capitalization rates remain largely unchanged from a year ago. Further, operating fundamentals remain solid. Even though the Fed has raised rates, the spread between capitalization rates and Treasuries is wide enough that the interest rate increases have not resulted in higher capitalization rates. Capital flows into the US are expected to continue to remain strong because the US is seen as a safe haven relative to other countries.

Transaction Volume ($b)



Source: Real Capital Analytics, Inc. 2018

US **office market** fundamentals remained sound through Q1 2018. Office-using employment remained resilient and expanded in Q1 2018, with tech markets and low-cost markets in the south and west continuing to see the highest office-using job growth. According to CBRE, office vacancy rates across the US ticked up for the quarter to 13.3%, due to an increase in new supply. Rents increased year-over-year in most of the largest office markets. However, markets such as Houston saw a decrease in rents as the metro continues to recover from the energy industry downturn. The top markets for construction were New York City, San Francisco, Washington, D.C., Dallas and Seattle – with these five markets accounting for half of the square footage under construction in the US. Leasing demand continues to be led by the high-tech and financial sectors. Many southern and western markets, such as Tampa, Phoenix and Orlando, outperformed other markets due to increased job growth and limited new construction.

US **retail market** fundamentals remained stable through Q1 2018 due to consistent demand and relatively low supply. According to CBRE, net absorption was positive in Q1 2018 at 14.2 million square feet, and up significantly from Q1 2017. The rise is due to a decrease in the number of store closings last year. Demand was strongest in neighborhood, community and smaller shopping centers, and demand remained relatively weak at power centers and lifestyle and mall properties. Vacancy decreased in Q1 2018 across all major retail property types except for the lifestyle and mall segment. Retail sales, excluding sales at gasoline stations, increased by just under 4% year-over-year as demand drivers such as employment and personal income remain relatively strong. E-commerce sales accounted for an estimated 9.4% of total retail sales in Q1 2018, up from 8.5% in Q1 2017. New supply decreased by 23% year-over-year, representing the lowest level recorded since Q1 2015 according to CBRE.

Growth in the **industrial market** continued throughout Q1 2018. According to CBRE, demand outpaced new supply for the 32nd consecutive quarter. Increased consumer spending, business inventories and industrial production were the major drivers of industrial demand. Industrial leasing demand continues to be led by three industries – e-commerce, food and beverage, and third-party logistics companies. Demand continued to be broad-based, with strong growth in core distribution markets such as Atlanta, Dallas/Fort Worth, the Inland Empire region of Southern California, Houston and Cincinnati. The US industrial availability rate declined to 7.3% – the lowest level since Q1 2001. Savannah, Detroit, Oakland, Cincinnati and the San Francisco peninsula led the way with the lowest availability rates, all below 4.2%. Low availability rates and strong leasing demand resulted in sustained rental growth. The average net asking rent grew 1.9% in Q1 2018 to $7.01 per square foot – the highest level since CBRE began tracking the metric in 1989. Rents increased 5.9% year-over-year. Construction is under way in many markets although supply remains limited.

US market fundamentals in the **'for rent' multifamily market** remained healthy in Q1 2018. According to CBRE, the vacancy rate ticked up slightly to 5.0% year-over-year. Markets with the lowest vacancy rates were Minneapolis, New York metro, Detroit, Orlando and Los Angeles/Southern California. Average monthly rent rose 2.0% year-over-year, below the 20-year historical average of 2.5%. Demand remains strong due to favorable demographics and shifting lifestyle preferences favoring renting rather than owning. As of Q1 2018, the national home-ownership rate increased slightly to 64.2%. While urban fundamentals and millennial demand are still solid, suburban markets are also improving, led by baby-boomer demand. Supply has been on the uptick; however, half of all new US supply is located in only 10 markets. The markets that saw the biggest increase in supply for the four quarters ended in Q1 2018 were New York, Dallas/Fort Worth and Los Angeles/Southern California. Demand in each of these markets remains solid.

The US **hospitality market** remained healthy in Q1 2018. According to CBRE, demand growth grew by 3.0% year-over-year and supply increased by 2.0%. The markets which saw the largest year-over-year demand increases were Pittsburgh, Houston and Philadelphia. US occupancy increased by 0.9% year-over-year. Average daily rate increases remained modest at 2.5% but combined with a higher occupancy level resulted in revenue per available room growth of 3.5%. Minneapolis had the best year-over-year performance due to high demand during the Superbowl weekend. Other markets with strong performance were Miami, Philadelphia and Orlando. The markets that saw the biggest increase in supply for 2017 were Austin, Charleston and Dallas.

BUSINESS REVIEW

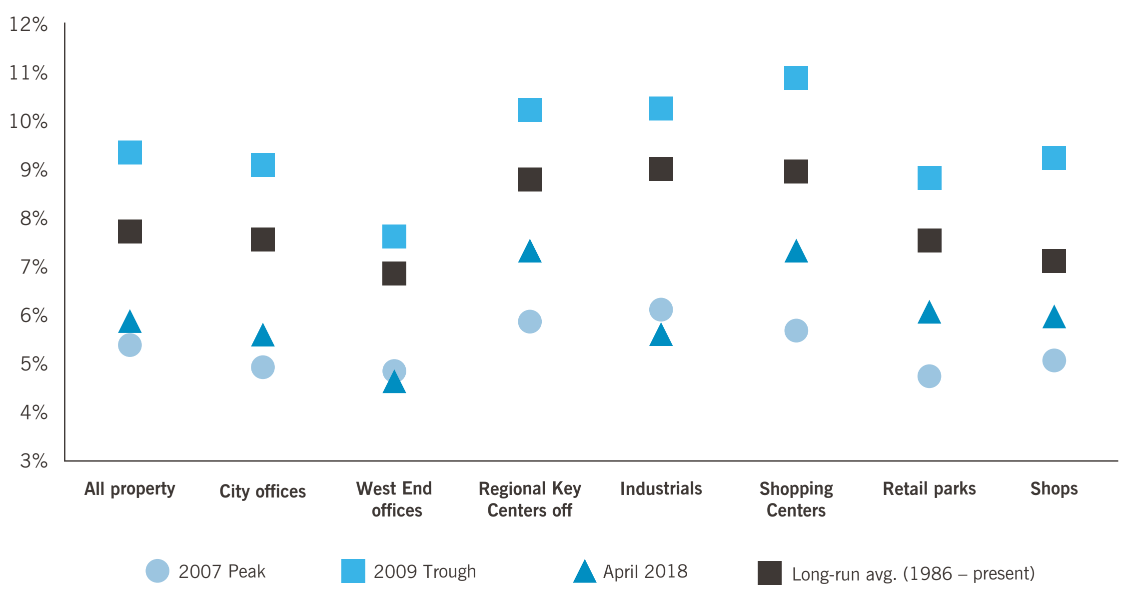
REAL ESTATE INVESTMENT – EUROPE

While the UK economy provided solid GDP growth in 2017 at 1.8%, this was the slowest growth since 2012 and exceeded only Italy among G7 countries in terms of GDP growth. Domestic inflation reached approximately 3%, primarily driven by a decline in Sterling, and continued to exceed the BOE target of 2%, though many expect that inflation will moderate in 2018. Interest rates have increased along with expectations for future rate increases.

Most business investors would hope for a 'soft Brexit' and the mood in the UK seems to fluctuate depending on the current status of the negotiations. Most commentators believe there will be a few bumps in the road before the final status of the UK's withdrawal from the Europen Union is settled. It is clear, though, that the continued Brexit uncertainty has generally led to a delay in capital investment decisions by companies.

Increasing rates have had little impact on property yields. Yields were most affected by the continued weight of money chasing predictable cash flows, the health of the supply/demand equation and sector fundamentals. For example, retail continues to suffer from significant headwinds, and yields for retail assets have widened. City of London office yields are bifurcated between trophy assets selling for less than -4% yields and less-prime assets, where investor demand is more attenuated.

Current yields vs. over time



Source: Canacoord June 2018

There continues to be a good dynamic in the warehouse/logistics area, with limited new supply and continued strong demand from tenants, resulting in good rental growth around the UK. Regional offices are also in vogue as investors look to markets like Bristol, Leeds, Manchester and Birmingham for some yield enhancement and positive real estate fundamentals. In the regional office sector, rising building costs and limited capital for speculative development, coupled with obsolete stock being converted into residential product through 'Permitted Development' planning legislation has led to a reduction in stock. In some markets, Grade A space is in increasingly short supply, with Grade A vacancy across the Big 6 (Manchester, Birmingham, Leeds, Bristol, Edinburgh and Glasgow) remaining at 1.7% (according to JLL).

Transaction volumes in the UK totaled €78.7 billion (CBRE), with significant capital flows from Asia including the Logicor platform acquisition (which was treated as a UK transaction).

The German economy performed well in 2017, with approximately 2.3% GDP growth. Consensus estimates for 2018 predict GDP growth of approximately 2.2%. Employment in Germany remains at high levels, with an unemployment rate of 5.5% as of March 2018. One significant dampener on sentiment is the threat of protectionism.

The health of the German economy has translated into strong performance in the office sector in Germany's major cities. Take-up of space was strong, and supply is under control. C&W estimates that vacancy levels have fallen 15% in 2017, and in Munich and Berlin, vacancy rates have declined to 3.4% and 2.2% respectively (C&W). As a result, prime rents in all major cities in Germany rose in 2017.

Investors continue to acquire real estate assets in Germany, attracted by the supply/demand dynamic for space and continued low levels on interest rates. Yields for prime real estate continue to fall and volumes have increased; in fact, some market participants feel that volumes were affected by the lack of product for sale.

Transaction volume in Germany remained very robust at €57.6 billion (CBRE), which was significantly ahead of all other EU markets, but still trailing the UK in terms of overall volume.

ALTERNATIVE INVESTMENT SOLUTIONS

Hedge funds delivered positive performance of 5.3% for FY18, as measured by the HFRI Fund of Funds Composite Index, compared to FY17 performance of 6.5%.[1]

Long/short equities led positive performance across all major hedge fund strategies. Results were strongest in the Asia Pacific and US regions, followed by the European region.

For **long/short equities**, FY18 can best be described as a tale of two halves. During the first half of the year, investors' risk appetite for secular growth companies drove equity market performance for Asia, as well as the US. Managers in both regions benefited from this phenomenon, especially if they held large cap growth stocks in the Information Technology (IT) or Consumer Discretionary sectors. While the European markets also gained heading into the end of calendar year 2017, performance lagged behind the funds that were invested in Asia or the US. The weaker US Dollar and benign inflationary backdrop also provided a strong tailwind for emerging markets during the first half of FY18. However, the equity markets abruptly reversed course in February 2018, when investors became more concerned about rising inflation, higher interest rates and a political narrative suggesting the potential for a global trade war. Market volatility increased and funds experienced mark-to-market losses resulting from high gross and net exposures stemming from the buoyant, liquidity-driven bull market that characterized 2017. As most of the trends from last year reversed in calendar year 2018, the equity markets remain range-bound, with US IT stocks being the strongest area of investment on a global basis. Funds have only marginally de-risked, while concentrating their portfolios in high conviction positions driven by the prospects of positive earnings growth or expanding margin growth.

Traditional **credit** indices have been hampered by a rising interest rate environment, while credit spreads remain nearly unchanged year-over-year. Rising rates have been offset by positive carry leading to high-yield returns of 2.8%.[2] Against this backdrop, and despite their partially hedged exposure, credit-focused hedge funds outperformed the long-only indices, benefitting from their expertise across credit selection and portfolio sizing. The higher turnover funds typically outperformed those pursuing a more traditional buy-and-hold approach. Structured credit funds produced more robust gains due to their exposure to levered structures and events including collateralized loan obligations ('CLOs') refinancings and resets, callable legacy residential mortgage-backed securities ('RMBS'), mortgage put-back litigation, and maturing legacy commercial mortgage-backed securities ('CMBS').

Global macro discretionary funds performed in line with the broader hedge fund asset class during FY18. Consistent performance was generated across the peer groups, with strong returns coming from managers with a focus on emerging markets, Asia, commodities as well as more traditional FX and rates. The most successful managers within FX and rates were able to successfully capture the approximately 100 bps sell-off in US duration from Q3 2017 to May 2018. In addition, they were also successful in navigating the weakening of the USD through 2017 into February 2018, followed by the subsequent strengthening into June 2018. Some commodity managers captured the approximately 50% increase in the price of oil, while others benefited from attractive spreads between related oil products. Emerging markets managers were able to harvest risk premia across the EM complex but suffered reversals, particularly after volatility in February and March.

1 Source: PerTrac: HFRI Fund of Funds Composite Index

2 Source: PerTrac: Bloomberg Barclays U.S. Corporate High Yield Index

BUSINESS REVIEW

Commodity trading advisors ('CTA') funds were one of the weaker performing groups across hedge funds during FY18. The universe was most affected by the strong reversal in equity markets in February 2018 and the ensuing volatility that negatively impacted the significant net long positioning that had been accumulated. Funds also struggled to transition their fixed income duration exposure over the fiscal year from broadly long to a more balanced positioning.

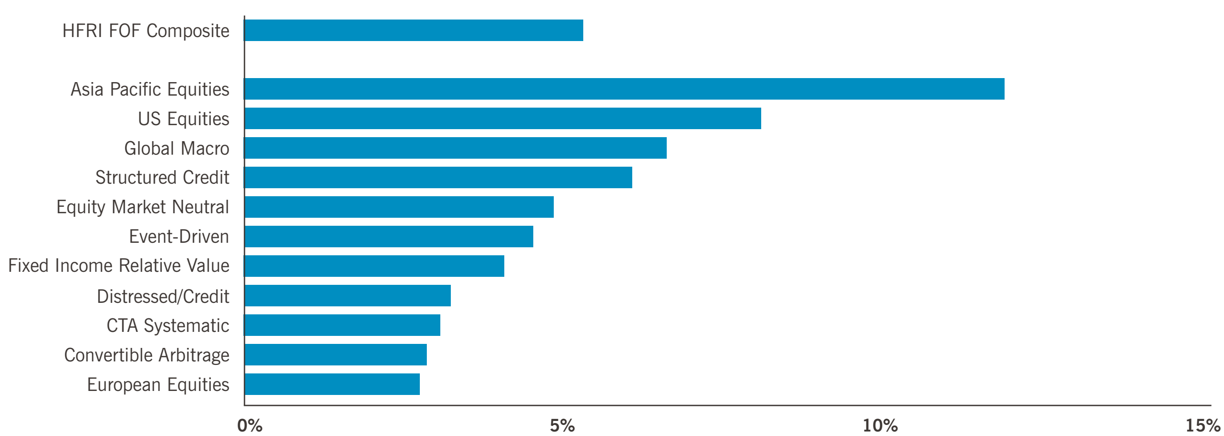
Equity market neutral strategies performed in line with the broader hedge fund asset class during FY18. Statistical arbitrage managers performed well and were beneficiaries of general increased equity market volatility and stock dispersion. Fundamental managers that have a distinct value bias struggled, particularly in the first half of calendar year 2018, as the value factor significantly underperformed growth and momentum factors.

Performance of **event-driven** hedge funds was relatively subdued for the year compared to other net long equity hedge fund strategies. Underperformance in the strategy came from across the event-driven spectrum ranging from hard events to special situations. Hard events focused hedge funds underperformed due to regulatory headwinds from the US administration's renewed focus on trade policy and its impact on cross-border deals. As a result, merger deals widened to reflect higher risk. Special situations hedge funds overweighted to value stocks underperformed those that were more exposed to growth companies. For reference, the S&P 500 Value index was up just 7.6%[1] vs. the S&P 500 Growth index, which was up 20.6%[2] during FY18. Other obstacles were uncertainty in US policies surrounding global trade, taxation (during H1 2018), healthcare and immigration and these resulted in slowdowns for corporate activity and capital spending decisions. Expectations around tightening of financial conditions in the US, rising inflation and peak valuations kept risk appetite subdued among event-driven hedge funds.

Fixed income relative value strategies underperformed during FY18. Some managers were able to benefit from classic cash/futures basis trading in both the US and Europe. This strategy currently benefits from the regulatory-induced reduction of bank proprietary trading desks, thereby increasing barriers to entry and limiting competition. Managers with a long volatility bias struggled in the first half of the fiscal year as all asset class volatilities trended lower before some respite after February 2018, when there was a pickup in fixed income volatility.

Convertible arbitrage strategies produced consistent returns over the fiscal year and proved resilient through the market volatility in February/March; however, they underperformed broader hedge fund indices in FY18. Subdued levels of volatility in the first half of FY18 limited gamma trading opportunities. In addition, full valuations in the asset class did not provide compelling credit related returns. Strong issuance trends in calendar year 2018 have improved the outlook somewhat but these have not yet been reflected into broader strategy returns.

Performance of hedge fund strategies (July 2017 – June 2018)



Source: PerTrac, Investcorp

The hedge fund industry experienced estimated investor inflows of $10 billion during the first three quarters of FY18 (July 2017 – March 2018) as industry assets, which have grown to a record $3.2 trillion, continued their rise for the seventh consecutive quarter (since the beginning in April 2016).[3]

1 Source: PerTrac, S&P Dow Jones Indices LLC, a division of S&P Global: S&P 500 Value (TR) Index

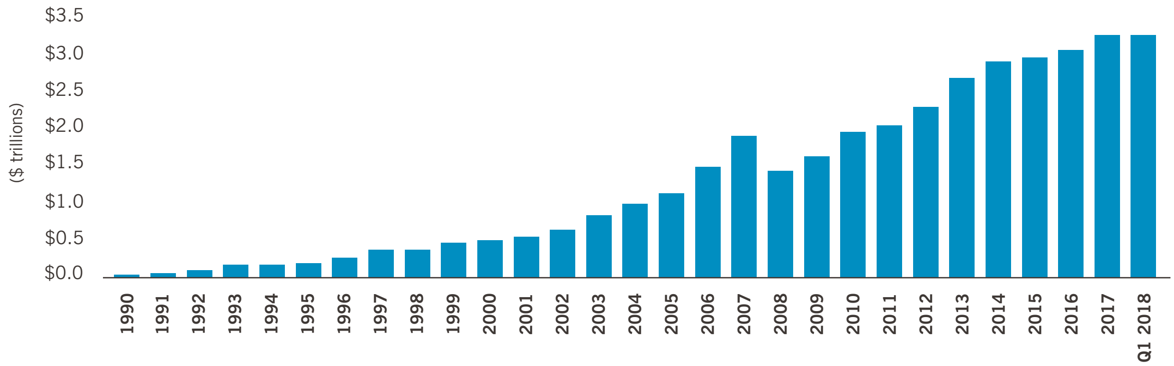
2 Source: PerTrac, S&P Dow Jones Indices LLC, a division of S&P Global: S&P 500 Growth (TR) Index

3 HFR Industry Reports © HFR, Inc. Q1 2018, www.hedgefundresearch.com

Asset inflows were strongest in the event-driven strategies followed by macro strategies and relative value strategies. Long/short equity strategies experienced outflows as investors reduced market beta.

Hedge fund assets have continued to increase, albeit at a slower pace over the last five years, and the estimated number of hedge funds has remained roughly flat. Investor surveys by Deutsche Bank and Barclays Investment Bank anticipate net inflows of approximately $40 billion in calendar year 2018.[1]

Hedge fund industry assets under management



Source: HFR Industry Reports © HFR, Inc. Q1 2018, www.hedgefundresearch.com

CREDIT MANAGEMENT

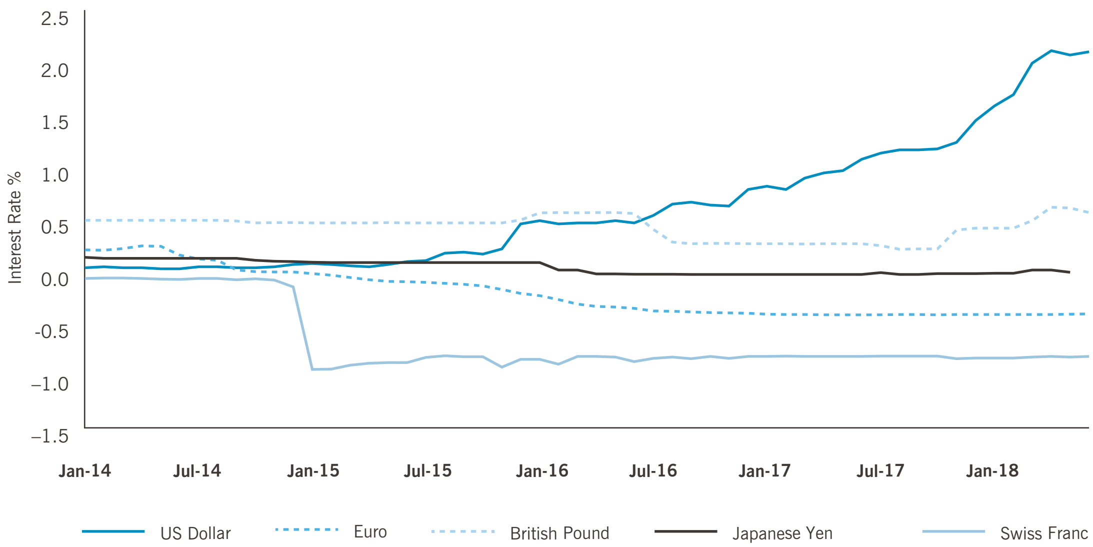
Globally, the leveraged loan asset class continued to provide attractive risk-adjusted returns to investors. The leveraged loan market in the US benefited from a growing economy, a rising interest rate environment and optimism around corporate tax cuts enacted at the end of 2017. The US Federal Reserve raised the Fed funds rate three times in the past twelve months, with the most recent increase in June. The market anticipates another two measured increases before the end of 2018, which has led to continued increases in US short-term borrowing rates. Key economic indicators in the US point to a healthy economic outlook. US GDP is expected to rise to 2.8% by the end of the year and the unemployment rate is expected to fall to 3.6%. In Europe, steadily improving economic conditions supported the European leveraged loan market in the first half of 2018. In Q1 2018, the ECB confirmed an end to its QE program, with the bond purchasing program set to finish at the end of 2018. Any near-term upward pressure on rates in Europe became moot following the ECB's announcement to keep rates low through mid-2019. Nevertheless, longer-duration fixed-rate bonds in both the US and Europe experienced pressure in the second calendar quarter of 2018 in response to a medium-term rising rate environment. Historically, this type of interest rate environment has favored the floating rate loan asset class.

1 Deutsche Bank, *16th annual Alternative Investment Survey*, February 2018; Barclays Investment Bank, *Go with the flows: Global hedge fund industry outlook*, Mar 2018.

BUSINESS REVIEW

Short-Term Global Interest Rates

January 2014 – June 2018*

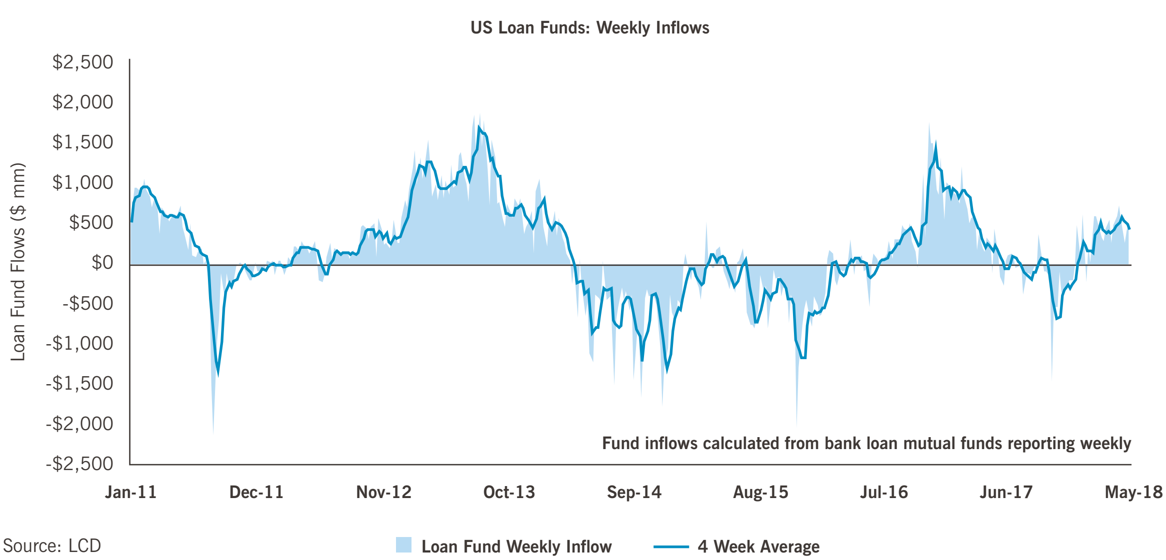


*Japanese Yen as at May 2018.
Source: OECD

Demand for the loan asset class remains very strong, as evidenced by another year of positive mutual fund inflows and increased CLO formation. For the twelve months ended June 30, 2018, US loan mutual funds experienced net inflows of approximately $4 billion, albeit down from a net inflow of $32 billion a year ago. During the same period, US CLO formation increased $35 billion to $134 billion; European CLO formation increased more than €7 billion to €25 billion. Anecdotally, demand from separately managed accounts remained robust throughout the year. In fact, the US leveraged loan market crossed the $1 trillion mark for the first time this year, now rivalling the high-yield bond market in size and liquidity. By comparison, the European leveraged loan market is approximately one fifth the size of the US leveraged loan market.

US Loan Mutual Fund Flows by Week

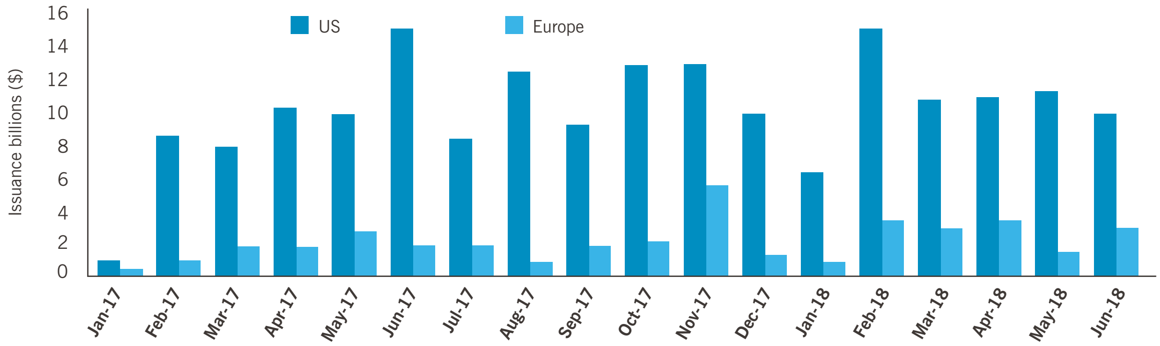
January 2011 – June 2018



Source: LCD

US and European New Issue CLO Issuance by Month

January 2017 – June 2018



Source: LCD, Wells Fargo Securities
FX Rate as at June 30, 2018

Corporate borrowers took advantage of the strong market technicals, which drove a wave of repricings and resulted in credit spread compression. The three-year discount margin ('DM') in the US declined by 60bp from the beginning of FY18 to a low of 382bp in April 2018 (versus a recent high of 692bp in February 2016). In Europe, the DM declined by 36bp to a low of 371bp during the same time period (versus a high of 633bp in February 2016). Despite the coupon tightening, loan prices increased in the first ten months of the fiscal year as the average loan price went from 97.19 to 98.23 in the US and 98.83 to 99.35 in Europe. In addition to tightening coupons, corporate borrowers were able to negotiate better terms in their credit agreements.

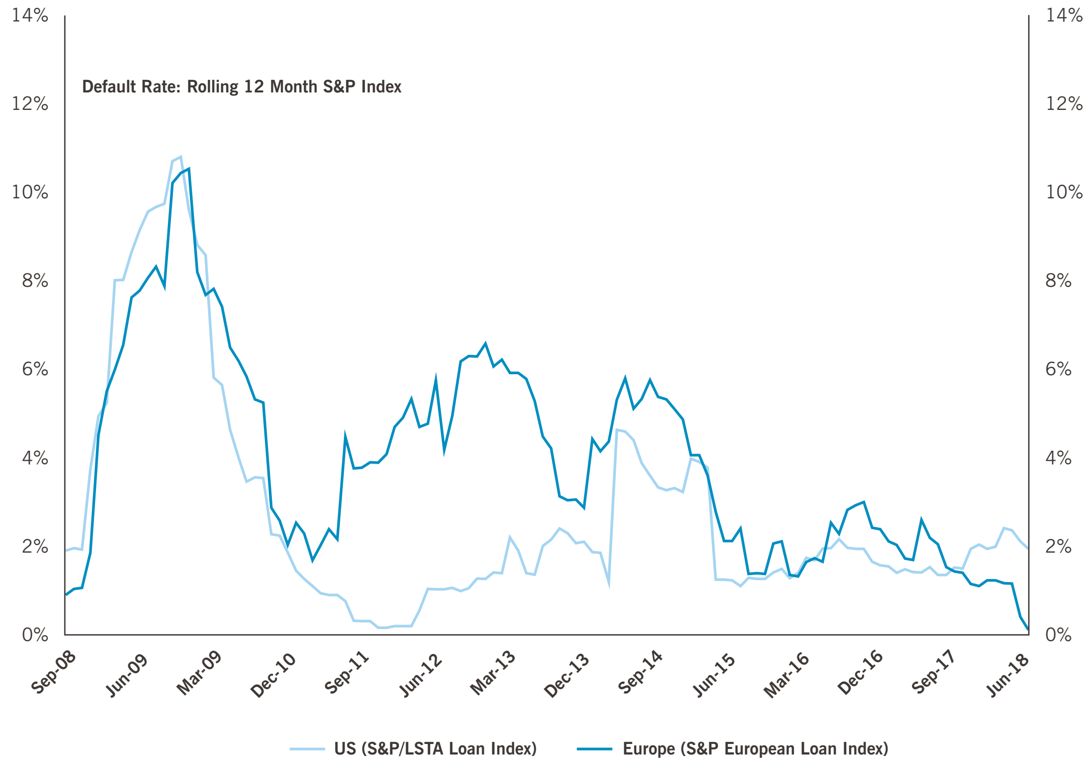
Towards the end of FY18, heightened geopolitical risk and fears of a potential trade war combined with increased new issuance resulted in more cautious investor sentiment. By June 2018, the DM widened to 400bp and 405bp in the US and Europe, respectively. In particular, lower spread loans traded down in the secondary market in reaction to the widening spreads in the primary market. As a result, the average loan price fell back to 97.85 in the US and 98.33 in Europe. Even with the uptick in pricing, the percentage of loans trading above par was 20.1% at June 30, residing near lows not seen since 2016. This suggests that the recent flurry of refinancing activity may subside. Essentially, loan buyers took advantage of a more balanced market to push back on lower yields and, importantly, on the weakening documentation terms. Heading into fiscal year 2019, the supply/demand situation feels more in balance.

For the 12 months ended June 30, 2018, the coupon-like return of 4.67% in the US demonstrates the direct benefits of floating rate loans as a more than 100bp increase in the 3-month LIBOR rate (from last year) more than offset spread compression that was driven by repricings. It is noteworthy that leveraged loan returns outperformed all other fixed income asset classes for the same period. The diversion in performance can be explained, at least in part, by rising Treasury rates that negatively impacted longer duration fixed income classes. In Europe, the return for leveraged loans was 3.30% for calendar year 2017, falling to 2.12% for the last 12 months ended June 2018, due to the impact of the price declines seen in May and June. The return is below the coupon as the secondary market has seen a price correction to adjust low-margin assets in line with current market yields. Similarly to the US market, the leveraged loan market in Europe still outperformed other fixed income classes. For example, European high-yield bonds returned only 0.70% for the same period. Default rates have remained low at 1.95% in the US and particularly low in Europe at 0.12% for the trailing 12 month period ending June 30.

BUSINESS REVIEW

US and European Loan Market Default Rates (by Principal)

September 2008 – June 2018



All industry sectors posted positive results in the US during FY18. Many of the sectors that underperformed during the same period last year were the best performers this year. Commodity related industries were the top performers as both energy and metals/minerals returned in excess of 8%, benefiting from a rebound in energy markets and higher commodity prices. The utilities sector also bounced back from a weak year as independent power producers profited from higher electricity prices in many major markets. The retail sector exhibited volatility in performance in both the US and Europe as the sector continues to be impacted by online threats and changing consumer buying patterns (Amazon impact) and the high fixed cost base for brick and mortar stores. Investors have become increasingly wary of the retail sector, selling down even the performing assets. The weakest performing sector in Europe was telecommunications (-1.45% return for last 12 months). The underperformance was not necessarily due to any credit issues, but more the result of investors having re-based the yield requirements for the sector following a slew of very tightly priced issues in 2016 and 2017 that now look unattractive in the current market on a relative value basis.

DISCUSSION OF RESULTS

PROFIT FOR THE YEAR

Profit for the year includes fee income from client-centric activities and asset-based income from returns generated on balance sheet assets, including unrealized changes in fair value of co-investments in Investcorp's corporate investment ('CI') and real estate ('RE') products, accrued returns on credit management ('CM') exposures and realized changes in the fair value of alternative investment solutions ('AIS') products.

The FY18 profit of $125 million was 4% higher than profit for the prior fiscal year ('FY17'). Continued geographical diversification of the Firm's client base and product set has helped support record levels of activity in terms of distributions to clients, investment activity and fundraising across all markets. This has resulted in higher gross operating income during the year, which grew to $454 million, reflecting an 8% increase over FY17. Investcorp's FY18 results represent a return on equity ('ROE') of 11% and fully diluted earnings per share ('EPS') of $1.30 per ordinary share.

Income ($m)	**FY18**	FY17	% Change B/(W)
Fee income	**321**	320	0%
Asset-based income	**133**	102	30%
Gross operating income	**454**	422	8%
Provisions for impairment	**(4)**	(4)	0%
Interest expense	**(56)**	(57)	(2%)
Operating expenses	**(256)**	(234)	9%
Net income before tax	**138**	127	9%
Income tax expense	**(13)**	(7)	86%
Net income	**125**	120	4%
Basic earnings per ordinary share ($)	**1.34**	1.28	5%
Fully diluted earnings per ordinary share ($)	**1.30**	1.25	4%

Fee income increased marginally to $321 million (FY17: $320 million) with growth in AUM fees more than offsetting lower deal fees. Asset-based income increased 30% to $133 million (FY17: $102 million) primarily driven by higher corporate investment returns.

Interest expense decreased by 2% due to lower average drawn balances. Operating expenses increased by 9% to $256 million (FY17: $234 million), reflecting the full year impact of the credit management business and the expansion of Investcorp's distribution platform. The tax expense increased by $6 million, which was primarily driven by a one-off charge in relation to a deferred tax asset arising from the changes in the federal corporate tax rates in the US.

BUSINESS REVIEW

FEE INCOME

Fee income has two components: (i) AUM fees, which include management and administrative fees on aggregate client investments under management in corporate and real estate deals, as well as fees from client investments in AIS and CM; and (ii) deal fees, which are generated and earned from transactional activities related to direct investments (CI, RE and special opportunities portfolios ('SOPs')), including their initial acquisition, subsequent placement and eventual exit, plus performance fees for value added during the ownership period.

Summary of fees ($m)	**FY18**	FY17	% Change B/(W)
AIS fees	**13**	12	8%
CM fees	**46**	15	>100%
Other management fees	**114**	109	5%
AUM fees	**173**	136	27%
Activity fees	**128**	164	(24%)
Performance fees	**20**	20	0%
Deal fees	**148**	184	(20%)
Fee income	**321**	320	0%

Total fee income in FY18 increased marginally to $321 million (FY17: $320 million).

AUM fees were $173 million in FY18, 27% higher than FY17. The increase reflects a higher level of client assets under management, primarily driven by the acquisition of the CM business in H2 FY17.

The increase in AUM fees was offset by a decrease in deal fees in FY18 to $148 million (FY17: $184 million), mainly driven by lower activity fees relative to FY17. Performance fees of $20 million remained flat relative to FY17, reflecting the stable performance of the underlying CI portfolio. Activity fees decreased by 24% to $128 million (FY17: $164 million). The decrease primarily reflects lower CI activity fees, driven by the impact of regional and global political and economic factors causing uncertainty and affecting investor sentiment and the pace of placement in the Gulf. The overhang of uncertainty also led to a deliberate decrease by the Firm in the pace and volume of new investment activity, particularly in CI.

ASSET-BASED INCOME

Asset-based income is earned on Investcorp's CI, RE, CM and AIS co-investments held on the balance sheet, including invested liquidity. Asset-based income includes unrealized changes in the fair value of CI and RE co-investments, accrued returns on CM exposures and realized changes in the fair value of AIS co-investments.

Gross asset-based income during FY18 increased by $31 million relative to FY17 to a net gain of $133 million, primarily driven by a significant increase in the CI returns from successful realizations during the year.

Asset-based income ($m)	**FY18**	FY17	% Change B/(W)
Corporate investment	**61**	19	>100%
Credit management investment	**28**	34	(18%)
Alternative investment solutions	**10**	16	(38%)
Real estate investment	**24**	22	9%
Treasury and other asset-based income	**10**	11	(9%)
Gross asset-based income	**133**	102	30%

The tables below summarize the primary drivers of asset-based income for CI, AIS and RE.

CI asset-based income KPIs ($m)	**FY18**	FY17	% Change B/(W)
Asset-based income	**61**	19	>100%
Average co-investments	**539**	561	(4%)
Absolute yield	**11.3%**	3.4%	7.9%

CI asset-based income in FY18 was positively impacted by steady growth across most of the US and European portfolio and successful realizations during the year. Positive returns were partially offset by lower returns for investments in the MENA and Turkey region, which were impacted by the uncertain geopolitical situation and economic softness driven by low oil prices.

CM asset-based income KPIs ($m)	**FY18**	FY17	% Change B/(W)
Asset-based income	**28**	34	(18%)
Average co-investments	**347**	280	24%
Absolute yield	**8.1%**	12.0%	(3.9%)

The CM asset-based return decreased by $6 million to $28 million as compared to FY17, primarily due to one off gains included in the FY17 income generated at the time of acquisition of the business. The income represents returns on CLO co-investment exposures, which delivered steady returns during the period, and which were supported by active management of the CLO funds by the credit management team.

AIS asset-based income KPIs ($m)	**FY18**	FY17	% Change B/(W)
Asset-based income	**10**	16	(38%)
Average co-investments	**207**	278	(23%)
Absolute yield	**4.8%**	5.7%	(0.9%)

AIS returns declined by 38% in FY18 to $10 million. The return was primarily affected by a lower average co-investment balance and the underperformance of Investcorp's alternative risk premia investments during the year.

RE asset-based income KPIs ($m)	FY18	FY17	% Change B/(W)
Asset-based income	**24**	22	9%
Average co-investments	**338**	312	8%
Absolute yield	**7.1%**	7.1%	0.0%

RE asset-based income is primarily driven by rental yields. The higher income in FY18 compared to FY17 reflects higher average co-investments related to the increased level of investment activity in the business during FY18. A large portion of the average co-investments relates to underwriting on which Investcorp earns the rental yield during the period of underwriting.

The table below shows the average yields on balance sheet co-investments for each of the last five fiscal years by asset class.

Asset yields	FY14	FY15	FY16	FY17	FY18	Average (FY14-FY18)
Corporate Investment	2.6%	6.8%	16.5%	3.4%	**11.3%**	8.1%
Credit management	–	–	–	12.0%	**8.1%**	10.1%
Alternative Investment Solutions	7.2%	2.0%	(6.2%)	5.7%	**4.8%**	2.7%
Real estate investment	(3.6%)	5.5%	(0.6%)	7.1%	**7.1%**	3.1%
Average co-investment yield	2.9%	5.0%	5.4%	6.4%	**8.6%**	5.7%

INTEREST EXPENSE

Total interest expense, including commitment fees on undrawn revolving credit facilities, decreased by 2% to $56 million in FY18 from $57 million in FY17. The decrease was due to lower average interest-bearing liabilities as shown in the table below. This effect was somewhat offset by a higher overall cost of funding, which was primarily the result of increases in LIBOR, although the average spread to LIBOR decreased compared to FY17.

Interest expense ($m)	FY18	FY17	Change H/(L)
Total interest expense	**56**	57	(1)
Average short-term interest-bearing liabilities	**504**	598	(94)
Average medium- and long-term interest-bearing liabilities	**775**	822	(47)
Average interest-bearing liabilities	**1,279**	1,420	(141)
Interest expense on funded liabilities[(a)]	**50**	51	(1)
Average cost of funding on funded liabilities	**3.9%**	3.6%	0.3%
Average 1-month US LIBOR	**1.5%**	0.7%	0.8%
Spread over LIBOR	**2.4%**	2.9%	(0.5%)

(a) Does not include commitment fee cost on undrawn revolvers.

OPERATING EXPENSES

Operating expenses increased by 9% to $256 million in FY18 from $234 million in FY17. The increase primarily reflects the full year of operations of the credit management business under Investcorp's ownership and also reflects the ongoing expansion of Investcorp's capabilities and the investment in resources required for growth. Staff compensation, which includes fixed and variable components, increased by 9%. This was primarily due to a 4% increase in global headcount across the Gulf, Europe and the US. Other expenses, comprising professional fees, travel and business development, administration and infrastructure costs and non-compensation personnel costs such as training and recruitment, increased by 10%, which is in line with the increase in gross operating income. Total expenses, as a percentage of net revenues, remained constant at 65%.

Operating expenses ($m)	**FY18**	FY17	Change H/(L)
Staff compensation	**164**	150	14
Other personnel costs and charges	**11**	11	–
Other operating expenses	**81**	73	8
Total operating expenses	**256**	234	22
Full time employees ('FTE') at end of period	**402**	388	14
Staff compensation per FTE ('000)	**408**	387	5%
Other operating expenses per FTE ('000)	**199**	188	6%
Total staff compensation/total operating expenses	**64%**	64%	(0%)
Operating expenses/net revenue[(a)]	**65%**	65%	0%

(a) Net revenue represents gross operating income less provisions for impairment and interest expense.

BALANCE SHEET

Key balance sheet metrics are shown in the table below.

Balance sheet metrics	**Jun-18**	Jun-17
Total assets	**$2.5 billion**	$2.7 billion
Leverage[(a)]	**1.3x**	1.3x
Net leverage ratio[(b)]	**0.5x**	0.4x
Shareholders' equity	**$1.1 billion**	$1.1 billion
Co-investments[(c)]/long-term capital[(d)]	**0.7x**	0.7x
Capital adequacy ratio	**31.5%**	31.7%
Residual maturity – medium- and long-term facilities	**69 months**	69 months

(a) Calculated in accordance with bond covenants.
(b) Calculated in accordance with bank loan covenants and is net of liquidity, underwriting and deferred fees.
(c) Excludes underwriting and is net of facilities secured against alternative investment solutions and credit management co-investments.
(d) JPY 37 billion debt maturing in 2030, $42 million secured financings maturing in 2030/2031 and $50 million debt maturing in 2032, deferred fees and total equity.

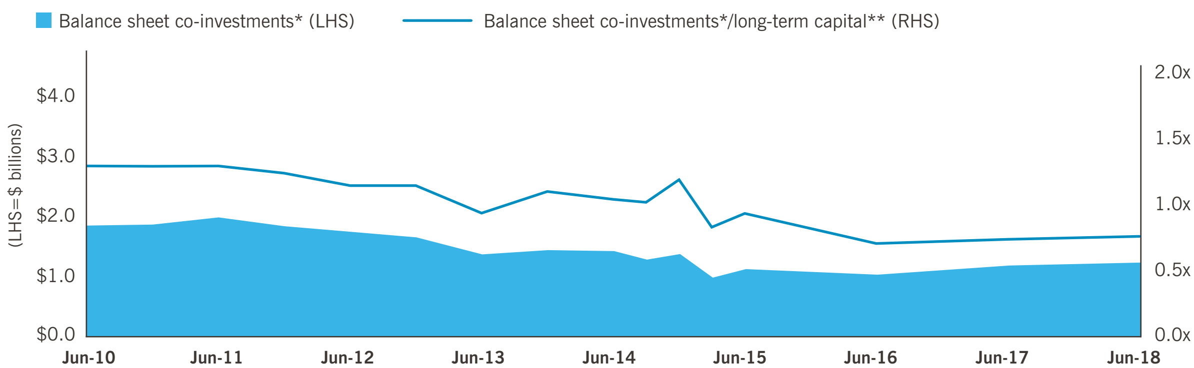
BUSINESS REVIEW

ASSETS

Assets ($m)	**Jun-18**	Jun-17	Change H/(L)
Cash and other liquid assets	**371**	562	(191)
CI, RE and AIS underwriting & CM warehousing	**446**	460	(14)
CM co-investments	**272**	259	13
AIS co-investments	**189**	236	(47)
CI and RE co-investments (excluding underwriting)	**701**	618	83
Other (working capital and fixed assets)	**514**	521	(7)
Total assets	**2,493**	2,656	(163)
Co-investment assets (excluding underwriting)	**1,162**	1,113	49

At June 30, 2018, total assets were $2.5 billion, 6% lower than at June 30, 2017. Total co-investments increased by $49 million to $1.16 billion, primarily driven by a $99 million increase in CI and CM, which was partially offset by a decrease in AIS and RE co-investments. As at June 30, 2018, gross co-investments in CM were $272 million of which $42 million was utilized to secure amounts drawn under long term repo financing agreements.

Co-investments are funded entirely by a combination of long-term and permanent sources of capital



* Excludes underwriting and is net of the amount of a secured facilities (which are secured against ICM co-investments).

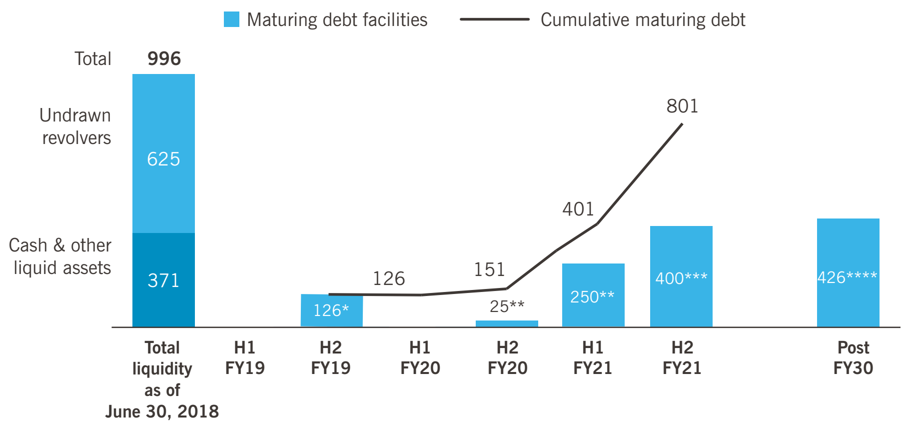
** Long-term capital consists of JPY 37 billion debt maturing in 2030, $42 million secured financings maturing in 2030/2031, $50 million debt maturing in 2032, total equity and deferred fees.

Investcorp focuses on maintaining a co-investment to long-term capital ratio of 1.0x or lower, such that the entire balance sheet co-investment portfolio is fully funded through permanent or quasi-permanent capital and does not rely on medium-term debt financing. As at June 30, 2018 the aggregate level of co-investments net of a $42 million repo credit facility secured against CM co-investments remained fully covered by permanent and long-term sources of capital.

LIQUIDITY

Despite the repayment of the $250 million bond that matured during the fiscal year and the buyback of $100 million of preference shares, accessible liquidity, comprising undrawn committed revolving facilities plus balance sheet cash and other liquid assets of $996 million, was maintained at a similar level as compared to FY17 (June 30, 2017: $984 million) and substantially covers all outstanding medium-term debt maturing over the next four years.

Liquidity cover ($m)



* CHF 125 million ($126 million at current exchange rates).
** Syndicated revolving facilities.
*** Syndicated revolving facilities – includes €100 million ($117 million at current exchange rates).
****JPY 37 billion ($334 million at current exchange rates) debt maturing in FY30, €36m ($41m at current exchange rates) debt maturing in FY31 and $50 million maturing in FY33.

LIABILITIES

Total liabilities decreased by $141 million to $1.37 billion at June 30, 2018.

Liabilities ($m)	**Jun-18**	Jun-17	Change H/(L)
Term and institutional accounts	**300**	185	115
Call accounts	**149**	249	(100)
Medium-term debt	**167**	382	(215)
Long-term debt	**450**	410	40
Total debt	**1,066**	1,226	(160)
Deferred fees	**72**	87	(15)
Other liabilities[(a)]	**232**	198	34
Total liabilities	**1,370**	1,511	(141)

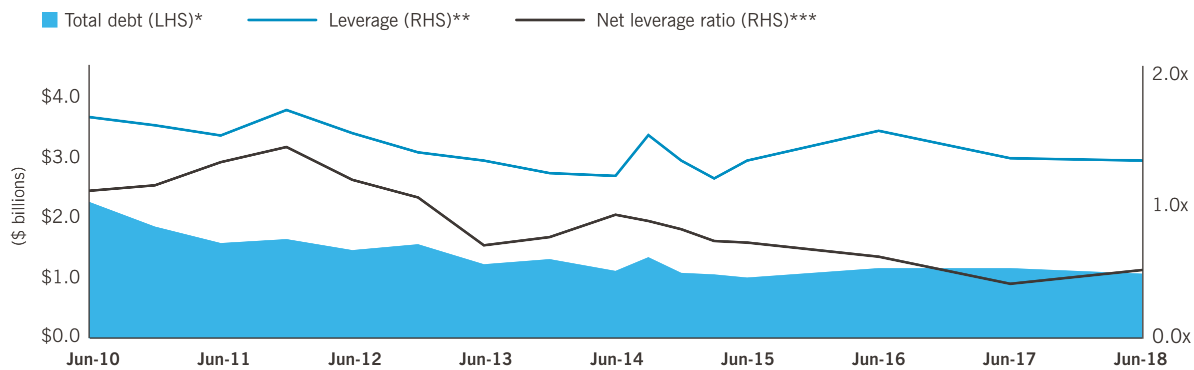
(a) Payables and accrued expenses, negative fair value of derivatives less prepaid transaction costs of borrowings.

The decrease in medium-term debt was primarily due to the repayment of a $250 million bond that matured during the fiscal year, which was partially offset by increased drawdowns of revolving facilities.

The increase in long-term debt was primarily due to two new secured financing repurchase facilities amounting to $42 million entered into during the year. The facilities are secured against CM co-investments. Currency translation risks are fully hedged, and hence there is no material impact on profit for the year from this or other exchange rate movements.

BUSINESS REVIEW

Financial leverage



* Total debt is defined as call accounts, term and institutional accounts, medium and long-term debt.
** Calculated in accordance with bond covenants. Liabilities are net of transitory balances.
*** Calculated in accordance with bank loan covenants, net of liquidity, underwriting and deferred fees.

Leverage, as defined for financial covenants principally in Investcorp's outstanding bond and note issues, is calculated after deducting any transitory liabilities from the aggregate level of liabilities on the balance sheet, and has remained low in line with Investcorp's medium-term objectives to maintain comfortable covenant headroom.

Net leverage, as defined in the four-year syndicated revolving credit facility, is calculated by deducting cash, underwriting balances and deferred fees (arising from the introduction of IFRS 15) from liabilities.

CREDIT RATINGS

Investcorp held its annual rating review with both Moody's and Fitch in October 2017. Moody's reaffirmed the Ba2 rating and upgraded the outlook from 'Negative' to 'Stable'. The semi-annual credit opinion released in April 2018 did not change Moody's rating and outlook on Investcorp. Following the yearly review, Fitch Ratings re-affirmed Investcorp's credit ratings at BB in December 2017 and confirmed the 'Positive' outlook.

Agency	Rating grade	Comment
Moody's Investor Service	Ba2/Negative outlook	Rating and outlook confirmed in published Semi Annual Credit Opinion in April 2018
Fitch Ratings	BB/Positive outlook	Rating and outlook confirmed in Dec 2017

EQUITY

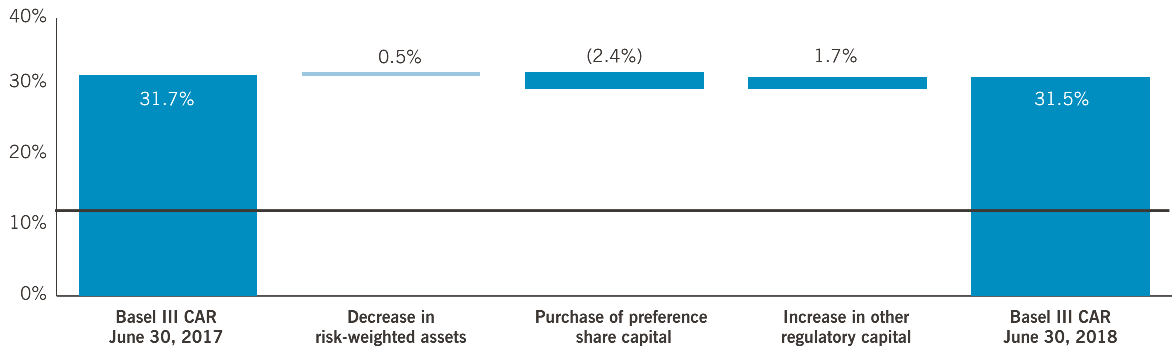
Equity ($m)	**Jun-18**	Jun-17	Change H/(L)
Ordinary shareholders' equity	**964**	884	80
Preference share capital	**123**	223	(100)
Proposed appropriations	**41**	44	(3)
Other reserves	**(5)**	(6)	1
Net book equity	**1,123**	1,145	(22)

Net equity at June 30, 2018 was $1.1 billion, reflecting a decrease in equity from preference shares redemptions and dividend distributions partially offset by net income for the year. Book value per ordinary share as of June 30, 2018 increased by 9% to $12.13 (FY17: $11.10).

CAPITAL ADEQUACY

Investcorp's capital adequacy ratio ('CAR') at June 30, 2018 was 31.5% (June 30, 2017: 31.7%), reflecting marginally lower risk-weighted assets offset by a decrease in regulatory capital which resulted primarily from the $100 million preference share redemption during the year. The CAR is comfortably in excess of the Central Bank of Bahrain's ('CBB') regulatory minimum requirement of 12.5%.

Regulatory capital adequacy ratio (CAR)



The CBB has designated Investcorp as a Domestic Systemically Important Bank ('DSIB'). As a result of this designation, Investcorp is subject to an increased frequency of prudential meetings and inspections by the CBB.

BUSINESS REVIEW

INVESTMENT ACTIVITY

NEW ACQUISITIONS: CORPORATE INVESTMENT

Investcorp targets the acquisition of attractive corporate investment opportunities in North America, Europe, the Gulf region and Turkey. In addition, it continues to support its existing portfolio companies to increase their market share and expand their operational footprint through selected add-on acquisitions. The firm seeks corporate investments that it believes offer its investors the potential for an attractive return profile, driven by proactive value creation initiatives, including revenue growth through expansion in new territories, business efficiency improvements and the strengthening of management teams.

The aggregate capital deployed in corporate investments during FY18 was $548 million. $406 million was deployed across three new corporate investments and a further $48 million was invested in two special opportunities, $75 million was invested through or alongside Investcorp's technology funds in one new investment and five add-on investments, and $20 million of support capital was invested in two existing portfolio companies.

IMPERO

A leading online student safety, classroom and network management software.

Date of Investment: July 2017
Investors: Technology fund
Industry Sector: Technology – security
Headquarters: Nottingham, United Kingdom

KEE SAFETY

A leading global provider of fall protection solutions and products associated with working at height.

Date of Investment: October 2017
Investors: Deal-by-deal
Industry Sector: Industrial products
Headquarters: Birmingham, United Kingdom

KS GROUP

A value-added, industry-leading distributor of quality replacement auto body parts.

Date of Investment: March 2018
Investors: Deal-by-deal
Industry Sector: Industrial products
Headquarters: New Jersey, US

ICR

A leading strategic communications and advisory firm.

Date of Investment: March 2018
Investors: Deal-by-deal
Industry Sector: Industrial services
Headquarters: Connecticut, US

In addition to the above new acquisitions, Investcorp invested in two special opportunities in FY18. In April, Investcorp made an initial investment in a project to develop a new landmark hospital complex on Reem Island, Abu Dhabi, UAE. The complex comprises a modern and highly specialized Rehabilitation Center combined with a Children's' & Women's Hospital and a Family Medical Center. The investment was made in partnership with VAMED, a leading global provider of development, design and operational management services for hospitals.

In Germany, Investcorp made the first two investments of a buy-and-build strategy in the German healthcare market. In May 2018, Investcorp announced the acquisition of **Acura Kliniken**, a licensed hospital in Albstadt, Germany, and **Privatzahnarztklinik Schloss Schellenstein GmbH**, one of the leading centers for implantology and dental surgery. The two acquisitions will serve as a platform to make further investments in the highly fragmented German dental market as part of a wider consolidation and buy-and-build strategy.

OTHER CORPORATE INVESTMENT ACTIVITY

A number of Investcorp's corporate investment portfolio companies made add-on investments to increase value as part of their business plans. Such add-on investments enable the companies to increase revenues, for example by developing market share, by entering new markets and geographies, or by extending services or product ranges.

August 2017: CI-Tech portfolio company **eviivo** acquired Xotelia, based in Lyon. Through this strategic transaction the company now serves a total of approximately 12,500 accommodation providers across Europe and is one of the leading providers in both the UK and France.

October 2017: CI-Tech portfolio company **Calligo** acquired Canadian-based 3 Peaks to accelerate its North American market entry.

November 2017: CI-Tech portfolio company **Calligo** acquired Toronto-based HyperT Systems, which marks its fourth add-on acquisition.

April 2018: Additional capital was provided to CI-Tech portfolio company **Ageras** to support its international expansion, in particular its expansion into the UK. The company's presence in the UK has grown rapidly, with close to 50 paying subscribers on the platform and more than 100 validated leads generated per month by the end of the quarter.

May 2018: CI-Tech portfolio company **Calligo** acquired Canadian-based Mico Systems, which further strengthens its North American market position and managed services offering.

Investcorp also provides support funding to its portfolio companies from time to time to help stabilize and turn around companies that are facing challenging market conditions.

September 2017: Investcorp provided the second of two tranches of support funding, after the first in May 2017, to CI North America portfolio company **totes>>ISOTONER** to support the incoming senior management team and facilitate the implementation of growth initiatives.

December 2017: Investcorp provided support capital to CI MENA portfolio company **Hydrasun** to help stabilize its capital structure so that the management team can focus on returning the company to a growth trajectory.

Other add-on investments are summarized below. No additional equity from Investcorp or its investors was required for these investments.

December 2017: CI Europe portfolio company **ABAX** completed the add-on acquisition of Fleetfinder, doubling its subscription base in Denmark and making ABAX one of the market leaders in the country.

December 2017: CI MENA portfolio company **Al Borg Medical Laboratories** completed the add-on acquisition of Proficiency Healthcare Diagnostics ('PHD'), a leading private independent laboratory network in Abu Dhabi, UAE. PHD offers a range of routine and specialty tests mainly to clinics and hospitals.

February 2018: CI Europe portfolio company **Kee Safety** acquired Lighthouse Safety, a Wisconsin-based installer as part of the company's value creation initiatives.

March 2018: CI North America portfolio company **The Wrench Group** completed the add-on acquisition of Ragsdale Heating and Air Conditioning Inc. in a deal aimed at expanding its footprint in the Atlanta market.

BUSINESS REVIEW

April 2018: CI MENA portfolio company **L'azurde** announced the signing of a memorandum of understanding to acquire the TOUS Saudi Arabian franchise, a leading retailer in the affordable luxury jewelry market.

May 2018: CI North America portfolio company **The Wrench Group** completed the add-on acquisition of Plumbline Services, Inc., an HVAC company located in Denver, Colorado, accelerating growth and expansion into the Mountain States and adding another heritage home services brand to the growing portfolio of best-in-class home services companies.

NEW ACQUISITIONS: REAL ESTATE

Investcorp focuses on the acquisition of existing core and core-plus commercial and residential real estate assets situated in many of the largest and most diversified markets in the US and Europe. The firm seeks properties that can offer investors an attractive current return and the potential for capital appreciation through hands-on asset management, revenue improvements, expense rationalization and value-added capital improvements. The majority of real estate investments are structured in a Shari'ah compliant manner.

The aggregate equity deployed in new real estate investments in FY18 was $565 million.

UK INDUSTRIAL AND LOGISTICS PORTFOLIO

Shari'ah compliant equity ownership interests in nine industrial and logistics properties located in Hull*, Doncaster*, High Wycombe, Leeds, South Elmsall, Liverpool, Warrington, Glasgow and Edinburgh.

*signed and purchased in FY17.

Number of properties: 9

2018 RESIDENTIAL PROPERTIES PORTFOLIO

Shari'ah compliant equity ownership interests in a student housing property in Orlando, Florida (Mercury 3100*), two apartment properties in Dallas, Texas, (Bel Air Keystone Ranch and Bel Air Willow Bend), an apartment property in Suburban Atlanta, Georgia (Overlook at Berkeley Lake), and an apartment property in Westmont, Illinois (Brook Hill*).

*signed and purchased in FY17.

Number of properties: 5

MIDTOWN MANHATTAN OFFICE PORTFOLIO

Shari'ah compliant equity ownership interests in two multitenant office properties in New York, New York.

Number of properties: 2

2018 WAREHOUSE PORTFOLIO

Shari'ah compliant equity ownership interests in four industrial portfolios comprising 2.7 million square feet and 38 properties. The four portfolios comprise 9 properties in Phoenix, Arizona; 7 properties in Minneapolis, Minnesota; 7 properties in Austin, Texas; and 15 properties in Chicago, Illinois.

Number of properties: 38

UK INDUSTRIAL AND LOGISTICS PORTFOLIO II

Shari'ah compliant equity ownership interests in nine industrial and logistics properties located in Leeds, Doncaster (2 properties), Rotherham, Tamworth (2 properties), Bilston, Uddingston and Eurocentral.

Number of properties: 9

GERMAN OFFICE PORTFOLIO

Shari'ah compliant equity ownership interests in two office campus properties located in Stuttgart and Frankfurt (Germany).

Number of properties: 2

In addition, three apartment properties and an industrial portfolio were acquired in the US These properties will form part of two new portfolios which are expected to be placed in FY19.

In Europe, besides the German Office Portfolio shown above which is expected to be placed in FY19, there is one additional industrial property in the UK that was acquired during the year and which will form part of a portfolio expected for placement in FY19.

CREDIT MANAGEMENT

The aggregate amount of new investments activities associated with CLO assembly during FY18 was $1.7 billion. This included $141 million of warehousing for the US CLO, Jamestown X, which closed in July 2017. It includes $1.0 billion related to the assembly and issuance of two new European CLOs, Harvest XVIII and Harvest XIX. It also includes warehousing of $0.6 billion for two new US CLOs and one new European CLO which are all expected to close in H1 2019.

FY18 was also a very active period in terms of the refinancing and resets of existing CLOs. This activity is beneficial both to clients wanting liquidity and/or an extended investments horizon and also to the business, as a reset effectively allows the CLO manager to extend the lives of the deals, thereby extending the period over which management fees will be generated. In addition, both refinancings and resets typically provide additional returns to equity investors.

The European team worked on four resets during this period. The Harvest IX CLO (originally issued in June 2014) was reset in August 2017, the Harvest XII CLO (originally issued in July 2015) was reset in October 2017, the Harvest VIII CLO (originally issued in March 2014) was reset in January 2018 and the Harvest XV CLO (originally issued in March 2016) was reset in May 2018. The total value of all transactions was in excess of €1.7 billion.

The US team worked on a reset and a reissue during this period. Jamestown II (originally issued in 2013) was reset in April 2018 and Jamestown VI (originally issued in 2015) was reissued in May 2018.

Two European CLOs and four US CLOs were also refinanced during this period. In Europe, Harvest X (originally issued in October 2014) was refinanced in August 2017 and Harvest XIV (originally issued in October 2015) was refinanced in October 2017. In the US, Jamestown VI (originally issued in 2015) was refinanced in July 2017, Jamestown IV (originally issued in 2014) was refinanced in November 2017, Jamestown VII (originally issued in 2015) was refinanced in December 2017 and Jamestown VIII (originally issued in 2015) was refinanced in January 2018. The total value of these refinancings was over €700 million in Europe and over $1.7 billion in the US.

REALIZATIONS & DISTRIBUTIONS

Total realization proceeds and other distributions to Investcorp and its clients were $7.0 billion in FY18.

CORPORATE INVESTMENT REALIZATIONS

Total corporate investment realization proceeds and other distributions to Investcorp and its clients were $789 million in FY18.

ESMALGLASS

A leading producer of intermediate products for the global ceramic industry.

Date of Investment: July 2012
Date of Realization: July 2017
Investors: Deal-by-deal
Industry Sector: Industrial products

CEME

A manufacturer of fluid control components for consumer applications.

Date of Investment: July 2008
Date of Realization: March 2018
Investors: Deal-by-deal
Industry Sector: Industrial products

NOBEL LEARNING

A leading provider of private education in the United States (from pre-school up to high school).

Date of Investment: April 2015
Date of Realization: June 2018
Investors: Deal-by-deal
Industry Sector: Business services – knowledge & professional services

BUSINESS REVIEW

In July 2017, Investcorp agreed to sell portfolio company **Esmalglass-Itaca** ('Esmalglass') to global private equity firm Lone Star Fund X for an enterprise value of €605 million. Esmalglass is a leading worldwide producer of ceramic colors and glazes. Investcorp acquired Esmalglass in July 2012 and during its ownership period, it worked with the management team to solidify the company's position across international markets and extend its product offering, establishing it as a leading business in the ceramic colors and glazes sector. Under Investcorp's ownership, EBITDA doubled, with strong organic growth in the color business complemented by the company's acquisition of Fritta in 2015, which enabled Esmalglass to strengthen its position in the glazes market.

In March 2018, Investcorp completed the sale of **CEME Group** ('CEME') to private equity firm Investindustrial for an enterprise value of €285 million. CEME is a global manufacturer of fluid control solutions serving critical functions in a diverse range of niche consumer and industrial applications, including single-serve coffee, steam cleaning and ironing systems, air conditioning, medical and water dispensing. The company provides a wide portfolio of highly engineered and innovative solutions to its customers, each tailored for their critical requirements. Headquartered in Trivolzio (Italy), CEME sells its products in more than 70 countries worldwide and has a strong presence in emerging markets. Under Investcorp's ownership, CEME entered the US market, reinforced its presence in China and expanded into new fast-growing markets, including medical, water dispensing and sanitary applications.

In June 2018, Investcorp agreed to sell **Nobel Learning** to Spring Education Group, the leading PreK-12 private school operator in the United States and portfolio company of Primavera Capital Group, an Asia-based investment firm. Founded in 1984, Nobel Learning operates a network of over 190 private schools across 19 states in the United States. Nobel Learning schools are known nationwide for their commitment to quality private education through small class sizes, qualified teachers and personalized learning plans. The company also has an accredited online private school, Laurel Springs, that offers college preparatory programs to students from over 80 countries worldwide. With over 25,000 students, Nobel Learning is one of the largest private school operators in North America. Since acquiring Nobel Learning in 2015, Investcorp has worked closely with the company to achieve significant growth, acquiring 25 schools, opening nine greenfields and driving organic enrollment, thereby collectively achieving EBITDA growth of over 50% during its period of ownership. The sale is expected to close in August 2018.

OTHER TRANSACTIONAL ACTIVITIES

December 2017:	CI North America portfolio company **The Wrench Group** completed a senior debt refinancing with the concurrent issuance of a dividend to shareholders.
January 2018:	CI Europe portfolio company **SecureLink** successfully listed its first bond on the Oslo Stock Exchange. The proceeds from the transaction were used to refinance existing bank loans. This instrument provides the company with enhanced operational flexibility and the ability to tap into a larger liquidity pool to support further organic and inorganic growth.
April 2018:	CI Europe portfolio company **SPGPrints** disposed of Veco, a subsidiary that manufactures high-precision metal components for a broad range of applications, to Gilde Buy Out Partners. The remaining digital printing business of SPGPrints remains under Investcorp ownership.
May 2018:	CI Europe portfolio company **Georg Jensen** successfully closed the books for a senior secured Nordic bond listed on the Nasdaq Stockholm exchange. The proceeds from the transaction were used to refinance existing bank loans and leave cash on the balance sheet.
May 2018:	CI North America portfolio company **AlixPartners** successfully upsized its term loan to pay a dividend to investors. The refinancing is consistent with Investcorp's initial investment thesis of deriving significant cash yield from interim distributions given the company's high cash flow generation.
June 2018:	CI Europe portfolio company **Dainese** successfully completed its refinancing at attractive market conditions. The proceeds from the transaction were used to refinance existing bank loans and preserve cash on the balance sheet for corporate purposes.

BUSINESS REVIEW

REAL ESTATE REALIZATIONS

Total real estate realization proceeds and other distributions to Investcorp and its clients were $713 million in FY18.

Three portfolios were fully realized in FY18 with the sale of 3400 Carlisle, 2811 McKinney, One Allen Center and San Remo from **2014 Diversified Properties Portfolio**; the sale of Pin Oak Portfolio and Oak Creek Center Portfolio from **2013 Office I Portfolio**; and the sale of Manchester at Mansell and Chatsworth from **Atlanta Multifamily Portfolio**.

A complete list of real estate properties realized in FY18 can be found below.

3400 CARLISLE

A 76,000-square-foot office property.

Date of Investment: April 2014
Date of Realization: August 2017
Portfolio Name: 2014 Diversified Properties Portfolio
Location: Dallas, Texas

2811 MCKINNEY

A 94,095-square-foot office property.

Date of Investment: April 2014
Date of Realization: August 2017
Portfolio Name: 2014 Diversified Properties Portfolio
Location: Dallas, Texas

ORION ON ORPINGTON

A 624-bed student housing property.

Date of Investment: October 2014
Date of Realization: September 2017
Portfolio Name: 2015 Residential Properties Portfolio
Location: Orlando, Florida

ONE ALLEN CENTER

A 150,501-square-foot office property.

Date of Investment: March 2014
Date of Realization: October 2017
Portfolio Name: 2014 Diversified Properties Portfolio
Location: Allen, Texas

SAN REMO

A 180-unit apartment property.

Date of Investment: April 2014
Date of Realization: October 2017
Portfolio Name: 2014 Diversified Properties Portfolio
Location: Coral Springs, Florida

WATERLEAF APARTMENTS

A 456-unit apartment property.

Date of Investment: January 2015
Date of Realization: November 2017
Portfolio Name: 2015 Residential Properties Portfolioy
Location: Vista, California

WESTIN DFW AND MARRIOTT PALM BEACH GARDENS

Two hotels (785 rooms combined).

Date of Investment: March 2007
Date of Realization: December 2017
Portfolio Name: US Hotels Portfolio
Location: Dallas, Texas and Palm Beach Gardens, Florida

PIN OAK PORTFOLIO

Five-property office park.

Date of Investment: December 2012
Date of Realization: January 2018
Portfolio Name: 2013 Office I Portfolio
Location: Houston, Texas

MARRIOTT SCHAUMBURG

A 398-room hotel.

Date of Investment: March 2007
Date of Realization: February 2018
Portfolio Name: US Hotels Portfolio
Location: Schaumburg, Illinois

OAK CREEK CENTER PORTFOLIO

A 427,000-square-foot 11-property office park.

Date of Investment: December 2012
Date of Realization: February 2018
Portfolio Name: 2013 Office I Portfolio
Location: Lombard, Illinois

MERIDIAN CORPORATE CENTER

A nine-building office and flex portfolio.

Date of Investment: August 2014
Date of Realization: March 2018
Portfolio Name: 2014 Office & Industrial Portfolio
Location: Durham, North Carolina

BUSINESS REVIEW

FLAGLER CENTER

A 1.4 million-square-foot office and industrial portfolio.

Date of Investment: August 2014
Date of Realization: March 2018
Portfolio Name: 2014 Office & Industrial Portfolio
Location: Jacksonville, Florida

100 MERRICK

Class B office property; one of three assets in Long Island Office Portfolio.

Date of Investment: September 2013
Date of Realization: April 2018
Portfolio Name: 2013 US Commercial and 2014 Office Portfolios
Location: Long Island, New York

RESERVE AT HOFFMAN ESTATES

Multifamily property.

Date of Investment: July 2015
Date of Realization: May 2018
Portfolio Name: 2015 Residential II Portfolio
Location: Chicago, Illinois

ARCADIAN APARTMENTS

A 432-unit multifamily property.

Date of Investment: January 2015
Date of Realization: May 2018
Portfolio Name: 2015 Residential II Portfolio
Location: Silver Spring, Maryland

MANCHESTER AT MANSELL

Multifamily property.

Date of Investment: May 2015
Date of Realization: May 2018
Portfolio Name: Atlanta Multifamily Portfolio
Location: Atlanta, Georgia

CHATSWORTH

Multifamily property.

Date of Investment: May 2015
Date of Realization: May 2018
Portfolio Name: Atlanta Multifamily Portfolio
Location: Atlanta, Georgia

1603 & 1629 ORRINGTON

Class A office and retail complex.

Date of Investment: September 2013
Date of Realization: June 2018
Portfolio Name: 2013 US Commercial and 2014 Office Portfolios
Location: Evanston, Illinois

SOLIS AT FLAMINGO

Multifamily property.

Date of Investment: June 2015
Date of Realization: June 2018
Portfolio Name: 2015 Residential II Portfolio
Location: Las Vegas, Nevada

OTHER REALIZATIONS AND DISTRIBUTIONS

Special Opportunities Portfolio IV made distributions in August 2017, November 2017, January 2018, March 2018 and May 2018. Special Opportunities Portfolio VI made distributions in October 2017 and December 2017. A total of $32 million of distributions to Investcorp and its clients was made across all Special Opportunities Portfolios.

Total credit management realization proceeds and other distributions to Investcorp and its clients amounted to $5.5 billion over the period. Approximately $3.8 billion of this amount relates to the amounts returned to clients as the result of refinancing and reset activity net of any amounts that were reinvested. The remaining $1.7 billion relates to regular distributions to investors in the CLOs and other credit products in the form of interest income and principal repayments.

BUSINESS REVIEW

AUM & FUNDRAISING

ASSETS UNDER MANAGEMENT ('AUM')[1]

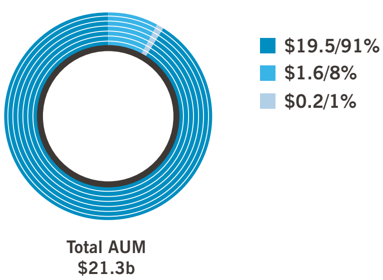
Please refer to the table in Note 2 of the Consolidated Financial Statements of Investcorp Bank B.S.C., which summarizes total assets under management in each of the reporting segments.

Total assets under management

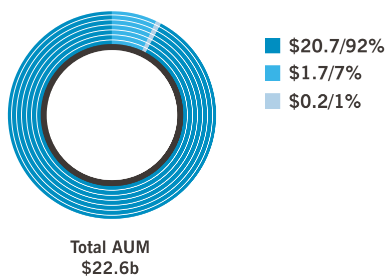
($b)

Client AUM | Balance sheet co-investment AUM | Affiliates & co-investors AUM

As of June 30, 2017



As of June 30, 2018



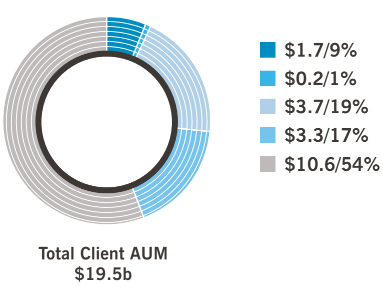
Total AUM increased to $22.6 billion at June 30, 2018 from $21.3 billion at June 30, 2017, driven by growth in AUM across all asset classes.

Total client assets under management

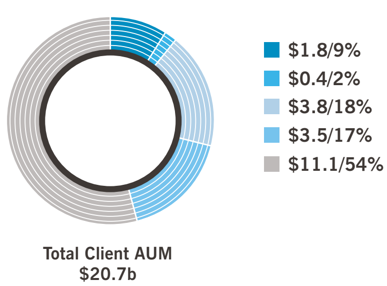
($b)

Real estate investments | Client monies held in trust | Corporate investments | Alternative investment solutions | Credit management investments

As of June 30, 2017



As of June 30, 2018



Total client AUM increased by 6% to $20.7 billion at June 30, 2018 from $19.5 billion at June 30, 2017.

1 Includes $2.4 billion (June 30, 2017: $2.0 billion) of hedge fund partnerships (including exposure through multi-manager solutions) managed by third party managers and assets subject to a non-discretionary advisory mandate where Investcorp receives fees calculated on the basis of AUM.

The most dominant asset class in client AUM continues to be credit management, with 54% of the total. The increase in total client AUM in FY18 is largely attributable to the 5% increase in credit management client AUM from $10.6 billion to $11.1 billion. AIS client AUM increased by 8% to $3.5 billion, primarily due to the new partnerships entered with Steamboat Capital Partners and Shoals Capital Management during FY18. Corporate investments client AUM increased by 5% to $3.8 billion, largely due to continued fundraising for Technology Fund IV. Real estate client AUM increased by 4% during the year to $1.8 billion, with strong fundraising for new portfolios partially offset by a good pace of realizations of older properties.

KEY AUM METRICS (BY ASSET CLASS)

Corporate investment ($m)	**Jun-18**	Jun-17	% change B/(W)
Client AUM			
Closed-end funds	**1,098**	944	16%
Deal-by-deal investments	**2,749**	2,728	1%
Total client AUM – at period end	**3,847**	3,672	5%
Average client AUM	**3,760**	3,583	5%

Real estate investment ($m)	**Jun-18**	Jun-17	% change B/(W)
Client AUM			
Closed-end funds (mezzanine/debt)	**25**	33	(24%)
Deal-by-deal investments	**1,789**	1,716	4%
Total client AUM – at period end	**1,814**	1,749	4%
Average client AUM	**1,781**	1,577	13%

Credit management investment ($m)	**Jun-18**	Jun-17	% change B/(W)
Client AUM			
Closed-end funds	**10,772**	10,186	6%
Open-end funds	**355**	398	(11%)
Total client AUM – at period end	**11,127**	10,584	5%
Average total client AUM[1]	**10,855**	10,744	1%

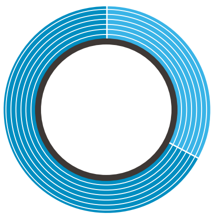
Alternative investment solutions ($m)	**Jun-18**	Jun-17	% change B/(W)
Client AUM			
Multi-manager solutions	**2,004**	1,927	4%
Hedge funds partnerships	**1,371**	962	43%
Special opportunities portfolios	**121**	107	13%
Alternative Risk Premia	**38**	263	(86%)
Total client AUM – at period end	**3,534**	3,259	8%
Average total client AUM	**3,396**	3,472	(2%)

1 FY17 Average Client AUM from closing of the acquisition in March 2017 to June 2017.

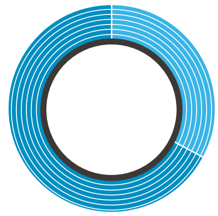
BUSINESS REVIEW

Geographical split of client assets under management ($b)

As of June 30, 2017



As of June 30, 2018



Investcorp's continued progress on implementing a global distribution capability along with the acquisition of the CM business in FY17 led to a shift in the mix of Investcorp's client assets under management away from a Gulf-oriented client base to a more geographically diversified profile. As at June 30, 2018, 67% of the Firm's client assets under management are from outside of the Gulf region, consistent with the level of non-Gulf client assets under management as at June 30, 2017 but up significantly from 34% as at June 30, 2016.

FUNDRAISING

Investcorp's history, commitment and track record in the GCC region means it is trusted by Gulf investors to provide them with unique and non-traditional investment opportunities and services that are suitable for their risk return preferences. Investcorp is committed to ensuring its clients receive a 'best in class' service both regionally and internationally as it continues to strive to deliver strong, optimal and well-balanced investment returns.

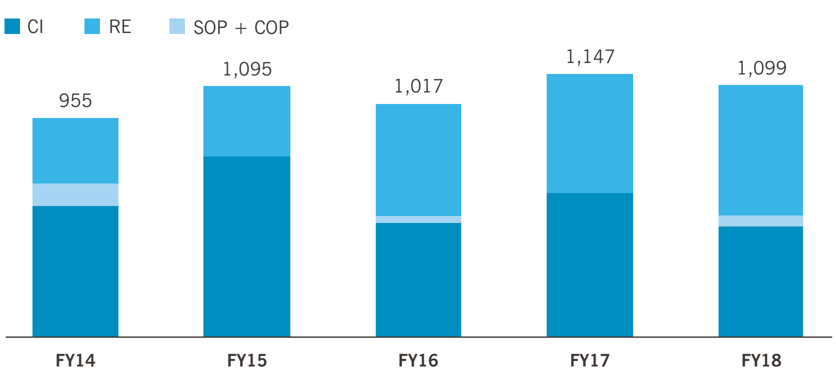
During FY18, fundraising in Investcorp's core Gulf markets was strong, despite the challenging macro-economic and political conditions, the strength in fundraising was driven by continued client appetite for attractive alternative investments. Total deal-by-deal fundraising including new commitments into institutional investor programs was $1.1 billion, marking the fourth consecutive year that Investcorp has crossed the significant threshold of $1 billion in deal-by-deal placement activity.

Although total deal-by-deal fundraising remained at similar levels to FY17, the product mix shifted as investors expressed greater demand for the relatively lower-risk and cash-yielding real estate investments. Total real estate deal-by-deal placement across five new portfolios, one new club investment and four portfolios carried over from the previous year was up 10% to $569 million in FY18 from $518 million in FY17. Real estate placement included for the first time the placement of European real estate portfolios, with one portfolio placed in the first half of the fiscal year and the second portfolio launched in June.

The increased investor demand for real estate was offset by a decrease in corporate investment placement from $628 million in FY17 to $482 million in FY18. Placement in FY18 included new offerings for Abax, Kee Safety, ICR, and KS Group. It also included new commitments into institutional investor programs.

Total deal-by-deal placement

($m)



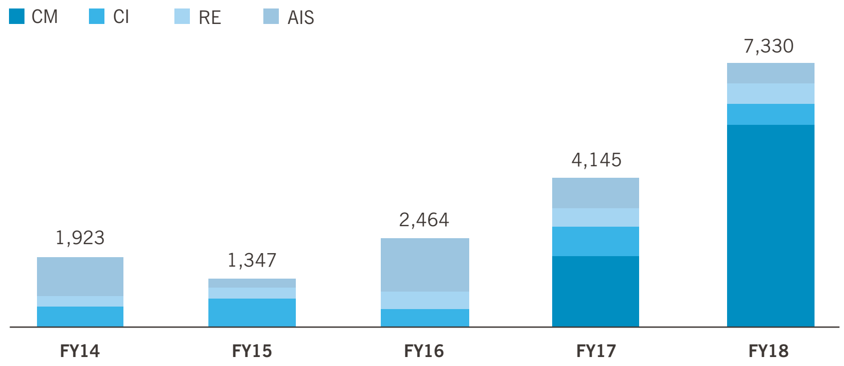
Fundraising continued in FY18 for Investcorp's fourth technology fund, established to invest in European lower middle market tech-enabled companies, continued fundraising in FY18 with the focus shifting to investors outside of the Gulf. An additional $99 million in new commitments was raised during the fiscal year, including the first commitment from an Asian investor. The total size of the fund as at June 30, 2018 is $320 million.

Fundraising in credit management totaled $5.6 billion in FY18. A total of $1.6 billion was raised from the issuance of one new CLO in the US and two new European CLOs. Net new investments in six refinancing and six resets of older CLOs totaled $3.9 billion. New subscriptions into the two open-ended senior secured loan funds, the ICM Senior Loan Fund and the ICM Global Floating Rate Income Fund, totaled $163 million. Fundraising also includes $31 million from Gulf investors for a new Credit Opportunities Portfolio ('COP') product comprising a diversified portfolio of CLO equity positions in the US and Europe.

Total new subscriptions for AIS products in FY18 amounted to $563 million. Redemptions net of performance for the year were $288 million resulting in a net increase in client AUM of $275 million. New subscriptions in AIS products include $17 million raised from Gulf clients for a new Special Opportunities Portfolio ('SOP') offering.

Total fundraising – by product

($m)



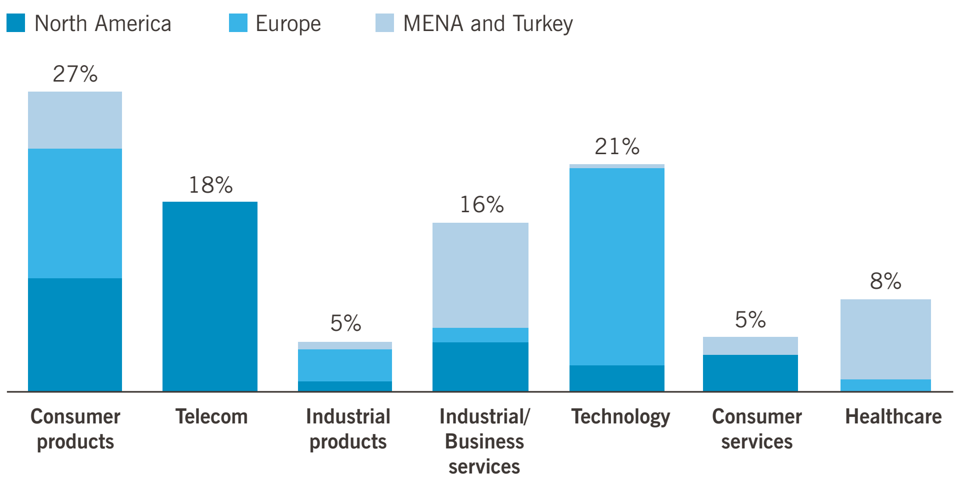
BUSINESS REVIEW

PORTFOLIO PERFORMANCE

CORPORATE INVESTMENT

At June 30, 2018, the carrying value of Investcorp's balance sheet co-investment in CI, excluding strategic investments and underwriting, was $609 million (invested in 40 companies) compared with $515 million at June 30, 2017 (invested in 38 companies). This represents 52% of total balance sheet co-investments at June 30, 2018 (FY17: 46% at June 30, 2017). CI underwriting at June 30, 2018 was $123 million (FY17: $190 million at June 30, 2017).

The corporate investment portfolio is diversified by sector and geography across North America, Europe and the MENA region.



Please refer to the table in Note 10 (A) of the Consolidated Financial Statements of Investcorp Bank B.S.C., which summarizes the June 30, 2018 and June 30, 2017 carrying values of CI co-investments by region and investment sector.

At June 30, 2018, Investcorp's aggregate CI North America co-investments were $242 million invested in 13 portfolio companies (FY17: $231 million at June 30, 2016 invested in 12 portfolio companies). Aggregate CI Europe co-investments were $216 million invested in 13 portfolio companies and an initial investment for a buy-and-build platform in the German dental care market (FY17: $175 million at June 30, 2017 invested in 13 portfolio companies). Aggregate CI MENA co-investments were $151 million invested in 14 portfolio companies (FY17: $109 million at June 30, 2017 invested in 13 portfolio companies).

For investments in the technology sector, clients participate on a portfolio basis through dedicated technology funds, in which Investcorp is a co-investor, as well as through direct investments on a deal-by-deal basis. Investcorp has raised four technology funds to date, of which three are currently active.

For CI MENA investments, clients participate on a portfolio basis through a dedicated fund, the Gulf Opportunity Fund I, in which Investcorp is a co-investor, as well as through direct investments on a deal-by-deal basis.

Please refer to the Corporate Investment Portfolio Listing section in this Business Review, which describes each of the CI North America, CI Europe and CI MENA portfolio companies. Please refer to the Investments and Realizations section for portfolio company activities during FY18.

On average, Investcorp's direct investments in mid-market companies in the US and Europe increased their aggregate EBITDA by 7% year-on-year, benefiting from a supportive economic environment as well as from Investcorp's post-acquisition efforts to grow value. Aggregate EBITDA for the MENA portfolio companies, however, contracted by 5% during the year, largely due to uncertain macroeconomic and geopolitical conditions in the region. Aggregate EBITDA across the portfolio in all regions was approximately $1.5 billion and the average debt across the portfolio is relatively modest at 3.3x.

The FY18 add-on investments discussed previously in *Investment Activity* and realizations discussed previously in *Realizations & Distributions* reflect Investcorp's strong post-acquisition focus during its period of ownership.

Other Corporate Investment News

July 2017:	CI Technology portfolio company **Calligo** became a global launch partner for Microsoft's new Azure partnership model.
July 2017:	CI Europe portfolio company **POC's** helmets were worn by the Cannondale-Drapac Pro Cycling Team in the Tour de France 2017. Currently POC's 'kit partnership' with the Cannondale-Drapac team sees the riders equipped with POC jerseys, shorts, socks, helmets and eyewear. It was also chosen as 'Brand of the Year 2017' by the Bicycle Brand Contest.
August 2017:	CI North America portfolio company **Sur La Table** announced the appointment of Billy May as Chief Executive Officer. Mr. May, a fourth-generation retailer with over two decades of retail, digital marketing and eCommerce experience, also joined the Board of Directors.
August 2017:	CI Europe portfolio company **Dainese** presented its 2018 bike product range at this year's Eurobike in Friedrichshafen, Germany. From August 30 to September 2, journalists from the bike world were introduced to Dainese's brand new product range for the new season.
August 2017:	CI Europe portfolio company **Dainese** launched its new Retail Store Concept, opening the first store with the new design and layout in Berlin, followed by a further store opening in New York. Upgrades of existing stores with the new design started at the same time in Vicenza, the headquarters of Dainese.
October 2017:	CI Europe portfolio company **SPGPrints** opened its digital textile printing technology experience center in the Netherlands: a 700 sq. m. demonstration and training facility at the Boxmeer (Netherlands) HQ. It is part of an €8 million investment programme that includes a 3000 sq. m. expansion and the building of a larger factory for the production of inkjet inks to enable the company to boost capacity in response to the growth of the digital textile printing sector.
October 2017:	CI Europe portfolio company **Dainese** revealed the newest brand name to join the Group's family of brands. Dainese Settantadue presented itself as a contemporary interpretation of iconic motorcycle clothing. The brand features technical garments inspired by the extensive design legacy of the parent company and is made specifically for cult followers of motorcycles.
November 2017:	CI Europe portfolio company **SecureLin**k, opened a cyber defense center ('CDC') in Shanghai, China. The CDC is based on an advanced technology, powered by a strong combination of artificial and human intelligence-driven solutions. The intelligent foundation, combined with a strong focus on best practice, ensures integrity, quality and security for all CDC customers.
November 2017:	CI MENA portfolio company **Orka Group**, signed a fashion sponsorship agreement with Yildirim Demiroren, the President of the Turkish Football Federation. In accordance with the agreement, Damat, Orka's brand, will provide clothing supplies to the Turkish National Football team players for one full year.
November 2017:	CI North America portfolio company **Paper Source** united with Paperless Post to merge the best of digital and paper invitations and greeting cards for customers' most meaningful events. Paperless Post, a platform focused on design-driven digital and printed invitations and stationery, including greeting cards and announcements, named Paper Source as its exclusive print partner.

BUSINESS REVIEW

December 2017:	CI Europe portfolio company **Dainese** was awarded the Compasso D'Oro Excellence Award. The Association for Industrial Design awarded the prestigious Compasso d'Oro to the Pro-Armor system, for the quality of the technical and stylistic solutions adopted and for the structure, which was inspired by the fractal geometry of the family of protective products developed by Dainese to protect the back, elbows and knees.
February 2018:	CI Technology portfolio company **Impero** strengthened its existing presence in the US market by opening an office in Austin, Texas. The team was up and running ahead of schedule and has built a strong pipeline, with conversion better than expected and significant growth in US sales. In the mid-term, Impero plans to grow its US presence further following the success of this early investment.
February 2018:	CI Europe portfolio company **Dainese** received two prestigious ISPO Awards at the world's largest trade fair for sporting goods and sportswear. The HP1 RC 'Race Carve' Ski Jacket was chosen as the winner in the Snowsports/Multi-Layer category, and the Pro-Armor Waistcoat Back Protector was selected for the Snowsports/Protection category.
March 2018:	CI Europe portfolio company **Dainese** presented Custom Works to the public, a service for the personalization of Dainese leather garments. The service is a multi-channel experience that begins online, with the 3D Configurator, and continues in the store, where the personalized garment is delivered to the customer, an engaging process that combines the practicality of digital configuration with the craftsmanship of a unique, handmade product.
March 2018:	CRN, a brand of The Channel Company, named CI North America portfolio company **TPx Communications** to its 2018 Managed Service Provider ('MSP') 500 list in the MSP Elite 150 category. This annual list recognizes North American solution providers with cutting-edge approaches to delivering managed services. TPx is debuting on the MSP Elite 150 list because of significant strategic investments it has made in the last few years to reposition itself from a regional competitive telecom provider to a nationwide managed services carrier – a new class of MSP.
April 2018:	CI North America portfolio company **PRO Unlimited** announced the release of Wand Notes & Notifications. This state-of-the-art technology gives managers, suppliers and managed service provider users the ability to collaborate and communicate directly within the Wand vendor management system via 'Notes' (a collection of comments), reducing email clutter, driving faster hiring and further satisfying program compliance.
May 2018:	As part of CI North America's involvement with the American Investment Council, **The Wrench Group** CEO Ken Haines and Head of CI North America Dave Tayeh met with members of the US congress last week to tell the Wrench story as well as highlight Investcorp's continued strategy to invest in growing US businesses.
June 2018:	CI MENA portfolio company **Bindawood** has been ranked #36 in Forbes 50 Biggest Private Companies in the Arab World 2018. The list highlights private businesses that have had an impact in the region.

ALTERNATIVE INVESTMENT SOLUTIONS ('AIS')

At June 30, 2018, the balance sheet carrying value of Investcorp's co-investment in AIS was $189 million compared with $236 million at June 30, 2017. The amount represents 16% of total balance sheet co-investments at June 30, 2018. Please refer to the table in Note 12 of the Consolidated Financial Statements of Investcorp Bank B.S.C., which summarizes the June 30, 2018 and June 30, 2017 carrying values.

Exposure Profile

Investcorp has consistently maintained a co-investment in the AIS business, in line with its philosophy of co-investing alongside its clients. Allocations were further reduced from FY16 levels due to the challenges faced by some hedge fund managers in the current market environment.

Total balance sheet AIS co-investment was $189 million at June 30, 2018, reflecting a reduction relative to the previous fiscal year end, when Investcorp had a gross exposure of $236 million at June 30, 2017.

The exposure consists of investments in managers who are on Investcorp's hedge fund partnerships platform, external liquid managers, alternative risk premia and co-investments in Investcorp's Special Opportunity Portfolios. As of June 30, 2018, Investcorp's balance sheet co-investment in hedge fund partnerships was $65 million, compared to $71 million as of June 30, 2017. This reflects the ongoing investment in Nut Tree Capital Management ('Nut Tree'), a November 2017 acceleration investment in Steamboat Capital ('Steamboat'), which is a long/short equity manager, and a February 2018 seed investment in Shoals Capital ('Shoals'), an event-driven manager focused on the US financials sector. Investcorp reduced the allocation to the Alternative Risk Premia product line by $20 million in March 2018. Investcorp maintained its investment in the institutional tranche of the Special Opportunities Portfolio that invests in Italian non-performing loans. Accounting for distributions received from the fund, Investcorp's investment is now $17 million.

Investcorp's AIS exposure is primarily through customized accounts, similar to the structures created for Investcorp's large institutional clients.

Performance

During FY18, Investcorp's AIS co-investment portfolio delivered returns of +4.8%. During the same period, the industry benchmark, HFRI Fund of Funds Composite Index, returned +5.6%.

The market environment for Investcorp's invested managers was mixed during this fiscal year. Conditions were favorable for fundamental strategies and more challenging for systematic and factor-based strategies. Managers with whom Investcorp has seed partnership arrangements delivered positive performance of 9.4% in FY18, led by Nut Tree, which returned +11.0%. Investments in Special Opportunity Portfolios returned 9.2% and Investcorp's external liquid manager portfolio returned 0.4%. Investcorp's alternative risk premia investments generated negative performance during the fiscal year.

Liquidity

Investcorp's AIS co-investment portfolio is constructed so that a significant portion of it is available for monetization within a three to twelve-month window. As of June 30, 2018, approximately 35% of Investcorp's AIS co-investment was contractually available for monetization within a three-month window and 55% was available within a 12-month window.

Alternative Investment Solutions Portfolio News

In H1 FY18, Investcorp completed its first co-seeding deal. Investcorp partnered with another large institution, providing acceleration capital to **Steamboat Capital Management** LLC ('Steamboat'), a $285 million New York-based long/short equity, fundamental, value-oriented investment firm founded by Parsa Kiai in July 2012. Steamboat Capital seeks to capitalize on market dislocations while maintaining a margin of safety for its investors. Mr. Kiai is supported by a team of four and brings a strong pedigree that includes Goldman Sachs, Perry Capital and Sonterra Capital.

In Q3 FY18, Investcorp completed a seeding deal with **Shoals Capital Management** ('Shoals'), which currently manages approximately $160 million (as at July 1, 2018). Investcorp and other institutional investors, including a large US pension plan, provided strategic capital to Shoals. Shoals employs an event-driven strategy focused on investing across capital structure and sub-sectors in the financials sector, specifically targeting opportunities that arise from changes in regulatory and capital market conditions. Jeffrey Hinkle, Chief Investment Officer and Managing Partner, previously worked at EJF Capital LLC ('EJF'), where he was the Senior Portfolio Manager of the Debt Opportunities Strategy, EJF's flagship product, from inception in 2008 through early 2016. During his tenure, the strategy grew to a peak AUM of approximately $4.5 billion. Mr. Hinkle was a Partner and a member of EJF's Executive Committee. At Shoals, Mr. Hinkle is joined by a very experienced team, which includes a number of other investment professionals who worked with him at EJF.

Investcorp hedge fund seed partnership, **Nut Tree**, which launched its credit fund in February 2016 with $100 million, continued its strong performance and, when also taking into account investor in-flows, fund assets increased to over $660 million as of July 1, 2018. Nut Tree is led by founder and CIO, Jed Nussbaum, a 17-year investment industry veteran and former Partner at Redwood Capital Management. Nut Tree pursues an all-weather fundamental credit strategy, focusing on mid-market stressed and distressed credit and value equities across North America.

BUSINESS REVIEW

Membership of Investcorp's **Seeding Club**, launched in 2017, now includes family offices, university endowments and fund of funds. The club provides a select group of investment partners with potential benefits that include 1) access to the broad AIS manager sourcing network; 2) access to the AIS infrastructure, expertise and capabilities; 3) enhanced returns through seed economics; 4) flexibility through a deal-by-deal opt-in structure, and 5) potential for additional capacity rights at negotiated terms.

Special Opportunities Portfolio IV ('SOP IV'), launched in January 2014, provides investors with access to US non-performing loans. Approximately 86% of the portfolio is now resolved or performing, and the primary focus is on returning cash to clients on a regular basis as the portfolio resolutions continue.

Special Opportunities Portfolio V ('SOP V') was launched in May 2016 and is the first SOP tranche offered exclusively to institutional investors. SOP V's objective is to provide investors with access to Italian secured non-performing loans for commercial and residential real estate that are purchased from regional Italian banks. SOP V has successfully sourced and acquired eighteen (18) pools of NPLs at an aggregate cost of 30% of book value, deploying 73% of the fund's committed capital to date. Cash recoveries as at June 30, 2018 were currently in excess of the base case business plan.

Special Opportunities Portfolio VI ('SOP VI') was launched in April 2016 and, like SOP IV, provides investors with access to US non-performing loans. Approximately 72% of the portfolio is now resolved or performing. Investcorp plans to further season the re-performing loan portfolio and is targeting the Q1 FY2019 for the first sale of re-performing loans. Proceeds from the expected sale will be used to contribute to fully paying down portfolio debt. Subsequently, the fund is expected to begin returning cash to clients, possibly in Q2 FY2019.

Investcorp launched the **Investcorp Geo-Risk Fund** in December 2017 with $25 million from a group of prestigious international investors. The fund is a UCITS-compliant, daily liquidity, discretionary global macro fund that seeks to dynamically combine quantitative financial models with discretionary macro geopolitical risk investments. This strategy is driven by a geopolitical risk assessment provided by a panel of global security experts.

Investcorp liquidated the **Dynamic Alt Beta Fund**, which invested in alternative risk premia factors across major asset classes, in March 2018.

Strategy Outlook

Strategy	Negative	Neutral	Positive	Comments
Long/Short Equities	□□□	■	□□□	Stay neutral as alpha outlook at risk in US markets, average contribution from equity beta relative to history.
US	□□■	□	□□□	Alpha at risk in crowded Growth/Momentum positions; higher volatility environment may require de-leveraging gross exposures. Limited tailwind from beta.
Euro area ex UK	□□□	□	■□□	Greater beta to cyclical recovery, better relative valuations.
Japan	□□□	□	■□□	Reflation plays attractive, support from valuations and strong exposure to global recovery.
Asia Excl. Japan	□□□	■	□□□	Markets benefited strongly from China rebound last year, outlook less sanguine in coming quarters as China delevers.
Event-Driven	□□□	□	■□□	Tactical overweight in Merger Arbitrage as spreads widened in excess of fundamentals; stay neutral Special Situations.
Special Situations	□□□	■	□□□	Stay neutral on high consumption of equity beta budget, prefer Europe on stronger opportunity set.
Merger Arbitrage	□□□	□	■□□	Volatility re-pricing offers an attractive entry point into the strategy; move to overweight.
Equity Market Neutral	□□□	□	■□□	Continued high idiosyncratic risk a positive for fundamental based market neutral. Watch for the strategy's response function to higher volatility for potential upgrade.
Macro Discretionary	□□□	□	■■□	Clearer macro trends, higher volatility signal a better opportunity set and monetization environment in the period ahead. Carry play with strong risk management. FX asset class in transition, re-assess old models.
Macro Systematic	□□□	■	□□□	Trend following took a large hit in Q1 but positions have been trimmed and models have adapted to a higher volatility regime. Stay neutral as markets likely to remain choppy near-term.
FI Relative Value	□□□	□	■■□	Strategy has adapted well to a changing environment: it is less sensitive to balance sheet scarcity and well positioned to profit from funding dislocations.
Corporate Credit	□□■	□	□□□	Credit relationships remain tight and offer limited potential for relative value strategies. The strategy is a large liquidity budget consumer.
Corporate Distressed	□□□	■	□□□	Spread tightening has limited available risk premia in distressed assets; continue to reduce exposure and focus on idiosyncratic themes and opportunities.
Structured Credit	□□□	■	□□□	Limited carry and upside optionality; large liquidity budget consumer.
Convertible Arbitrage	□□□	■	□□□	Relatively cheap valuations should lend support, though tepid new issuance and liquidity remain concerns.
Vol Arb	□□□	□	■□□	Higher volatility environment and VIX dislocation opened up variety of arbitrage and relative value opportunities, move to overweight the strategy.

BUSINESS REVIEW

Looking forward to H1 2019, Investcorp has a neutral outlook for **Long/Short Equities** hedge funds on limited tailwinds from beta and a riskier outlook for alpha, particularly in the United States. Investcorp's lower, current forecast for US equity markets is translated into a neutral outlook for **Special Situation** managers, given the high consumption of Investcorp's equity beta budget. In the **Merger Arbitrage** space, Investcorp expects to tactically raise its outlook to slightly positive as spreads have widened in excess of their cross-asset valuation anchors, suggesting greater alpha potential in the near term. Investcorp continues to hold a constructive view on the **Macro Discretionary** investment style that is expected to benefit from clearer macro trends and higher volatility that signals an improved opportunity set, as well as from carry exposures. Investcorp remains neutral on **Macro Systematic** as trend-following models have now adapted to a higher volatility regime but near-term prospects suggest continued choppiness across markets. **Fixed Income Relative Value** remains a high conviction, as greater velocity of flows and lower balance sheet capabilities from broker/dealers continue to support alpha generation. Investcorp continues to slightly underweight **Corporate Credit** managers. Credit relationships remain tight and offer limited potential for alpha generation. In **Distressed**, Investcorp maintains its neutral stance on an opportunity set that is bifurcated between tepid return expectations in traditional corporate distressed (reflecting compressed credit spreads relative to various risk measures), and greater performance potential in non-corporate idiosyncratic themes.

In **Convertible Arbitrag**e, Investcorp maintains a neutral outlook. Investcorp continues to see pockets of value and catalysts for managers to deliver on mild expectations. The same rational anchors Investcorp's perspective for **Structured Credit** hedge funds. Lastly, Investcorp has upgraded **Volatility Arbitrage** managers to slightly positive. The dislocation in equity volatility has opened up a range of attractive relative-value trading opportunities across products, geographies and asset classes.

Alternative Risk Premia

Asset Class	Strategy	Negative	Neutral	Positive	Comments
Equities	Low Beta	□□■	□	□□□	Expect negative spill-over from higher rates, greater probability of reflationary environment.
	Momentum	□□□	■	□□□	Crowded exposure in hedge funds at risk of unwind in higher volatility regime; Tech at risk of regulatory risk premium.
	Quality	□□□	□	■□□	Constructive outlook on defensive nature at this stage of the business cycle.
	Value	□□□	■	□□□	Value supported by bid for cyclicals in 'manufacturing revival'; positioning still short but sustained upside in doubt given exposure to credit risk.
	Carry	□□□	■	□□□	Neutral outlook on mixed signals.
	Mean Reversion	□□□	□	■□□	Higher volatility environment offers a strong opportunity set for gamma harvesting.
Fixed Income	Carry	□■■	□	□□□	Stay underweight at current carry levels across developed markets, opportunities remain in more niche developing or municipal bond markets.
	Momentum	□□□	□	■□□	Algorithms well positioned to capture bearish move in government bonds, particularly in the US front-end.
	Value	□□■	□	□□□	Meaningful divergence across value signals (absolute rates, real rates …) suggests caution for this universe.
Commodities	Carry	□□□	□	■□□	Carry has been normalizing helping the strategy outperform in recent months, upside potential remains in a full carry normalization scenario.
	Carry Curve	□□□	■	□□□	Neutral allocation on mixed signals.
	Momentum	□□□	■	□□□	Positive fundamentals have helped the universe rally, but upside may be capped by slowing Chinese manufacturing demand and a pick-up in US oil production.
FX	Carry	□□□	□	■□□	Goldilocks' environment is supportive, positive signals from skew models. EM carry should outperform as flows into the region remain strong. Expect slightly higher volatility with higher rates.
	Momentum	□□□	■	□□□	Strategy well positioned to monetize ongoing trends in DM and EM FX.
	Value	□□□	□	■□□	Transition agreement offers some relief on the Brexit risk premium; shift in FX drivers with current account dynamics and value taking front stage. Look for entry points in JPY, EUR as defensive play.
	Mean Reversion	□□□	□	■□□	Slightly higher volatility should help the strategy harvest gamma; factor has historically done well in high volatility environments and periods of volatility compression.

BUSINESS REVIEW

Equities

Investcorp's outlook for equity risk premia reflects greater conviction that the world economy is experiencing a higher probability of being in a reflationary environment: a regime historically associated with higher market volatility. High inflation is expected to feed into higher rates, from a gradual tightening in monetary policy and a reflation of the term premium. Investcorp believes this regime will maintain pressure on the low beta risk premia, where Investcorp remains underweight. Investcorp downgrades momentum Q1 2019 to reflect greater unwind risks, as positioning remains crowded in the theme amid rising regulatory risks. On the other end, Investcorp has upgraded quality to a slightly positive outlook on greater appeal for its defensive nature. Finally, Investcorp is bullish on mean reversion as a higher realized volatility environment should offer a better opportunity set for gamma harvesting.

Fixed Income

In Fixed Income, Investcorp remains underweight carry and value strategies. Interest rate differentials have compressed again over Q4 2018, leaving meager pickings for naïve carry implementations. In contrast, the divergence across value signals – e.g., real vs. nominal rates – suggests caution for this universe for the coming months. Investcorp has moved to a slightly positive setting for momentum, where the universe seems best positioned to capture a change in market direction.

Commodities

In commodities Investcorp remains constructive on plain-vanilla Carry strategies, where the normalization process in carry bodes well for the strategy current momentum. Investcorp retains neutral outlooks for both Curve and momentum.

FX

A Goldilocks macro environment is expected to prove benevolent for Carry strategies over the months to come. A number of signals from Investcorp's quantitative models also appear supportive of the strategy, notably interest rate expectations and implied skew models for EM economies. Real money flows to the region that remain strong are another positive signal for the strategy. Investcorp has upgraded Mean Reversion as higher volatility should help support gamma harvesting algorithms. Mean Reversion has historically done well in both turbulent times and in periods of volatility compression. Investcorp has also upgraded Value as the recent transition deal is expected to allow for some normalization in the "Brexit" risk premium and a broader shift of focus towards current account dynamics plays itself out in foreign exchange markets.

REAL ESTATE INVESTMENT

At June 30, 2018, Investcorp's RE balance sheet co-investments excluding underwriting totaled $76 million, compared with $79 million at June 30, 2017. The amount represents 7% of total balance sheet co-investments at June 30, 2018.

Please refer to the table in Note 13 of the Consolidated Financial Statements of Investcorp Bank B.S.C., which summarizes the June 30, 2018 and June 30, 2017 carrying values by portfolio type. For details on RE underwriting, please refer to the table in Note 9 of the Consolidated Financial Statements of Investcorp Bank B.S.C.

RE co-investments comprised $74 million of marked-to-market equity investments and $2 million of debt investments held at net amortized cost inclusive of any provisions for impairment.

Carrying values for Investcorp's real estate co-investment by vintage year are shown below. Carrying values reflect stable values for existing assets as well as the impact of exits and new acquisitions and placements during the period.

Investcorp currently has 30 active real estate investment portfolios, including its two debt funds. As at June 30, 2018, 76 properties had been acquired and were being warehoused for formation into new portfolios to be offered to clients in FY19. At June 30, 2018, 23 of these portfolios were on or ahead of plan. The remaining seven, which are predominantly pre-2009 portfolios that have been written down significantly in value already and are rated behind plan, are generally those holding hotel, condominium developments and offices in regions where the economic environment has been generally subdued. Overall, the strategy for these portfolios is to position them for medium- to long-term ownership in stable capital structures with modest or no additional capital investment.

Investcorp currently has two funds which have invested in commercial real estate debt. The $176 million Investcorp Real Estate Credit Fund I, created in FY08, and the $100 million Investcorp Real Estate Credit Fund III, created in FY13, are both fully invested.

Investcorp co-investment by year ($m)	Properties # vs. current*	Sector	Geographic location	Carrying value end of Jun-18	Jun-17
Diversified VI	3/1	Retail	SE		
Diversified VII	4/1	Industrial	E		
Hotel	9/1	Hotel	SW		
Vintage FY07				**3.0**	8.0
Gallivant – Times Square**	1/1	Hotel	E		
Diversified VIII	5/1	Hotel	MW		
Weststate	1/0	–	–		
Vintage FY08				**0.0**	4.0
Commercial VI	3/1	Office	E		
Vintage FY11				**1.0**	2.0
Southland & Arundel Mill Mezz	n.a.***	Retail	SE		
Vintage FY12				**0.0**	0.0
2013 Office	16/0	–	–		
2013 Office II	5/5	Office	SE/W/SW		
Vintage FY13				**2.0**	4.0
2013 US Commercial/2014 Office	9/6	Office/Retail/Medical	W/MW/E		
2014 Diversified	4/0	–	–		
Vintage FY14				**8.0**	12.0
Canal Center	4/4	Office	E		
2014 Office and Industrial	24/3	Office/Industrial	E/W		
2015 Residential	4/1	Residential	E		
Atlanta Multifamily	2/0	–	–		
Vintage FY15				**3.0**	8.0
2015 Residential II	8/6	Residential	W/SW/SE		
2015 Office & Industrial	79/78	Office/Industrial	SE/W/E		
Boca Raton & Minneapolis Residential	5/5	Residential	SE/MW		
733 Tenth Street	1/1	Office	E		
Vintage FY16				**9.0**	10.0
2016 Residential	10/10	Residential	SW/MW/SE/E		
Boston & Denver Commercial	20/20	Office/Industrial	E/W		
901 Fifth Street	1/1	Office	W		
New York & California Multifamily	2/2	Residential	E/W		
Villas at Green Valley	1/1	Residential	W		
Chicago & Boston Industrial	6/6	Industrial	MW/E		
Vintage FY17				**10.0**	14.0
Florida & Arizona Multifamily	6/6	Residential	SE/SW		
UK Industrial Logistics	9/9	Industrial	UK		
Midtown Manhattan Office	2/2	Office	E		
2018 Residential	5/5	Residential	SE/SW/MW		
UK Industrial Logistics II	9/9	Industrial	UK		
2018 Warehouse Portfolio	38/38	Industrial	SE/SW/MW		
Vintage FY18				**20.0**	7.0
Others				**12.0**	10.0
Sub-total	296/224			**67.0**	79.0
New portfolios under construction	62/62			**9.0**	N.A.
Total including new portfolio under construction	358/286			**76.0**	79.0

* Portfolios which have been realized in this current reporting period, reflecting a current property count of 0 (zero), are retained in this chart as they contribute to the carrying value of the previous period.

** Previously known as Tryp by Wyndham. Includes support funding made after the initial acquisition date.

*** Mezzanine investments.

W=West, E=East, SW=Southwest, SE=Southeast, MW=Midwest.

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CREDIT MANAGEMENT

At June 30, 2018, Investcorp's CM balance sheet co-investments totaled $272 million, compared with $259 million at June 30, 2017. The amount represents 23% of total balance sheet co-investments at June 30, 2018.

Please refer to the table in Note 11 of the Consolidated Financial Statements of Investcorp Bank B.S.C., which summarizes the June 30, 2018 and June 30, 2017 carrying values by geography.

The table below details the Investcorp co-investment exposure and total AUM by geography and by vintage year. Performance information consisting of the cash returned to equity holders to date at a summarized level by vintage year.

Assets under management – Investcorp credit management ($m)

Fund Name[3]	Cash returned to equity to date %[1]	Total AUM Jun-18	Investcorp co-investment Jun-18
FY 2014	71.00%	809	31
FY 2015	60.38%	1,556	65
FY 2016	36.40%	1,447	66
FY 2017	16.87%	972	45
FY 2018	N/A	940	48
European CLO Funds		**5,724**	**254**
FY 2013	85.12%	347	0
FY 2014	59.76%	453	0
FY 2015	0.00%	747	0
FY 2016	32.56%	1,008	0
FY 2017	41.94%	1,142	18
FY 2018	9.98%	993	0
US CLO Funds		4,690	18
CLO under construction		220	42
Other Funds[2]		832	25
Other		1,052	67
Total		**11,466**	**339**

1 % of equity cash distribution over par value of equity at launch.
2 Other funds include Vintage Funds, Senior Loan Fund, Global Fund and European Middle Market Fund.
3 Fiscal year groupings are based on the closing date of a CLO.

Collateralized Loan Obligations ('CLOs')

CLO equity continues to provide investors with attractive current income cash distributions. In Europe, the average annualized cash distribution on Investcorp's ongoing 2.0 CLOs as at June 30 were 12.1% and, in the US, were 8.9%.

Open Ended Strategies

The ICM Global Floating Rate Income Fund[1] produced a net return of 4.32% for FY 2018, which trailed the benchmark[2] by 33 basis points. Since inception in August 2015, the Fund's annualized return of 4.28% has trailed the benchmark by 26 basis points.

The ICM Senior Loan Fund's net return of 4.06% trailed the benchmark Credit Suisse Leveraged Loan Index by 61 basis points for FY 2018. For the past seven years ended June 2018, the annualized net return of the Fund has exceeded the Index by 40 basis points (4.99% vs 4.59%).

For the past fiscal year, the best performing sectors in the CS leveraged loan index have been those that offered discounts to par that include many stressed and distressed loans: Metals/Minerals and Energy. As measured by rating category, the lowest rated loans outperformed the Index. The Funds tend to underweight these cyclical, commodity-related sectors and have limited exposure to lower rated loans, and therefore trailed the benchmark. Historically, the Funds have outperformed in more volatile environments.

1 USD Share Class.

2 The 'Benchmark' is the weighted average of the Credit Suisse Leveraged Loan Index and Credit Suisse Western European Loan Index hedged to the US dollar weighted by market value.

CORPORATE INVESTMENT PORTFOLIO LISTING

As of June 30, 2018, Investcorp's aggregate balance sheet co-investment amount was $609 million invested across 40 portfolio companies and an initial investment in a special opportunity in the German dental sector. The below sections provide an overview of these portfolio companies.

CI NORTH AMERICA

As of June 30, 2018, Investcorp's aggregate balance sheet co-investment amount in North America was $242 million invested across 13 companies.

Portfolio Company Name	Acquired	Industry Sector	Headquarters
ICR	**March 2018**	**Business services – data & information services**	**Connecticut, US**
	ICR is a leading strategic communications and advisory firm. ICR helps companies manage credibility and reputational risk to optimize shareholder value. ICR specializes in investor relations, public relations, crisis and special situations communications, digital/social media, and capital advisory solutions. The firm works with more than 550 clients across its five offices in the US and China. **www.icrinc.com**		
KS Group	**March 2018**	**Industrial services – supply chain services**	**New Jersey, US**
	KS Group is a value-added, industry-leading distributor of quality replacement auto body parts servicing over 10,000 collision repair shop customers across 25 locations in 14 states. The company provides automotive aftermarket body parts across a number of product categories, including headlights, front/rear bumper covers, fenders, hoods, tail lights, grills, radiators and mirrors. **www.ksiautoparts.com**		
AlixPartners	**January 2017**	**Business services – knowledge & professional services**	**New York, US**
	AlixPartners is a leading global business advisory firm that specializes in creating value and restoring the performance of businesses around the world. Headquartered in New York City and founded in 1981 by Jay Alix to handle the turnaround of Electrical Specialties Company, it was a pioneer in providing consulting services to companies in or near bankruptcy. Over time, AlixPartners has expanded its capabilities and currently offers five different types of services across a wide range of industries and geographies: Enterprise Improvement, Financial Advisory Services, Information Management, Leadership & Organizational Effectiveness and Turnaround & Restructuring. The company has nine locations in the US and 15 other locations around the globe including in South America, Europe, the Middle East and Asia. AlixPartners has over 1,600 employees, approximately 1,100 of whom are professionals, and over 160 Managing Directors. **www.alixpartners.com**		

Portfolio Company Name	Acquired	Industry Sector	Headquarters
Arrowhead Engineered Products	**October 2016**	**Industrial services – supply chain services**	**Minnesota, US**

Arrowhead is a market leading supplier/distributor of mission critical aftermarket parts primarily for off-highway vehicles. Arrowhead offers the broadest selection of non-discretionary, replacement vehicle products and services to a diverse set of end users in different markets including Utility/Powersports/Motorcycle, Agriculture, Industrial, Outdoor Power Equipment, Marine, Auto and Heavy Duty. Arrowhead has acquired three companies since Investcorp's investment in November 2016: Stens, J&N Electric and Interparts. These add-on acquisitions significantly increase Arrowhead's scale in the aftermarket replacement parts market.

www.arrowheadep.com

Portfolio Company Name	Acquired	Industry Sector	Headquarters
The Wrench Group	**March 2016**	**Consumer services**	**Georgia, US**

Wrench is a provider of home maintenance and repair services, specializing in heating, ventilation and air conditioning ('HVAC'), plumbing and electrical services. The company provides services to residential customers across four of the fastest-growing metropolitan areas in the United States (Atlanta, Georgia; Dallas, Texas; Houston, Texas; and Phoenix, Arizona).

www.wrenchgroup.com

Portfolio Company Name	Acquired	Industry Sector	Headquarters
PRO Unlimited	**October 2014/ May 2017**	**Business services – technology enabled services**	**Florida, US**

Founded in 1991, PRO Unlimited delivers a full range of services to address procurement, management and compliance issues related to contingent workers, including independent contractors, consultants, temporary workers and freelancers. PRO Unlimited operates in over 50 countries and provides services to some of the world's largest and most prestigious companies through its integrated, vendor-neutral software and services platform.

Investcorp originally invested in PRO Unlimited in October 2014. In May 2017, Investcorp sold a majority stake in PRO Unlimited to Harvest Partners and retained a minority stake.

www.prounlimited.com

BUSINESS REVIEW

Portfolio Company Name	Acquired	Industry Sector	Headquarters
totes»ISOTONER	**May 2014**	**Consumer products – specialty retail**	**Ohio, US**

Founded in 1923 and headquartered in Cincinnati, Ohio, totes»ISOTONER is a global designer, marketer and distributor of functional accessories in the rain, cold weather and footwear categories. The company's broad product portfolio includes umbrellas, gloves, hats, slippers and sandals. In 1997, totes and ISOTONER merged to form the totes»ISOTONER Corporation. The company offers quality products from two of the most recognized apparel brand names in the US and has a growing international presence in Europe and Asia.

www.totes-isotoner.com

Paper Source	**September 2013**	**Consumer products – specialty retail**	**Illinois, US**

Paper Source is a vertically integrated, cross-channel retailer, offering a premium selection of uniquely designed and curated gifts, stationery and crafting supplies. The company operates 128 stores in 28 states. The company goes to market through retail stores, direct-to-consumer and wholesale channels. Stores offer workshop classes, demonstrations and consultation appointments that drive high customer engagement, conversion and customer loyalty.

www.paper-source.com

Sur La Table	**July 2011**	**Consumer products – specialty retail**	**Washington, US**

Sur La Table is a specialty retailer of culinary merchandise and a leading provider of non-degree culinary courses in North America. Offering a broad selection of the best culinary brands and an assortment of innovative kitchenware products, Sur La Table currently operates 134 stores across the US with a widely distributed catalog and a premium online platform. The company provides items for cooking and entertaining and has a knowledgeable staff that provides high level service in its stores. Since acquisition, Sur La Table has almost doubled the number of its cooking class locations, serving well over 500,000 customers annually. Sur La Table has built a multi-channel business in which each channel is profitable on a standalone basis.

www.surlatable.com

Wazee Digital	**March 2011**	**Technology – internet/mobility**	**Colorado, US**

Wazee Digital (formerly T3 Media) is a leading provider of cloud-based video management services to premium video content rights holders. The company operates through two primary lines of business, Licensing and Platform Services. The two business lines are complementary with many customers utilizing both offerings.

www.wazeedigital.com

Portfolio Company Name	Acquired	Industry Sector	Headquarters
OpSec Security Group	**March 2010**	**Technology – security**	**Colorado, US**

OpSec Security Group is a global leader in providing anti-counterfeiting technologies, as well as solutions and services for physical and online brand protection, to over 400 brand owners worldwide. The company operates manufacturing facilities and laboratories in the US and the UK, and has sales operations in the Americas, Europe and Asia.

www.opsecsecurity.com

kgb	**April 2006**	**Technology – big data**	**New York, US**

kgb (formerly InfoNXX) is a global independent provider of directory assistance and enhanced information services. kgb delivers solutions to wireless and landline carriers, corporations and educational institutions in North America, handling the majority of the ‘411’ calls in the US that are delivered through a mobile phone. Furthermore, in the UK, kgb’s ‘The Number’ 118 has become Britain’s leading directory assistance service for consumers and businesses. The company also has operations in France, Germany, Ireland, Switzerland, Austria and Italy.

www.kgb.com

TPx Communications	**April 2000**	**Telecom**	**California, US**

TPx Communications (formerly TelePacific) is a provider of network and communications services headquartered in Los Angeles. In business since 1998, the Company provides services on self-owned switches and network infrastructure, including local and long-distance voice, dedicated internet access, private networking and data transport services as well as bundled voice and internet solutions.

www.tpx.com

BUSINESS REVIEW

CI EUROPE

As of June 30, 2018, Investcorp's aggregate balance sheet co-investment amount in Europe was $209 million invested across 12 companies and an initial investment in a special opportunity in the German dental sector.

Portfolio Company Name	Acquired	Industry Sector	Headquarters
Kee Safety	**October 2017**	**Industrial products**	**Birmingham, United Kingdom**

Founded in 1934, Kee Safety's products have a longstanding reputation for their quality, reliability and safety and include fall prevention equipment, roof edge protection, barrier and guardrail systems and safe access solutions. Today, the company has a global presence and sells its products across more than 60 countries worldwide to a broad range of customers, from multi-national corporations to distributors and installers. Kee Safety employs over 500 people and has established operations in 10 countries, including the US and China.

www.keesafety.com

Portfolio Company Name	Acquired	Industry Sector	Headquarters
Impero	**July 2017**	**Technology – security**	**Nottingham, UK**

Founded in 2002, Impero has become a market leader in the UK in integrated safeguarding software with its comprehensive education solution that enables schools to keep students safe, improves the teaching environment and maximizes efficiency for school network managers. Headquartered in Nottingham, UK, the Company has a >20% share of the UK secondary school market, currently serving more than 1,400 secondary schools across the country. Globally, the software is accessed by over 1.5 million devices in over 90 countries, including schools in more than 500 US districts. In February 2018, Impero opened an office in Austin, Texas, to further drive its growth in the US.

www.imperosoftware.com

Portfolio Company Name	Acquired	Industry Sector	Headquarters
ABAX	**June 2017**	**Business services – technology enabled services**	**Larvik, Norway**

Founded in 2003, ABAX has become one of Europe's fastest growing technology businesses and a leading telematics solution provider in the Nordics by developing and delivering sophisticated fleet tracking, electronic triplogs, equipment & vehicle control systems and digital project management systems. Headquartered in Larvik, Norway, the company has approximately 400 employees and established operations across the Nordic region as well as in Poland, the Netherlands, the UK and China.

www.abax.co.uk

Portfolio Company Name	Acquired	Industry Sector	Headquarters
Ageras	**March 2017**	**Technology – internet/mobility**	**Copenhagen, Denmark**

Founded in 2012, Ageras is a fast-growing online marketplace connecting SMEs and micro-businesses with professional service providers such as accountants and lawyers across Scandinavia and Western Europe. Still run by its founders, the company has successfully entered six markets (Norway, Sweden, the Netherlands, Germany and the UK alongside its home market of Denmark). Ageras' proprietary matching algorithm allows it to combine automation with high levels of service in order to ensure maximum customer satisfaction.

www.ageras.com

Portfolio Company Name	Acquired	Industry Sector	Headquarters
Agromillora	**December 2016**	**Consumer products**	**Barcelona, Spain**

Founded in 1986 in Barcelona, Agromillora is the leading global developer of high yielding plants and trees, with a key focus on permanent crops, including stone fruits, citrus, nuts, berries, olive trees and grape plants. The company pioneered the production and marketing of trees for high yielding olive orchards with the disruptive technology of super-high-density planting and has since been promoting similar agronomic improvements for a complete portfolio of high quality plants. With a global network of 11 production facilities and a commercial presence in nine countries, Agromillora sells to clients in over 25 countries.

www.agromillora.com

Calligo	**November 2016**	**Technology – big data**	**St Helier, Jersey**

Calligo is a fast-growing provider of cloud solutions focused on serving the global mid-tier enterprise segment. Founded in 2012, with the aim of leveraging jurisdictions across the globe that offer a robust data protection framework, Calligo provides a trusted cloud platform for hosting mid-tier enterprises, their data and applications. The company's proprietary cloud platform offers the highest levels of data privacy along with application performance guarantees, commercial flexibility and a personalized support service.

www.calligo.cloud

Corneliani	**June 2016**	**Consumer products – specialty retail**	**Mantova, Italy**

Founded in 1958, Corneliani is a luxury clothing brand. Best known for its men's suits and chic casualwear, it is one of the oldest independent Italian luxury brands. Corneliani benefits from a global sales presence in more than 62 countries through 13 directly operated stores, approximately 850 multibrand stores, more than 69 franchise stores and approximately 38 store-in-stores, including Harrods, Harvey Nichols, Saks Fifth Avenue and Bloomingdale's.

www.corneliani.com

SecureLink	**December 2015**	**Technology – security**	**Wommelgem, Belgium Sliedrecht, Netherlands**

Founded in 2003, SecureLink is a leading cybersecurity infrastructure and managed services provider, offering integrated security solutions for corporates and institutions in the upper mid-market. The company provides advanced security solutions as well as managed security services ('MSS'), helping its customers to handle complex security challenges and requirements, mitigating risk exposure and delivering a reliable, secure infrastructure that offers peace of mind to customers. Securelink was formed by the acquisition of companies in Scandinavia, Benelux, UK & Germany over the period June 2016 to March 2017 who were strongly positioned in the industry.

www.securelink.net

BUSINESS REVIEW

Portfolio Company Name	Acquired	Industry Sector	Headquarters
Dainese	**January 2015**	**Consumer products**	**Vicenza, Italy**

Founded in 1972, Dainese is the most recognized and respected brand for safety and quality in the motorcycle and other dynamic sports market. Originally known for its competitive motorcycling racing wear, Dainese has subsequently diversified its product range and today provides protective gear for road and racing use alike, as well as for use in winter sports, biking and horse riding. In addition, through the AGV brand name, Dainese is one of the leading protective helmet manufacturers for the motorcycle market. Through its Dainese Technology Centre ('D-Tec'), an R&D technical center for the study of protective technology, the company strives to ensure that it remains at the forefront of innovation.

In October 2015, Investcorp together with Dainese acquired POC, a pioneer in innovative safety concepts for sportswear to provide athletes and consumers with the highest standard of personal protection. POC's line of products includes helmets, body armor, goggles, eyewear, gloves and gear, which are currently sold across 25 countries worldwide. Through technical collaboration with partners such as Volvo, POC is pioneering innovative safety concepts and has won more than 40 prestigious international safety, design, innovation and business awards.

www.dainese.com/www.pocsports.com

Portfolio Company Name	Acquired	Industry Sector	Headquarters
SPGPrints	**August 2014**	**Industrial products**	**Boxmeer, The Netherlands**

Based in Holland, SPGPrints is a leading global manufacturer of consumables for printed textiles and labels. The product offering primarily consists of consumables used in the printing process (rotary screens, lacquers, digital inks and digital engraving) complemented by a full range of printing systems/equipment and after-sales spare parts, installation and maintenance services. SPGPrints is represented in more than 100 countries worldwide and commands a leading market position in each of its segments. In April 2018, SPGPrints carved out and sold one of its subsidiaries, Veco Precision. Veco, founded in 1934, manufactures high-precision metal components for a broad range of applications.

www.spgprints.com

Portfolio Company Name	Acquired	Industry Sector	Headquarters
Georg Jensen	**November 2012**	**Consumer products – specialty retail**	**Copenhagen, Denmark**
GEORG JENSEN	Based in Copenhagen, Georg Jensen is a global luxury brand that designs, manufactures and distributes jewelry, watches, fine silverware and high-end homeware. With a history that spans over 110 years, the Georg Jensen brand has a deep heritage in silversmithing and represents quality craftsmanship and timeless designs. The brand is also endorsed by the Queen of Denmark. **www.georgjensen.com**		
eviivo	**March 2011**	**Technology – internet/mobility**	**London, UK**
eviivo	eviivo is a leading European software provider for small and medium-sized accommodation businesses to manage their online and offline bookings, allocate rooms, allow for flexible pricing, invoice and process payments. With approximately 12,500 customers, eviivo's portfolio covers the breadth of the UK, French, German and Mediterranean markets and includes B&Bs, guest accommodation, inns, farmhouses, cottages, restaurants with rooms and smaller boutique hotels. **www.eviivo.com**		

BUSINESS REVIEW

CI MENA

As of June 30, 2018, Investcorp's aggregate balance sheet co-investment amount in the MENA region was $158 million invested across 15 companies. The portfolio listing shown below includes Hydrasun, even though it is headquartered in Aberdeen, UK, as it is a portfolio company of the Gulf Opportunity Fund.

Portfolio Company Name	Acquired	Industry Sector	Headquarters
Reem Integrated Healthcare	**April 2018**	**Healthcare**	**Abu Dhabi, United Arab Emirates**
	Reem Integrated Healthcare Holdings is developing a new landmark hospital complex on Reem Island, Abu Dhabi, UAE. The complex comprises a modern and highly specialized rehabilitation center combined with a children's and women's hospital and a family medical center. The development of the hospital complex will take place in phases: first, the construction of a more than one hundred bed rehabilitation center and a sizeable family medical center targeted to open at the end of 2019 and which will be built and operated by VAMED, a leading global provider of development, design and operational management services for hospitals; and second, the development of a more than one hundred bed children's and women's hospital, providing a full range of general and specialized pediatric surgery and treatments, as well as comprehensive gynecology and obstetrics services supported by a neonatal intensive care unit and which will be operated by VAMED in cooperation with Charité from Berlin, Germany, one of the leading university hospitals in Europe. **www.vamed.com and www.charite.de**		
Al Borg Medical Laboratories	**November 2016**	**Healthcare**	**Jeddah, Saudi Arabia**
	Established in 1999 in Jeddah, Al Borg has 60 laboratories across eight countries in the GCC and Africa, with a clear leadership position in Saudi Arabia. Al Borg employs over 1,300 personnel and offers a wide range of routine and specialty medical laboratory testing services to hospitals, clinics, corporates and individuals. In December 2017, Al Borg acquired Proficiency Healthcare Diagnostics ('PHD'), a leading private independent laboratory network in Abu Dhabi, UAE, operating five laboratories across Abu Dhabi, Dubai, Sharjah and Al Ain. **www.alborglaboratories.com**		
Bindawood Holding	**December 2015**	**Consumer products – grocery retail**	**Jeddah, Saudi Arabia**
	Established in 1984, with over 30 years of operations and a network of 63 stores across Saudi Arabia, the Bindawood group operates one of the largest chains of supermarkets and hypermarkets in Saudi Arabia. The company is predominately focused in the Western regions of Jeddah, Makkah and Madinah, with a growing presence in the Central and Eastern regions. **www.bindawood.com/www.danubeco.com**		

Portfolio Company Name	Acquired	Industry Sector	Headquarters
NDTCCS	**July 2015**	**Industrial services**	**Dammam, Saudi Arabia**

Established in 1975, NDT Corrosion Control Services Co. LLC ('NDTCCS') is the largest nondestructive testing ('NDT') service provider in Saudi Arabia employing over 1,000 technicians in Saudi Arabia, UAE and Kuwait. NDT is an essential service which involves the evaluation and testing of pipes, pressure vessels, oil platforms and other key industrial components to identify faults, cracks or defects without causing damage. NDTCCS provides conventional and advanced NDT services for a range of industrial sectors including oil and gas, petrochemicals, mining, nuclear and utilities. In February 2017, NDTCCS acquired a majority stake in Hi-Tech Inspection Services LLC ('Hi-Tech'), Oman's largest provider of NDT and inspection services employing over 770 technicians.

www.ndtcorrosion.com

Arvento	**March 2015**	**Business services – technology enabled services**	**Istanbul, Turkey**

Established in 2005, Arvento Mobile Systems ('Arvento') is a provider of telematics solutions, delivered as a software-as-a-service, which provide fleet operators with visibility into vehicle location, fuel usage, speed and mileage and other insights into their mobile workforce, enabling them to reduce their operating costs and increase their revenues. The company designs, develops and sells its own range of hardware products and software applications. The business is a market leader in Turkey as well as one of the leading players in the Kingdom of Saudi Arabia and the UAE. It is a multiple award winner for its technology and its rapid growth.

www.arvento.com

Namet	**December 2013**	**Consumer products**	**Istanbul, Turkey**

Established in 1998 and acquired in 2005 by the Kayar family, Namet Gida Sanayi ve Ticaret A.S. ('Namet') is the largest integrated producer of fresh cut and packaged processed red meat products in Turkey. The company operates two farms in Urfa and Samsun with 50,000 livestock capacity supplying nearly 30% of the company's production needs. The company processes and sells unpacked and packed fresh cut meat, delicatessen products, frozen products and further processed products. Products are sold under the Namet and Maret (acquired in September 2014) brands or as private label products to the retail and B2B (hotels/restaurants/catering) channels.

www.namet.com.tr

BUSINESS REVIEW

Portfolio Company Name	Acquired	Industry Sector	Headquarters
AYTB	**October 2013**	**Industrial services**	**Jubail, Saudi Arabia**

AYTB Al Yusr Industrial Contracting Company W.L.L. ('AYTB') was founded in 1979 in Jubail and over its 39-year history has made a significant contribution to the industrial growth of Saudi Arabia. The company supports the petrochemical and oil and gas sectors and supplies technical and logistical support, in addition to maintenance, construction, industrial cleaning as well as facility management, manpower supply, catering and accommodation services. AYTB's clients include many of the region's leading petrochemical and oil and gas companies. The company employs over 6,000 people across its operations in Saudi Arabia and Qatar.

www.aytb.com

Portfolio Company Name	Acquired	Industry Sector	Headquarters
Leejam	**July 2013**	**Consumer services**	**Riyadh, Saudi Arabia**

Leejam is a leading fitness chain operator in Saudi Arabia, operating under the 'Fitness Time' brand. Established in 2007 and headquartered in Riyadh, Leejam operates over 112 fitness clubs and has over 220,000 active members. Employing over 3,400 personnel, Leejam offers fitness clubs across three main segments targeting affluent (Fitness Time Plus), regular (Fitness Time) and budget (Fitness Time Pro) customers. The company offers a wide range of facilities, including cardiovascular and weight training activities, in addition to swimming pools, and sports facilities catering for football, basketball, volleyball, tennis, squash and billiards, positioning Fitness Time as a 'social club' rather than simply a 'fitness gym'.

www.fitnesstime.com.sa

Portfolio Company Name	Acquired	Industry Sector	Headquarters
Theeb Rent a Car Co.	**June 2013**	**Consumer services**	**Riyadh, Saudi Arabia**

Theeb Rent a Car Co. ('Theeb') is a leading car rental company in Saudi Arabia primarily serving the 'individual' customer segment with short-term rental services and also recently started offering long-term leasing to the 'corporate' customer segment. Established in 1991 and headquartered in Riyadh, Theeb operates a fleet of over 13,200 vehicles with a wide network of 45 branches, including 11 at international and regional airports across Saudi Arabia. Over the years, Theeb has built a strong local brand and membership program with over 210,000 members.

www.theeb.com.sa

Portfolio Company Name	Acquired	Industry Sector	Headquarters
Hydrasun	**March 2013**	**Industrial services**	**Aberdeen, Scotland**

Founded in 1976 in Aberdeen, Scotland, Hydrasun Group Holdings Ltd. ('Hydrasun') has international operational bases in the UK, the Netherlands, the Caspian Sea, West Africa and the Gulf Coast of the US. Hydrasun is engaged in the integration, manufacture and testing of hydraulic equipment and fluid connectors for the offshore oil and gas sector. Its products and services are mainly used across the offshore oil and gas sector with further application in the petrochemical sector. The company employs around 410 personnel and has state-of-the-art engineering, production, manufacturing, training and warehousing facilities. Clients include British Petroleum, GE, FMC and Aggreko.

www.hydrasun.com

Portfolio Company Name	Acquired	Industry Sector	Headquarters
Automak	**October 2012**	**Industrial services**	**Kuwait**

Founded in 2002 by Al Kharafi Projects Co. W.L.L. and Mr. Ghazi Omar, Automak Automotive Company ('Automak') is a leading player in the fleet leasing and rental business in Kuwait. Automak operates a fleet of in excess of 8,800 vehicles leased on a long-term basis (24-36 months) primarily to key companies in the oil, public and corporate sectors in Kuwait and on a short-term basis in the spot rental market. Automak also provides a wide spectrum of services and products including quick service and distribution of spare parts, tires and lube oil.

www.automak.com

Portfolio Company Name	Acquired	Industry Sector	Headquarters
Orka	**September 2012**	**Consumer products – specialty retail**	**Istanbul, Turkey**

ORKA Holding ('Orka') is one of the largest menswear retailers in Turkey, with 200 directly operated stores (165 in Turkey and 35 around the world). Founded in 1986 by Süleyman Orakçıoglu, Orka has three brands (Damat, Tween and D'S Damat) which are suited to a broad customer base. The Damat brand targets the classic/high-end segment, the Tween brand targets the contemporary/mid- to high-end segment and the more affordable D'S Damat targets the classic and contemporary mid segment. Damat is the #1 apparel brand in Turkey with an estimated 97% brand awareness.

www.orkagroup.com

Portfolio Company Name	Acquired	Industry Sector	Headquarters
Tiryaki	**September 2010**	**Consumer products – trading and logistics**	**Istanbul, Turkey**

Tiryaki Agro ('Tiryaki') is a leading trader and supply chain manager of agro commodities in Turkey. Founded in Gaziantep, Turkey, in 1965 by the Tiryakioglu family, the company has expanded over two generations to become one of the most successful family businesses in Turkey with sales operations across the globe. Tiryaki's business is in the sourcing, processing, storage and trading of conventional and organic grains, pulses, oil seeds, feed stuff and nuts across Europe, Africa, the Middle East, the CIS, America and Asia. The company has a team of approximately 690 professionals, has processing and storage facilities in Turkey and serves a broad customer base including food processors, retailers, governmental agencies and other agro wholesalers.

www.tiryaki.com.tr

BUSINESS REVIEW

Portfolio Company Name	Acquired	Industry Sector	Headquarters
Gulf Cryo	**November 2009**	**Industrial products**	**Kuwait and UAE**

Established in 1953, Gulf Cryo is a leading manufacturer, distributor and service provider of industrial gases in the Middle East. Gulf Cryo manufactures industrial, medical and specialty gases for a wide range of industries and applications such as metal fabrication, welding, cutting, oil and gas, healthcare, and food and beverage. Gases include oxygen, nitrogen, argon and CO_2, and are delivered by pipeline, in bulk or in cylinders. Gulf Cryo is dual-headquartered in the UAE and Kuwait, with operations in Kuwait, the UAE, Saudi Arabia, Oman, Jordan, Egypt, Turkey and Iraq.

www.gulfcryo.com

Portfolio Company Name	Acquired	Industry Sector	Headquarters
L'azurde	**March 2009**	**Consumer products**	**Riyadh, Saudi Arabia**

L'azurde, a family-owned business established in 1980 in Saudi Arabia, is a leading Arab designer, manufacturer and distributor of gold jewelry for the premium mass market, with two large state-of-the-art industrial plans in Riyadh and Cairo. The company has high quality products and designs. It enjoys a diversified regional distribution network, strong manufacturing capabilities, and significant economies of scale advantages with approximately 1,000 wholesale relationships that span the MENA region.

In June 2016, L'azurde successfully completed its IPO on the Saudi Stock Exchange (Tadawul). Investcorp, through its Gulf Opportunity Fund I, retains a 38.85% stake in the company and representatives of the Investcorp Gulf Opportunity Fund I remain on the Board.

www.lazurde.com

OWNERSHIP STRUCTURE, CORPORATE GOVERNANCE AND REGULATION

Investcorp Bank B.S.C. ('Investcorp Bank') is domiciled in Bahrain as a wholesale bank, under the regulatory oversight of the Central Bank of Bahrain ('CBB'), with shares listed on the Bahrain Bourse. Within the Investcorp group of companies, Investcorp Bank is the principal parent entity and owns a 100% economic interest in Investcorp Holdings Limited ('IHL'), its Cayman Islands-based subsidiary. In turn, IHL owns a 100% economic interest in Investcorp S.A. ('ISA'), domiciled in the Cayman Islands as a holding company. The significant subsidiaries of Investcorp Bank are discussed in Note 1 (iv) to the consolidated financial statements of Investcorp Bank. Investcorp Bank and its consolidated subsidiaries are referred to interchangeably as 'Investcorp' and the 'Investcorp Group'.

OWNERSHIP STRUCTURE

Overview

Investcorp Bank's ownership and subsidiary structure is designed to ensure that:

- the interests of Investcorp Bank's strategic shareholder group, comprised of Investcorp Bank directors, prominent Gulf individuals and institutional shareholders, together with public shareholders, are closely aligned with those of management; and
- Investcorp Bank effectively operates as a management controlled entity.

Substantially all of the Investcorp Group's assets and operations are owned and controlled by ISA. As a result, substantially all of the Investcorp Group's commercial risks are held outside of the Middle East.

Shareholding structure

The shareholding structure of Investcorp Bank is outlined in Note 1 (iii) to the consolidated financial statements of Investcorp Bank. At June 30, 2018, Investcorp Bank is owned by public shareholders, management and strategic shareholders. Public shareholders own approximately 48.8% of the Ordinary Shares of Investcorp Bank which are tradable on the Bahrain Bourse and are held predominantly by Gulf-based nationals and institutions, including a stake of 10% held by Konoz Securities Company SPC and a stake of 20% held indirectly by Mubadala Investment Company PJSC. International shareholders hold 0.03% of the Ordinary Shares, represented by unlisted Global Depositary Receipts. SIPCO Limited ('SIPCO'), a Cayman Islands entity that administers the Investcorp Group incentive compensation plans, indirectly owns 11.9% of Investcorp Bank's ordinary shares.

The 11.9% of Investcorp Bank's Ordinary Shares owned indirectly by SIPCO represents:

- management and other current and former Investcorp Group employees' (131 current and former employees in the aggregate) ownership of beneficial interests in 11.2% of Investcorp Bank's Ordinary Shares through Investcorp Employee Share Ownership Plans (each such plan an 'ISOP'), which includes 1.5% acquired but unvested shares under an ISOP; and
- treasury shares, amounting to 0.7% of Investcorp Bank's Ordinary Shares that are held for potential acquisition by employees pursuant to an ISOP.

The ownership of beneficial interests in Investcorp Bank by management and other employees is implemented through the ISOPs. The ISOPs are deferred remuneration programs pursuant to which management and other employees buy their allocated beneficial interests in Investcorp Bank utilizing variable (incentive) remuneration. These plans are intended to promote stakeholder alignment, encouraging management to focus on long-term value creation and prudent control of balance sheet risks. Investcorp Bank has approval from the CBB to hold up to 40% of Investcorp Bank's Ordinary Shares for the ISOPs.

Cayman Islands country risk/Control of the Investcorp Group: creditor protection mechanisms

As at June 30, 2018, assets comprising 96.5% of the book value of the Investcorp Group's consolidated assets were owned directly or indirectly by ISA, which is a subsidiary of IHL.

In order to separate voting control from economic ownership, IHL has issued (1) ordinary shares which carry voting rights, but do not carry economic rights; (2) Series A Preference Shares, which carry both voting and economic rights; and (3) Series B Preference Shares, which only carry economic rights. As at June 30, 2018, Investcorp Bank holds 21.0% of the voting shares of IHL (through its ownership of IHL Series A Preference Shares) and it holds 100% of the non-voting shares of IHL (through its ownership of IHL Series B Preference Shares). The IHL Series A Preference Shares and the IHL Series B Preference Shares owned by Investcorp Bank give it 100% of the economic ownership of IHL and, therefore, 100% ownership of the 96.5% of the book value of the Investcorp Group's consolidated assets owned directly or indirectly by ISA.

Under the Articles of Association of IHL, in the event of the occurrence of any event, or a series of events, of an adverse nature that are reasonably likely to materially impair Investcorp Bank's ability to perform its obligations, cause a change of control of Investcorp Bank or prevent it from continuing normal business activities, the Designated Representatives, who are certain of Investcorp Bank's senior executive officers and certain of Investcorp Bank's Directors, have the power to declare that an 'investment protection event' has occurred. Examples of circumstances that would constitute an 'investment protection event' include the hostile invasion of Bahrain by the forces of a foreign state, the nationalization of Investcorp Bank or substantial interference in the conduct of business that is reasonably likely to result in a material adverse change in the business, operations, assets or financial condition of Investcorp Bank. Should the Designated Representatives declare that an investment protection event has occurred, the IHL Series A Preference Shares and Series B Preference Shares held by Investcorp Bank will be automatically redeemed for nominal consideration. If the investment protection event is not temporary, IHL will issue shares and cause them to be delivered to the shareholders of Investcorp Bank so that each shareholder will own shares directly in IHL that are economically equivalent in all respects to the shares that they own in Investcorp Bank.

Further, pursuant to an agreement between Investcorp Bank and ISA, following the declaration of an investment protection event, all inter-company indebtedness owed to Investcorp Bank is automatically forgiven, except to the extent that Investcorp Bank is required to pay, and has paid, deposit liabilities. As a result, ISA is protected against any claims for the repayment of any indebtedness owed to Investcorp Bank, except to the extent that the cash proceeds of the repayment of that indebtedness are applied to satisfy the claims of Investcorp Bank's depositors.

As at June 30, 2018, Ownership Holdings Limited ('OHL'), a Cayman Islands company, has control of 51.2% of Investcorp Bank's Ordinary Shares directly and through CP Holdings Limited ('CPHL'), a Cayman Islands company. CPHL is controlled by OHL which, in turn, has SIPCO as its largest shareholder. Strategic shareholders own the balance of CPHL and OHL.

As a result of the Investcorp Bank ownership structure, the directors of SIPCO, comprising certain Investcorp Bank Directors and senior executive officers who are also the directors of OHL's sole director, which is a Cayman Islands corporation, have the ability to control the voting of 51.2% of the Ordinary Shares of Investcorp Bank.

Investcorp's senior management (Investcorp's Managing Directors) hold beneficial interests in Investcorp Bank's Ordinary Shares through the ISOPs. No current member of the senior management of Investcorp directly holds Investcorp Ordinary Shares. Certain members of senior management hold Investcorp Bank Preference Shares.

Information regarding the ownership and trading of Investcorp Bank's Ordinary Shares and Preference Shares by Investcorp Bank's Directors and the ownership and trading of Investcorp Bank Preference Shares by certain members of senior management is provided in the Investcorp Bank Fiscal Year 2018 Corporate Governance Report ('Fiscal Year 2018 Corporate Governance Report'), which is a supplement to this Annual Report. The Fiscal Year 2018 Corporate Governance Report also is available on Investcorp's website (www.investcorp.com).

As reported above, an aggregate of 51.2%[1] of Investcorp Bank's Ordinary Shares are held by OHL and CPHL, each of which is a Cayman Islands company.

The table below shows the distribution by nationality of the holders of the 48.8%[1] of Investcorp Bank's Ordinary Shares that are held by public shareholders and tradable on the Bahrain Bourse.

Nationality	Number of Shares	Ownership
American	22,913	0.0%
Bahraini	11,687,426	14.6%
British	205,700	0.3%
Cayman Islander	847,200	1.1%
Emirati	16,886,400	21.1%
Jordanian	700	0.0%
Kuwaiti	1,542,800	1.9%
Lebanese	47,300	0.1%
Omani	439,500	0.5%
Pakistani	10,000	0.0%
Qatari	1,335,700	1.7%
Saudi	5,821,900	7.3%
Spaniard	10,000	0.0%
Swiss	134,000	0.2%
Virgin Islands, British	44,600	0.1%
Total	**39,036,139**	**48.8%[1]**

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

Nationality	Number of Shares	Ownership
Bahraini	11,688	9.5%
British	857	0.7%
Canadian	367	0.3%
Cayman Islander	49,618	40.3%
Emirati	1,427	1.2%
French	357	0.3%
Indian	178	0.1%
Jordanian	287	0.2%
Kuwaiti	43,462	35.3%
Lebanese	178	0.1%
New Zealander	54	0.0%
Omani	6,471	5.3%
Qatari	1,230	1.0%
Saudi Arabian	4,535	3.7%
Swiss	2,173	1.8%
Syrian	357	0.3%
Total	**123,239**	**100.0%[1]**

1 Numbers may not add up due to rounding.

CORPORATE GOVERNANCE, BALANCE SHEET AND RISK MANAGEMENT

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

	June 30, 2018		
Ordinary shares	**No. of shares**	**No. of shareholders**	**% of total outstanding shares**
Less than 1%	15,036,139	277	18.8%
1% up to less than 5%	–	–	0.0%
5% up to less than 10%	7,833,561	1	9.8%
10% up to less than 20%	8,000,000	1	10.0%
20% and greater	49,130,300	2	61.4%
	80,000,000	281	100%

	June 30, 2018		
Preference shares	**No. of shares**	**No. of shareholders**	**% of total outstanding shares**
Less than 1%	15,131	50	12.3%
1% up to less than 5%	16,471	6	13.4%
5% up to less than 10%	8,918	1	7.2%
10% up to less than 20%	20,127	1	16.3%
20% and greater	62,592	2	50.8%
	123,239	60	100%

CORPORATE GOVERNANCE

Overview

Investcorp views corporate governance as the manner in which members of the Board of Directors, shareholders, investors, management and employees of Investcorp are organized and how they operate in practice. Good corporate governance involves keeping business practice above reproach and thus retaining the trust and confidence of all the stakeholders who enable Investcorp to operate, thrive and prosper.

Investcorp makes large investments in mostly illiquid asset classes such as corporate and real estate investments. It places a large proportion of these investments with clients and retains a portion for its own balance sheet. These investment activities operate with above-average risk levels and have led to the development of a comprehensive risk management infrastructure and strong corporate governance over the past 36 years. Investcorp's corporate governance practices have been structured around the following three principles:

i. alignment of interests among shareholders, clients and management combined with protection of lenders' interests;

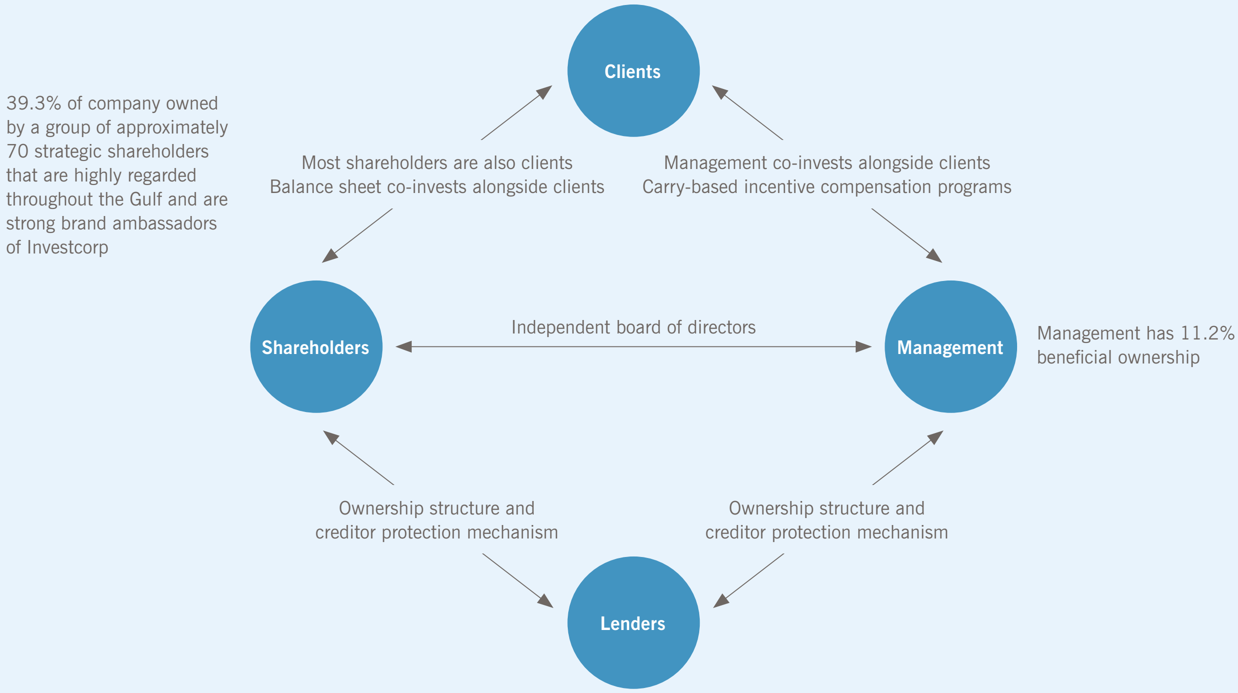
ii. transparency of reporting and actions plus proactive risk control; and

iii. collective decision-making.

Investcorp Bank's corporate governance is subject to the CBB's High Level Controls Module, ('Module HC') which incorporates the Corporate Governance Code of the Kingdom of Bahrain. Please see the Fiscal Year 2018 Corporate Governance Report for disclosure regarding Investcorp's compliance with Module HC.

i. Alignment of interests. A central tenet of Investcorp's philosophy is to ensure that interests among shareholders, clients and management are optimally aligned and that lender interests are well protected. The diagram below summarizes the key factors that drive this alignment.

Good alignment of interest between key stakeholders



The alignment of interest is ensured by the following mechanisms:

Co-investments: Clients, shareholders and management all participate in each of Investcorp's investment products. Investcorp retains a stake in each corporate or real estate investment transaction, placing the balance with clients. Investcorp also invests a portion of its assets in its alternative investment solutions products and the products of the credit management business. Hence, through ownership of Investcorp, shareholders indirectly participate in each of the investment products.

In addition, Investcorp's employees co-invest alongside clients and Investcorp in these investment products. As a result, all three groups are collectively exposed to the same risks and share the same outcomes. This emphasis on co-investment ensures that all stakeholders are motivated to grow Investcorp and enhance its value through the generation of superior risk-adjusted returns in each of Investcorp's products.

Performance-based incentive compensation: In addition, consistent with industry practice, Investcorp's investment professionals participate in performance-based investment carried interest programs whereby a certain variable portion of exit proceeds due to investors from the realization of their investments is shared with the investment professionals, provided that a certain pre-established minimum client investment performance objective is satisfied on the underlying investment.

In addition, the overall compensation paid to members of senior management and other Investcorp executives is highly correlated with Investcorp's net income. Investcorp's net income is driven by its ability to acquire, place, manage and realize investments and realize gains from investments on its balance sheet (franchise value). The franchise value, in turn, depends on the management's ability to provide long-term value to Investcorp's clients and shareholders and protection for its creditors.

Furthermore, all of Investcorp's employees at the level of Principal and Managing Director who are above designated levels of remuneration are required to defer a percentage of their variable (incentive) remuneration and utilize a portion of that deferred remuneration to purchase beneficial interests in Investcorp Bank's Ordinary Shares through the ISOPs. These beneficial interests are subject to vesting requirements.

In this manner, Investcorp's executive compensation programs play a critical role in aligning the management's interests with the interests of shareholders, clients and lenders.

The aggregate amount of compensation paid to senior management in respect of FY18, including variable remuneration that is required to be deferred and utilized to purchase beneficial interests in Investcorp Bank's Ordinary Shares that are subject to vesting requirements, is disclosed in Note 30 of the consolidated financial statements of Investcorp Bank.

The names of the members of senior management and information regarding their roles within Investcorp and their professional backgrounds is included in the Managing Directors, Principals and Professional Staff section of this Annual Report.

Further information regarding the Investcorp Group's remuneration policies and practices is provided in the Fiscal Year 2018 Corporate Governance Report.

ii. Transparency and risk control. Transparency at Investcorp involves the open and proactive discussion of issues and problems with all stakeholders. The role and nature of the Board of Directors and its committees and Investcorp's management structure are vital elements of an Investcorp Group-wide framework for mitigating risks, allocating resources and making decisions with full accountability based on all relevant information.

Board of Directors

Under the Articles of Association of Investcorp Bank, the Board of Directors consists of not less than five and no more than 15 Directors, and the number of Directors is determined by shareholder resolution.

The size of the Board of Directors was set at 12 by action of the shareholders at the Ordinary General Meeting of Shareholders held on September 27, 2016 (the '2016 OGM') and increased to 14 by action of the shareholders at the Ordinary General Meeting of Shareholders held on January 31, 2017 (the 'January 2017 OGM'). At the 2016 OGM, out of the 12 then current Directors of Investcorp Bank, 9 were re-elected for a three-year term expiring at the 2019 Ordinary General Meeting (the '2019 OGM'). Three Directors who had been newly appointed prior to the 2016 OGM to fill vacancies arising on the Board were also appointed to the Board of Directors for a three-year term that will expire at the 2019 OGM. At the January 2017 OGM, two new Directors, Sheikh Abdul Rahman Bin Saud Al-Thani and Mr. Abdullah Saud Alhumaidhi, were appointed to the Board of Directors for a term that will expire at the 2019 OGM, bringing the total number of the Directors on the Board to 14. However, earlier in Fiscal Year 2018, Mr. Nemir Amin Kirdar, the then current Chairman of the Board of Directors, expressed his wish to retire as Chairman of the Board of Directors and as a Director, after many years of devoted service to Investcorp Bank. Mr. Kirdar's retirement as Chairman of the Board of Directors and as a Director became effective on 1 October 2017. Mr. Majid Saif Al Ghurair also resigned from the Board of Directors effective 1 October 2017, after serving on the Board of Directors for 9 years. As a result of Mr. Kirdar's retirement and Mr. Al Ghurair's resignation, the total number of the Directors on the Board is now 12.

Following Mr. Kirdar's retirement as the Chairman of the Board of Directors, Dr. Yousef Hamad Al Ebraheem, the then current Vice-Chairman of the Board of Directors, was appointed as the new Chairman of the Board of Directors effective on 1 October 2017. Mr. Khalid Rashid Al Zayani was appointed as the new Vice-Chairman of the Board of Directors effective that same day.

There is no cumulative voting in Director elections.

Each Director has signed a formal written appointment letter agreement which addresses a number of matters, including the Director's duties and responsibilities in serving on the Board of Directors, the fact that annual remuneration for service as a Director is subject to the approval of the shareholders of Investcorp Bank, his entitlement to expense reimbursement and access to independent professional advice when needed. There are no arrangements in effect relating to the termination of any Director.

The Corporate Governance Committee of the Board of Directors has developed and the Board of Directors has approved a formal induction program for new Directors that includes briefings on (i) the duties and responsibilities of Directors; (ii) Investcorp's investing lines of business; (iii) Investcorp's financial position; and (iv) key strategic issues.

The Board of Directors is ultimately accountable and responsible for the strategy and business performance of Investcorp and its subsidiaries. The specific responsibilities of the Board of Directors are as follows:

- ensuring that financial statements are prepared which accurately disclose Investcorp's financial position;
- monitoring the implementation of strategy by management;
- monitoring management performance and determining whether to approve recommendations for the remuneration of senior management;
- convening and preparing the agenda for shareholders' meetings;
- monitoring conflicts of interest and preventing abusive related party transactions;
- assuring equitable treatment of shareholders, including minority shareholders;

CORPORATE GOVERNANCE, BALANCE SHEET AND RISK MANAGEMENT

- the adoption and annual review of Investcorp's strategy, provided that, as part of the strategy review process, the Board is responsible for:
  - reviewing Investcorp's business plans and the inherent level of risk in these plans;
  - assessing the adequacy of capital to support the business risks of Investcorp;
  - setting performance and other business objectives; and
  - overseeing major capital expenditures, divestitures and acquisitions
- ensuring that an adequate, effective, comprehensive and transparent corporate governance framework is in place;
- adopting and reviewing the systems and controls framework of Investcorp to ensure that this framework, including Investcorp's Board structure and organisational structure, is appropriate for Investcorp's business and associated risks;
- adopting and reviewing management structure and responsibilities;
- putting in place effective policies and procedures for approving budgets and reviewing performance against those budgets and key performance indicators, and the management of Investcorp's compliance risk; and
- establishing corporate standards for itself, senior management and all other employees, including policies and procedures for the identification, disclosure, prevention or strict limitation of conflicts of interest.

The Directors' names, years of service on the Board of Directors, other directorships held by them, attendance of Board of Directors meetings held during Fiscal Year 2018 and the aggregate remuneration proposed to be paid to the Directors in respect of Fiscal Year 2018 are reported in the Fiscal Year 2018 Corporate Governance Report.

The approval of the Board of Directors is required for material matters, including the business plan and budget for each fiscal year, capital raising, capital markets and other financing transactions, Investcorp Group-wide risk limits and employee remuneration plans.

During Fiscal Year 2018, all of the Directors of Investcorp Bank other than H.E. Mohammed Bin Mahfoodh Bin Saad Al Ardhi, the Executive Chairman of Investcorp Bank, were non-executive Directors. In line with the requirements of Module HC, the Board of Directors determines the independence of the Directors each year. The most recent determination of the independence of the Directors made by the Board of Directors, which was made in April 2018, is reported in the Fiscal Year 2018 Corporate Governance Report.

The Board of Directors has established four standing Executive Committees as follows: the Audit Committee, the Corporate Governance Committee, the Executive Committee for Administrative Policy and the Executive Committee for Investment Policy, each of which is described below.

The **Audit Committee** is responsible for the oversight of Investcorp Bank's internal audit, external audit, risk management and compliance functions. Investcorp Bank's external auditor, the head of the Internal Audit department, the head of Compliance, and the head of the Risk Management department report to the Audit Committee.

The members of the Audit Committee are appointed by the Board of Directors, and the Committee currently has three members. Consistent with Module HC, none of the members of the Audit Committee has any other Board responsibilities that could conflict with his obligations as a member of the Audit Committee. The Audit Committee is required to meet at least four times each fiscal year.

The responsibilities of the Audit Committee include:

- the selection, appointment, remuneration, oversight and termination, where appropriate, of the external auditor, including monitoring the rotation arrangements for the audit engagement partners;
- determining the independence of the external auditor once a year;
- reviewing and discussing with the external auditor the scope and results of the annual audit of Investcorp Bank's financial statements and the half-year financial statements reviewed by the external auditors;
- reviewing Investcorp Bank's accounting and financial practices, reporting systems and internal controls;
- the appointment and termination, where appropriate, of the head of the Internal Audit department and reviewing the budget allocated to the Internal Audit department;
- the appointment and termination, where appropriate, of the head of Compliance and reviewing the budget allocated to the Compliance function;
- reviewing the activities, performance and adequacy of Investcorp Bank's internal audit (including the independence of the internal audit function and reviewing the internal audit plan) and compliance personnel and procedures;
- reviewing the adequacy of Investcorp Bank's internal controls and risk management systems;
- reviewing the risk management function, including the independence and authority of its reporting obligations and reviewing with the head of Risk Management the adequacy and effectiveness of Investcorp Bank's risk management policies and methodologies;
- overseeing Investcorp Bank's compliance with legal and regulatory requirements and ensuring that Investcorp Bank communicates with shareholders and relevant stakeholders (internal and external) openly and properly;
- review and supervise the implementation of, enforcement of and adherence to, the Investcorp Group Code of Conduct; and
- overseeing any special investigations the Committee deems necessary to meet its responsibilities, including any investigation required to be conducted by Investcorp Bank's Whistleblowing Procedures.

The **Corporate Governance Committee** is responsible for overseeing Investcorp Bank's corporate governance. The members of the Corporate Governance Committee are appointed by the Board of Directors, and the Committee currently has four members. The Corporate Governance Committee is required to meet at least twice each fiscal year.

The Corporate Governance Committee's responsibilities include:

- developing for consideration and approval by the Board of Directors, and recommending changes to the Board of Directors from time to time in, Investcorp Bank's corporate governance guidelines, which constitute Investcorp Bank's corporate governance policy framework;
- overseeing Investcorp Bank's implementation of the Corporate Governance Code of the Kingdom of Bahrain;
- overseeing a formal and tailored induction program for newly appointed Directors, to which current Directors must be invited; and
- overseeing Directors' corporate governance educational activities.

In addition, as required by Investcorp's Conflicts of Interest Policies and Procedures for Members of the Board of Directors, Senior Management and Central Bank of Bahrain Approved Persons (the 'Conflicts of Interest Policies and Procedures'), the Corporate Governance Committee is responsible for considering any report of an actual or potential conflict of interest involving any Director, any member of senior management or any less senior executive approved by the CBB to perform his or her function (collectively, 'Covered Persons') and making a recommendation to the Board of Directors regarding such actual or potential conflict of interest.

The **Executive Committee for Administrative Policy** ("ECAP") functions as (i) a nominating committee; (ii) a remuneration committee; and (iii) an administrative policy committee. The members of the Executive Committee for Administrative Policy are appointed by the Board of Directors, and the Committee currently has four members. The Committee is required to meet at least twice a year.

When acting as a nominating committee, its responsibilities include:

- making recommendations to the Board from time to time as to changes ECAP believes to be desirable to the size of the Board or any committee of the Board;
- identifying persons qualified to become Chief Executive Officer, Chief Financial Officer, Corporate Secretary and any other officers of Investcorp considered appropriate by the Board, with the exception of the appointment of the head of internal audit and the head of Compliance, which will be the responsibility of the Audit Committee;
- whenever a vacancy arises (including a vacancy resulting from an increase in the size of the Board), identifying persons qualified to become members of the Board and recommending to the Board a person to fill the vacancy either through appointment by the Board or through shareholder election;
- making recommendations to the Board regarding candidates for Board memberships to be included by the Board on the agenda for the next annual shareholders' meeting;
- identifying Board members qualified to fill vacancies on any committee of the Board and recommending to the Board that such person be appointed to such committee;
- overseeing succession planning and designing a plan for orderly succession and replacement of officers including replacement in the event of an emergency or other unforeseeable vacancy, ensuring appropriate resources are available;
- making recommendations to the Board from time to time as to changes ECAP believes to be desirable in the structure and job descriptions of Investcorp's officers including the Executive Chairman and Co-Chief Executive Officers, and preparing terms of reference for each vacancy stating the job responsibilities, qualifications needed and other relevant matters, including integrity, technical and managerial competence, and experience; and
- recommending persons to fill specific officer vacancies including Executive Chairman and Co-Chief Executive Officers, considering criteria such as those referred to above.

When acting as a remuneration committee, its responsibilities include:

- considering and making specific recommendations to the Board regarding Investcorp's remuneration policies (which policies should be approved by the shareholders) and individual remuneration packages for approved persons, material risk takers (as such terms are defined by the Central Bank of Bahrain) and other members of senior management;
- considering, and making recommendations to the Board regarding, remuneration to be paid to Directors based on their attendance of Board meetings and performance, subject to compliance with Article 188 of the Bahrain Commercial Companies Law;
- considering and approving remuneration packages for each approved person and material risk taker, as well as the total variable remuneration to be distributed, taking into account all forms of remuneration, ensuring that such compensation is consistent with Investcorp's corporate values and reflects an evaluation of performance in implementing agreed corporate goals, objectives, strategy and business plans;
- approving individual remuneration packages for other Managing Directors and Principals, taking into account all forms of remuneration referred to above, ensuring that such compensation is consistent with Investcorp's corporate values and reflects an evaluation of performance in implementing agreed corporate goals, objectives, strategy and business plans; and
- approving, monitoring and reviewing the remuneration system to ensure the system operates as intended.

When acting as an administrative policy committee, its responsibilities include:

- the review and approval of the Executive Chairman's recommendations for corporate and administrative policies;
- the review and approval of the Executive Chairman's recommendations for capital expenditures by Investcorp;
- the review and approval of the Executive Chairman's recommendations with respect to any other administrative matter delegated to ECAP by the Board; and
- overseeing the charitable contributions made by Investcorp and its consolidated subsidiaries.

The **Executive Committee for Investment Policy** is responsible for overseeing Investcorp's budget, funding plans and investment policy. The members of the Committee are appointed by the Board of Directors, and the Committee currently has five members. The Committee is required to meet at least twice each fiscal year.

The Committee's responsibilities include:

- reviewing and approving Investcorp's corporate funding plan for each fiscal year;
- reviewing and approving Investcorp's budget for each fiscal year;
- evaluating Investcorp's investment processes and recommending enhancements to those processes;
- taking action with respect to any other matter relating to the oversight of Investcorp's investment processes; and
- reviewing and approving recommendations for Investcorp's investment strategies, products and services.

The names of the members of each of the Executive Committees, their attendance at their relevant Executive Committee meetings during Fiscal Year 2018 and the remuneration proposed to be paid to Directors for their Executive Committee service during Fiscal Year 2018 is reported in the Fiscal Year 2018 Corporate Governance Report.

During Fiscal Year 2018, the Board of Directors evaluated the performance of the Board of Directors as a whole, each Executive Committee and each Director and the Board will continue such evaluations each year going forward. Information regarding the evaluation conducted during Fiscal Year 2018 is presented in the Fiscal Year 2018 Corporate Governance Report.

A report regarding the evaluations conducted each year is also provided at each OGM.

For information regarding related party transactions, please see Note 31 to the consolidated financial statements of Investcorp Bank.

The Board of Directors has adopted the Conflicts of Interest Policies and Procedures that apply to all Covered Persons. A conflict of interest exists when any activity, interest or relationship of a Covered Person interferes with or could reasonably be expected to interfere with the Covered Person's ability to act in the best interests of Investcorp, including if a Covered Person has a personal interest in a transaction to which Investcorp is or may become a party. The policy provides that a Covered Person's investment in Investcorp securities, Investcorp transactions and/or Investcorp products on the same terms as are extended to other similarly situated persons, which includes non-Covered Persons, will not be considered to give rise to a conflict of interest.

The Conflicts of Interest Policies and Procedures prohibit Covered Persons from engaging in certain activities, including participating in any discussion or decision-making or vote that involves a subject in which a conflict of interest exists, and requires the disclosure of any existing or potential conflict of interest with respect to any Director to the Executive Chairman's Office who will in turn report it to the Corporate Governance Committee. The Corporate Governance Committee is required to consider the matter and report to the Board of Directors, which ultimately must determine how to proceed and whether to approve any transaction in which a conflict of interest exists. If a conflict of interest involves a Director, that Director should not participate in any Board of Directors discussion regarding, or vote on, that transaction.

Additionally, each member of senior management and each other Approved Person should report any actual or potential conflict of interest to the Chief Administrative Officer, who will in turn report it to the Corporate Governance Committee. The Corporate Governance Committee is required to consider the matter and report to the Board of Directors regarding such actual or potential conflict of interest. Such member of senior management or other Approved Person should not be present at any meeting of the Corporate Governance Committee at which the actual or potential conflict of interest is discussed.

To ensure that any existing or potential conflict of interest is identified, Directors, members of senior management and Approved Persons are required to periodically complete a questionnaire. The questionnaire requires disclosure of the companies in which directorships are held and interests held in other entities (whether as a shareholder of 5% or more of the voting shares, a manager or some other form of significant participation).

The Board of Directors has adopted the Investcorp Group Code of Conduct, which applies to the Directors of Investcorp Bank and all Investcorp employees. On an annual basis, all Investcorp employees are required to certify in writing their compliance with the Code of Conduct. A copy of the Code of Conduct is printed as an Annex to the Fiscal Year 2018 Corporate Governance Report.

Transparency for other stakeholders

It is the policy of Investcorp Bank to provide to its shareholders, clients, creditors and other stakeholders public disclosure that is fair, transparent, comprehensive and timely, and the Board of Directors has adopted a Public Disclosure Policy and Procedures Statement which includes internal review procedures to ensure that the standards of this policy are satisfied. In accordance with this Policy and Procedures Statement, all information relating to Investcorp that is publicly disclosed is made available on Investcorp's website promptly after such disclosure is made and Investcorp Bank's financial statements for at least the last five years are maintained on the Investcorp website at all times. A copy of the Public Disclosure Policy and Procedures also is available on Investcorp's website.

In addition to publishing its annual audited financial statements, Investcorp Bank publishes its unaudited financial statements for the first six months of its financial year (July–December) and shareholder updates for the first three months (July–September) and nine months of its financial year (July–March). An annual shareholders meeting, in addition to the OGM, provides further information and an opportunity for an exchange of opinions and ideas. The Placement and Relationship Management ('PRM') team and several senior members of the management team also periodically meet with shareholders in one-to-one meetings. Clients have direct, ongoing access to the PRM team and investment professionals. Clients are provided with a detailed written review of each investment in their portfolio every six months, and they regularly meet with PRM team members to discuss their current portfolio and new investment opportunities. Periodically, clients have the opportunity to meet the management teams of their portfolio companies. Lenders receive semi-annual updates on the health of the business and have direct, ongoing access to the members of the finance team, usually through one-to-one communications.

iii. Investcorp's management structure and collective decision-making. Investcorp's senior management team adopts a collective decision-making style, which is reflected by the committees described below.

The Executive Chairman and the two Co-Chief Executive Officers of Investcorp Bank comprise an Executive Committee which meets frequently to discuss Investcorp's business and performance on a high-level basis.

The members of the Executive Committee, together with the Chief Administrative Officer, the Chief Financial Officer, the senior executives in charge of Investcorp's investing lines of business (the 'Investing LOBs'), the Head of PRM, the Head of Risk Management and the General Counsel, comprise the Operating Committee. The Operating Committee meets monthly to discuss Investcorp's business and performance on a more granular level.

Each Investing LOB has an Investment Committee. Each Investment Committee will meet to consider a proposed investment or disposition up to three times in the case of Corporate Investments and Real Estate Investments.

The Investment Committee for an LOB within Corporate Investment comprises senior executives within that LOB, a Co-Chief Executive Officer and the head of Risk Management.

The Investment Committee for Real Estate Investments is comprised of senior Real Estate executives, a Co-Chief Executive Officer and the head of Risk Management.

ICM, reflecting its operations in both the US and European markets, operates two regional Investment Committees drawing on the experience of senior investors active in each market. ICM also operates a Global Committee which combines senior ICM management with experienced investors from both regional Investment Committees to oversee those particular ICM managed strategies which operate on a global basis across all ICM investment markets.

The role of each Investment Committee is to evaluate each proposed investment and disposition based on its risk-return profile as well as its overall suitability to Investcorp's franchise and balance sheet and in the context of Corporate Investment and Real Estate Investments to determine whether to recommend to the Investment Council that it approve the investment or the disposition. Where a decision is being made in the context of a fund or account managed or advised by an Investcorp subsidiary (e.g., ICM), the suitability of that investment or disposal for the fund concerned, having due regard to the fund's investment strategy, fund documentation and applicable regulatory principles and regulations, will be evaluated by the relevant ICM investment committee.

Potential investments that are proposed to be placed with Investcorp's clients in the Gulf are reviewed at an early stage by the Placement Committee, which is comprised of senior PRM executives. The role of the Placement Committee is to assess the attractiveness of a potential investment to Investcorp's Gulf clients, which is relevant to Investcorp's underwriting risk.

All investments and dispositions are subject to the final approval of the Investment Council, which is comprised of Bahrain-based senior executives including the Executive Chairman, the Co-Chief Executive Officers and the Chief Financial Officer.

The Financial and Risk Management Committee guides and assists with the overall management of Investcorp's risk profile on an enterprise-wide basis subject to the approval of the Audit Committee and the Board of Directors. This Committee also evaluates new hedge fund seeding proposals and potential Special Opportunities Portfolio investments. The Committee is comprised of senior management drawn from key areas of Investcorp and includes the head of Treasury and the head of Risk Management.

REGULATION

As a Bahrain-based bank, Investcorp Bank is licensed by the Central Bank of Bahrain ("CBB"), and all of Investcorp Bank's activities are subject to comprehensive regulation by the CBB. In addition, a portion of Investcorp Bank's Ordinary Shares are listed on the Bahrain Bourse and Investcorp Bank is subject to the regulations of the Bahrain Bourse.

Investcorp Bank has two indirect UK subsidiaries: Investcorp Securities Limited ('ISL'), which acts as an arranger of corporate finance and real estate transactions and manages collective investment undertakings as a small authorized UK AIFM, and Investcorp Credit Management EU Limited ('ICMEU'), which provides portfolio management services to Collateralised Loan Obligation issuer vehicles and other funds which invest in senior secured loans. Both ISL and ICMEU are registered with and regulated by the UK Financial Conduct Authority (the 'FCA') as IFPRU 50K limited license firms. In the US, ISL is registered with the Securities and Exchange Commission as an Investment Adviser and ICMEU has been deemed an Exempt Reporting Adviser.

ISA has issued bonds that are listed on the SIX Swiss Exchange and accordingly ISA is subject to certain SIX Swiss Exchange rules and regulations, including ongoing reporting requirements.

Investcorp Bank has one subsidiary, N A Investcorp LLC that is registered with and regulated by the US Securities and Exchange Commission (the 'SEC') and the US Financial Industry Regulatory Authority as a broker-dealer. Investcorp Bank also has its subsidiaries, Investcorp Investment Advisers LLC ('IIA LLC'), Investcorp Credit Management US LLC ('ICMUS') and Investcorp Investment Advisers Limited ('IIAL') registered with and regulated by the SEC as investment advisers. Two of these investment advisory subsidiaries, IIALLC and IIAL, are also registered as commodity pool operators and are regulated by the US Commodities Futures Trading Commission and the US National Futures Association. One of these subsidiaries, IIAL, is also registered with and regulated by the Cayman Islands Monetary Authority ('CIMA').

One other Investcorp Bank subsidiary, Investcorp Management Services Limited, is registered with and regulated by CIMA in connection with the performance of investment-related services.

Investcorp Bank's Saudi Arabian subsidiary, Investcorp Saudi Arabia Financial Investments Co., is licensed by the Capital Market Authority to market Investcorp's investment products in Saudi Arabia.

ISA's Qatar subsidiary, Investcorp Investments LLC, is licensed by the Qatar Financial Centre Regulatory Authority to market Investcorp's investment products in and from the Qatar Financial Centre.

Investcorp Bank also has a representative office in Abu Dhabi which is licensed by the Central Bank of the United Arab Emirates.

BALANCE SHEET

Investcorp's overall philosophy is to maintain a conservative balance sheet, based on an adequate level of liquidity with access to medium-term funding, modest leverage and capital adequacy well in excess of minimum requirement levels. Investcorp's Finance group has oversight and responsibility for management of the balance sheet structure and implements strategy and policies within a framework set by the Financial and Risk Management Committee ('FRMC'), under the oversight of the Board of Directors' Audit Committee and the Board of Directors.

This conservative approach to balance sheet management is a deliberate strategy to mitigate the impact of refinancing and liquidity risk on Investcorp's business model of originating and syndicating alternative asset investments, and its ongoing commitment to stakeholder alignment by way of co-investing its balance sheet alongside investors in all its products. It also seeks to mitigate the impact on the business from market liquidity stresses or forced refinancing of debt facilities during sustained periods of economic difficulty. It therefore targets to finance its entire portfolio of illiquid co-investments with permanent capital, long dated debt and also debt secured by such co-investments.

Investcorp's capital adequacy ratio under Basel requirements is targeted to remain well above regulatory minimums and is intended to keep it in the tier of the best-capitalized banks globally.

Ratings

Investcorp recognizes the value of an investment-grade rating and is aiming for that objective over the medium term. Rating agencies and lenders profile Investcorp as non-Gulf-based credit risk, given that almost all of the Group's assets are held under Investcorp S.A., a non-Gulf entity. As a matter of course, certain loan covenants require that Investcorp S.A. owns at least 95% of Investcorp's consolidated group assets.

Some of the key themes referred to by the rating agencies in their reports are:

- strong client franchise with a high degree of brand name recognition and respect in the Gulf region;
- diversification benefits inherent to the business model from the establishment and growth of new business lines;
- the strength and longevity of tenure of the management team; and
- the conservative balance sheet management approach for liquidity, funding and capital.

The global financial crisis impacted Investcorp's investment business and its balance sheet capitalization. Taking this into account and consistent with the broad wave of actions across the financial services industry, the rating agencies downgraded Investcorp's ratings to reflect the tough environment faced by the alternative investments sector at that time and the uncertain macroeconomic outlook. Investcorp recognized these challenges by deleveraging and strengthening its balance sheet through risk reduction and capital raising measures in order to support an eventual return to an investment grade credit rating in the future.

Liquidity management

Investcorp targets an adequate level of accessible liquidity to meet peak levels of underwriting activity, operational cash to cover near-term operating expenses and interest payments, as well as contractual debt repayments. This is achieved by a combination of on-balance sheet liquidity, held in the form of invested short tenor liquid assets and off-balance sheet liquidity in the form of committed medium-term revolving credit facilities provided by close relationship banks. Such facilities are mainly used in the normal course of business for acquisition underwriting of new corporate investment or real estate investment deals prior to placement with clients, which can take up to six months after the deal is closed. Bank revolvers, therefore, supplement core liquidity, and together they provide a pool of accessible liquidity to underwrite multiple acquisitions, without having to redeem or dispose of co-investments in order to meet short-term working capital requirements.

The credit environment, lender preferences and the reliability of interbank markets will dictate the actual mix between off-balance sheet and on-balance sheet liquidity that Investcorp chooses to hold at any particular time.

Investcorp stress tests its liquidity on a regular basis to ensure that it has sufficient cash in the near term to meet unforeseen obligations. This worst-case stress scenario assumes: (i) the disappearance of almost all short-term funding sources; (ii) accelerated repayment of client balances; and (iii) a need to provide additional capital support to portfolio companies.

Funding structure

The conservative approach to balance sheet structure is also applied to Investcorp's funding activity. Investcorp's strategy is to maintain strong lender relationships, provide lenders with regular dialogue on business developments and financial results, and to be responsive on issues and questions that arise. A prudent approach to financial management has led to a deliberate strategy to secure long- and medium-term funding from a geographically diverse lender base. Investcorp has a positive structural funding gap where the average maturity of liabilities has consistently been longer than the average maturity of its assets. This has been achieved from the traditional global medium-term club and syndicated bank loan markets, together with capital markets transactions such as public bonds and private placements with institutional investors.

Refinancing requirements are managed to avoid maturity concentration in any given period, and the Company continually reviews opportunities to access new financing markets or sources with new funding products.

Investcorp's medium-term funding therefore comprises committed bank facilities (drawn and revolving), capital markets notes and bonds and a portion of committed client balances that are not at call. When the financing environment permits, this pool is targeted to have staggered maturities to reduce repayment or refinancing concentration and to match the medium-term nature of Investcorp's working capital cycle. Investcorp's long-term funding comprises private placements with international insurers with residual maturities of approximately 12 years.

A combination of high liquidity and committed-term funding with actively managed maturities aims to provide adequate coverage, in a worst-case scenario, for all near- and medium-term debt repayments.

Leverage

Consistent with its overall conservative approach to balance sheet management, Investcorp aims to maintain a moderate leverage ratio, using debt where appropriate and ensuring a sufficient amount of accessible liquidity for peak underwriting of new acquisitions. the de-leveraging initiatives of the last few years have reduced leverage to below 1.5x equity.

Investcorp's debt covenants contain a 'leverage' and a 'net leverage' calculation.

> Leverage is calculated as total liabilities (excluding temporary liabilities that are generally transient in nature with expected maturities of less than three months) divided by the equity capital base. Two event-specific activities temporarily inflate total liabilities. The first is the drawdown of revolving credit facilities to fund the underwriting of corporate investments and real estate investments before they are placed with clients. These are self-liquidating on receipt of client funds. The second is the receipt of transitory client funds relating to proceeds from deal exits, prior to distribution to clients. These are also self-liquidating. Investcorp does not count these two temporary liabilities in its leverage calculations unless they remain on the balance sheet for more than three months.

> The leverage calculation above reflects a very basic measure of financial risk. It does not give any benefit to the fact that a proportion of borrowed money may be retained in the form of cash. Net leverage, however, calculates leverage as total liabilities less the sum of balance sheet cash, other liquid assets and funded underwriting.

Investcorp is comfortable with its leverage levels, given that a continuous and thorough analysis of risks on the balance sheet is used to determine and ensure capital adequacy under severely stressed scenarios.

While Investcorp does manage its balance sheet with the leverage ratio in mind, it also focuses on risk capital, which is, in Investcorp's opinion, a more holistic measure of the risks on the balance sheet and is described in the following section on Risk Management. Investcorp aims to size its capital base so it can withstand a prolonged stressed environment as well as event risks, while maintaining cash flow and liquidity, sufficient to cover interest and debt repayment obligations.

RISK MANAGEMENT

Investcorp takes an enterprise-wide approach to risk management, and the proactive identification and mitigation of all embedded risks is an integral part of the corporate decision-making process.

The Asset and Liability Council ('ALCO'), which is chaired by the Chief Financial Officer and includes the head of Risk Management, head of Treasury and other senior members of the Finance group, assesses and reviews various balance sheet risks arising from treasury activities on an ongoing basis and decides on mitigation strategies for these risks. The ALCO is overseen by the Financial and Risk Management Committee, which is the risk management oversight committee that evaluates all tactical actions proposed and undertaken to manage the balance sheet and attendant risks from the standpoint of Investcorp's business model, funding profile, liquidity position, capital base and ongoing operations in line with the Audit Committee and Board approved risk policies manual. In addition, separate risk review forums are used for each line of business to determine specific risks surrounding each new investment, and actions to be taken in an effort to mitigate these risks.

TYPES OF RISK[1]

Investcorp groups its predominant risks under the following categories:

- counterparty credit risk Note 28(i)*;
- credit risk measurement Note 28(ii)*;
- funding liquidity risk Note 28(iii)*;
- concentration risk Note 28(iv)*;
- foreign currency risk Note 28(v)(a)*;
- interest rate risk Note 28(v)(b)*;
- equity price risk Note 28(v)(c)*; and
- operational risk Note 28(vi)*.

Investcorp has developed tools in conjunction with leading risk management consultants to perform detailed risk analysis, specifically addressing the investment and concentration risks of each individual line of business.

1 * References are to footnotes in the fiscal 2018 Investcorp Bank B.S.C. consolidated financial statements.

Interest rate/currency risk management

Assets and liabilities give rise to interest rate risk if changes to the level of interest rates impact the value of future cash flows generated from assets or the value of future cash flows paid in respect of liabilities. The exposure of Investcorp's balance sheet to interest rate risk is frequently measured and monitored using risk management tools that provide in-depth analysis across investment and funding sources. The amount of interest rate sensitivity of the balance sheet at June 30, 2018 is shown in Note 28(v)(b)* of the financial statements of Investcorp Bank B.S.C.

Investcorp's management team maintains a strategic position, unchanged from prior years, that shareholders' equity is best protected from interest rate risk in the long run by maintaining a floating rate funding strategy. This strategy is supported by research of both practitioners and academics. Overlaying this strategy, Investcorp uses a combination of interest rate derivatives in order to protect against large movements in interest rates, while at the same time preserving the benefit of potential lower rates.

Investcorp does not take any material foreign exchange positions on its assets and liabilities denominated in currencies other than US dollars. Investcorp systematically hedges significant non-dollar asset and liability exposures in the forward foreign exchange market or by using currency derivatives. The small amount of residual net foreign currency exposure is shown in Note 28(v)(a)* of the consolidated financial statements of Investcorp Bank B.S.C.

Line of business investment risks

Corporate investment. Corporate investment risk is a significant component of the balance sheet and is, therefore, a key focus of analysis for the Risk Management team. The investment risk that is particular to the mid-cap corporate investment – North America & Europe business is mitigated by a set of tools that are used at all stages of the investment process. At pre-acquisition, the Risk Management team works alongside the deal team to implement risk analyses based on the target company's business plan. This enables identification of how the target company might perform under various scenarios, focusing, where appropriate, on specific characteristics of the deal. Sensitivity analysis and risk contribution of identified drivers to the main outcomes (EBITDA, IRR) are essential elements of the risk assessment. The analysis is performed in addition to the extensive due diligence undertaken by the corporate investment team and enables the measurement of the target company's risk compared to previous deals undertaken by Investcorp, as well as the fit of the target company from a client portfolio and balance sheet retention perspective.

All investment proposals are scrutinized rigorously by the Investment Committee prior to final approval by the Investment Council.

Once a company is acquired, Investcorp takes a portfolio approach to evaluate the risk impact of the investment on the balance sheet. The Risk Management team regularly performs such risk analyses to ascertain how the risks of the portfolio change over time and how it relates to internal limits and guidelines. Individual underwriting and sector exposure limits are imposed in order to manage any concentration risks. Finally, when exiting a portfolio company, hedging strategies may be used to mitigate risks associated with the exit process and to protect the expected realization proceeds from downside risks.

As in Investcorp's corporate investment – North America & Europe business, the goal in MENA investing is to seek returns that justify the risk being taken. The higher risks of technology and MENA investing are alleviated through board level representation with appropriate minority protections.

Throughout the investment cycle, there is a strong emphasis on due diligence and proactive post-investment management.

Alternative investment solutions. Investcorp manages its AIS multi-manager solutions' portfolio risk both from a market strategy and manager selection perspective. The most prevalent market risks emanate from an unfavorable market environment or from strategy-specific risks such as illiquidity. Manager risks include style drift, underperformance, excessive risk taking, fraud/valuation errors and legal/documentation errors. Investcorp mitigates these risks through manager due diligence and selection, diversification, use of separate accounts, monitoring, stress testing, transparency and control of leverage. The availability of portfolio detail, including through pre-negotiated transparency with hedge funds managers, enables a more complete risk analysis, as well as meaningful strategy-specific exposure and profit attribution analyses.

The various risks related to the multi-manager solutions portfolio are monitored and managed through a well-developed process and infrastructure that provides significant mitigants. Investcorp's risk management philosophy is to diversify the multi-manager solutions portfolio across managers and strategies. Allocations to individual managers are capped at a certain percentage of the portfolio to protect against manager concentration risks. Manager selection is based on extensive due diligence with an emphasis on investment style, philosophy and risk management discipline. Each manager's track record is analyzed, focusing on performance in periods of market volatility, while the manager's operating infrastructure is also reviewed regularly to ensure the presence of appropriate controls and procedures. Investcorp maintains a 'watch list' for those managers whose risk profiles or performance levels deviate from targeted guidelines, with a view to redeeming the investment with such managers if the deviations are not corrected.

The AIS dedicated risk management function monitors and analyses the AIS alternative risk premia portfolios independent of the investment team. Among the risks monitored are basis risk, concentration risk, scenario risk and tail risk. The function also conducts analysis on strategy and asset class, stress tests and historical scenarios, exposure by strategy, security type, sectors, regions and counterparty exposure and liquidity. In addition to reporting on its findings on such analyses, separate reports are generated and distributed to the AIS investment team regarding the monitoring of relevant alternative risk premia portfolios' risk guidelines.

While investment in AIS is designed to have a low level of correlation to various markets, liquidity can temporarily decrease during periods of extreme stress, and correlations between previously uncorrelated strategies may increase, as occurred during the last quarter of calendar year 2008 and occurred to a lesser extent during 2011. The AIS team is mindful of these risks and has incorporated specific actions in its asset allocation, monitoring guidelines and separate accounts in order to cushion or mitigate these risks during periods of extreme market volatility and stress.

Real estate investment. Risk management strategies used for corporate investment are also employed to mitigate risks associated with the acquisition and retention of real estate investments. The Real Estate Investment team further mitigates specific risk in three ways:

- concentration on high quality, income producing properties with high occupancy rates;
- establishment of partnerships with regional professionals, providing access to local knowledge and reputation; and
- use of conservative capital structures aimed at protecting properties against the negative impact of interest rate and/or occupancy fluctuations.

To this end, the team monitors interest rate and occupancy sensitivities on each property, both prior to acquisition and during the ownership phase. This process serves to identify and assess conditions and levels that may cause the property to incur cash flow difficulties.

The team is proactive in managing properties that show signs of potential difficulties. Risk management tools are used at all stages of the real estate investment process from pre-acquisition through to realization. During pre-acquisition, the Risk Management team works alongside the Real Estate Investment team to implement a detailed risk analysis based on the target investment's financial projections. This allows identification of how the property might perform under various scenarios, focusing, where appropriate, on specific characteristics of the investment. In addition to this analysis, the extensive due diligence undertaken by the Real Estate team allows Investcorp to gauge the target property's risk compared to previous deals undertaken, as well as to gauge the fit of the target property from both client portfolio and balance sheet retention perspectives.

Once an investment is made, Investcorp takes a portfolio approach to evaluate the risk impact of the investment on the balance sheet. The Risk Management team regularly performs such risk analyses to ascertain how the risks of the portfolio change over time and how they relate to internal investment exposure limits and guidelines.

Operational risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems or from external events (such as natural disasters, changes in regulation or outsourcing of operations). Investcorp includes in this definition legal risk but excludes reputational and strategic risks.

While operational risks cannot be entirely eliminated, they are managed and mitigated by ensuring that appropriate infrastructure, controls, systems, procedures and trained and competent people are in place throughout Investcorp. Internal audit makes regular, independent appraisals of the control environment in all identified risk areas. Contingency arrangements, which are tested from time to time, are also in place to support operations in the event of a range of possible disaster scenarios. In addition, Investcorp carries 'Errors and Omissions' insurance against the legal risks arising from its business.

As a part of Basel III compliance, Investcorp applies the Basic Indicator Approach ('BIA') to measure operational risk and also is implementing a Board of Directors approved operational risk management framework. Under the BIA approach, Investcorp's average gross income over the preceding three financial years is multiplied by a fixed alpha coefficient which has been set at 15% in the CBB's Basel III capital adequacy framework. The operational risk management framework consists of the following: 1) 'Risk Control and Self-Assessment': Self-assess operational risks by going through key business processes end to end, 2) Evaluate the adequacy of existing process controls, 3) Implement control modifications to reduce operational risks and determine residual risks and 4) Monitor and report operational risk events to senior management.

ADEQUACY OF ECONOMIC CAPITAL

Investcorp uses an enterprise VaR-like approach to determine economic capital adequacy for the combination of all balance sheet risks, while maintaining sufficient flexibility to facilitate future growth plans and protect against periods of prolonged and extreme stress in the company's operating environment, execution or performance.

Investcorp uses a risk-based capital allocation approach as the main tool to manage internal economic capital. Over the years, Investcorp has been continuously assessing its economic capital methodology to take into account any increased risk premium, volatility and correlation for all asset classes. In designing the risk capital methodology, Investcorp strives to maintain a risk capital allocation that is independent of any specific market recovery expectations, accounting rule changes and correlation assumptions. Investcorp continues to use the conservative assumption of 100% correlation between asset classes to provide an embedded cushion for protection against model risk inherent in model choice, model parameters estimation and model errors. Most importantly, the correlation constraint allows for an embedded cushion that will be counter-cyclical, since it is set for crisis like situations when asset correlation goes to one. Investcorp also applies the requirement to establish an explicit equity capital surplus (equal to total book equity capital including deferred fees minus total economic capital charges) that is set and monitored by ALCO. The economic capital surplus covers new business initiatives, residual non-legal operational risk and market tail-risk stress events and provides for a buffer against potential exposures, as opposed to already capitalized existing exposures, under normal and stressed market conditions. Reviews of these risks and the adequacy of the economic capital allocation model and equity capital surplus are conducted on a regular basis. The Risk Management team applies back-testing and stress-testing methodologies to continually assess the adequacy of the economic capital allocation model for each business line and applies the Long Range Plan ('LRP'), which is based on a 5-year Monte Carlo simulation, to insure the robustness of the capital base under stress conditions.

This conservative approach to economic capital takes into account the illiquid nature of the underlying portfolios of corporate and real estate co-investments and, where possible, models other non-investment assets using a collateral based VaR like model. The economic capital allocation is the linear sum of independently assessed risk capital charges for each investment asset, non-investment assets (loans, advances etc.) and the positive impact of any tail-risk hedging strategies executed for the Investcorp balance sheet.

INVESTCORP BANK B.S.C.

Consolidated Financial Statements: June 30, 2018

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INVESTCORP BANK B.S.C.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Investcorp Bank B.S.C. ("the Bank") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2018, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 30 June 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

1. Valuation of unquoted investments, related fair value changes and performance fees

Key audit matter	How the key audit matter was addressed in the audit
The Group's investment portfolio comprises of a number of unquoted corporate, credit management and real estate investments. The Group has used a combination of discounted cash flow analysis approach, PE multiples based approach and bids or indicative prices obtained from potential buyers or banks engaged in the sale process to determine the fair value of these investments. Owing to the unquoted and illiquid nature of these investments, the assessment of fair valuation is subjective and requires a number of significant and complex judgments to be made by management. This was a key area of focus of our audit given the significance of the judgments and estimates made by management to support the valuations. Also during the year, the Group has recorded performance fees of US$ 19.6 million in respect of its unquoted investments representing fees accrued for performance in excess of hurdle / performance rates as agreed with investors.	We obtained an understanding of management's processes and controls for determining the fair valuation of unquoted investments. This included discussing with management the valuation governance structure and protocols around their oversight of the valuation process. We obtained and reviewed the relevant documents supporting the valuations and the assumptions used. We checked the mathematical accuracy of the valuation models on a sample basis. With the assistance of our valuations specialists, we formed an independent range for the key assumptions used in the valuation of a sample of unquoted investments, with reference to the relevant industry and market valuation considerations. We derived a range of fair values using our assumptions and other qualitative risk factors. We compared these ranges with management's assumptions, and discussed our results with management. On a sample basis, we re-performed the performance fee calculations. In addition, we compared the basis of computation with the terms of the performance fee agreements. Refer to the critical accounting estimates and judgments and disclosures of investments in notes 10, 11, 13, 29 and 32 to the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INVESTCORP BANK B.S.C.

Other information included in the Group's 2018 Annual Report

Other information consists of the information included in the Group's 2018 Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. Prior to the date of this auditors' report, we have obtained the following sections of the 2018 Annual Report, and the remaining sections are expected to be made available to us after that date.

- Message to shareholders
- Business highlights
- Business environment
- Discussion of results
- AuM and fundraising
- CI portfolio listing

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by the Bahrain Commercial Companies Law and Volume 1 of the Central Bank of Bahrain (CBB) Rule Book, we report that:

a) the Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith

b) the financial information contained in the Report of the Board of Directors is consistent with the consolidated financial statements

c) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 1 and applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Bank's memorandum and articles of association during the year ended 30 June 2018 that might have had a material adverse effect on the business of the Bank or on its consolidated financial position

d) satisfactory explanations and information have been provided to us by management in response to all our requests.

The partner in charge of the audit resulting in this independent auditor's report is Gordon Bennie.

Ernst + Young

Partner's registration no. 145
August 7, 2018
Manama, Kingdom of Bahrain

INVESTCORP BANK B.S.C.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended June 30, 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

$millions	2018	2017	Notes	Page
FEE INCOME				
AUM fees	**173**	136		
Deal fees	**148**	184		
Fee income (a)	**321**	320	3	123
ASSET-BASED INCOME				
Corporate investment	**61**	19		
Credit management investment	**28**	34		
Alternative investment solutions	**10**	16		
Real estate investment	**24**	22		
Treasury and other asset based income	**10**	11		
Asset-based income (b)	**133**	102	3	123
Gross operating income (a) + (b)	**454**	422	3	123
Provisions for impairment	**(4)**	(4)	14	137
Interest expense	**(56)**	(57)	3	123
Operating expenses	**(256)**	(234)	5	131
PROFIT BEFORE TAX	**138**	127		
Income tax expense	**(13)**	(7)	6	131
PROFIT FOR THE YEAR	**125**	120		
Basic earnings per ordinary share ($)	**1.34**	1.28	24	142
Fully diluted earnings per ordinary share ($)	**1.30**	1.25	24	142

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended June 30, 2018

$millions	2018	2017	Notes	Page
PROFIT FOR THE YEAR	**125**	120		
Other comprehensive income that will be recycled to statement of profit or loss				
Fair value movements – cash flow hedges	**2**	(3)	23	141
Other comprehensive income that will not be recycled to statement of profit or loss				
Movements – Fair value through other comprehensive income investments	**(6)**	(27)		
Other comprehensive loss	**(4)**	(30)		
TOTAL COMPREHENSIVE INCOME	**121**	90		

DR. YOUSEF HAMAD AL-EBRAHEEM
Chairman

MOHAMMED BIN MAHFOODH
BIN SAAD ALARDHI
Executive Chairman

The attached Notes 1 to 32 are an integral part of these consolidated financial statements.

INVESTCORP BANK B.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2018

$millions	June 30, 2018	June 30, 2017	Notes	Page
ASSETS				
Cash and short-term funds	**105**	45		
Placements with financial institutions and other liquid assets	**266**	517		
Positive fair value of derivatives	**55**	62	25	142
Receivables and prepayments	**276**	277	7	132
Advances	**92**	86	8	132
Underwritten and warehoused investments	**446**	460	9	133
Co-investments				
Corporate investment	**625**	539	10	133
Credit management investment	**272**	259	11	135
Alternative investment solutions	**189**	236	12	135
Real estate investment	**76**	79	13	136
Total co-investments	**1,162**	1,113		
Premises, equipment and other assets	**36**	38		
Intangible assets	**55**	58	15	137
TOTAL ASSETS	**2,493**	2,656		
LIABILITIES AND EQUITY				
LIABILITIES				
Call accounts	**149**	249	16	138
Term and institutional accounts	**300**	185	17	138
Payables and accrued expenses	**193**	154	18	138
Negative fair value of derivatives	**39**	44	25	142
Medium-term debt	**167**	382	19	139
Long-term debt	**450**	410	20	139
Deferred fees	**72**	87	21	140
TOTAL LIABILITIES	**1,370**	1,511		
EQUITY				
Preference share capital	**123**	223	22	140
Ordinary shares at par value	**200**	200	22	140
Reserves	**322**	321		
Treasury shares	**(5)**	(3)		
Retained earnings	**447**	366		
Ordinary shareholders' equity excluding proposed appropriations and other reserves	**964**	884		
Proposed appropriations	**41**	44	24	142
Other reserves	**(5)**	(6)	23	141
TOTAL EQUITY	**1,123**	1,145		
TOTAL LIABILITIES AND EQUITY	**2,493**	2,656		

DR. YOUSEF HAMAD AL-EBRAHEEM
Chairman

MOHAMMED BIN MAHFOODH
BIN SAAD ALARDHI
Executive Chairman

The attached Notes 1 to 32 are an integral part of these consolidated financial statements.

INVESTCORP BANK B.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2018

			Reserves			
$millions	Preference share capital	Ordinary share capital	Share premium	Statutory reserve	Fair value reserve	Total
Balance at July 1, 2016	223	200	182	100	2	284
Total comprehensive income	–	–	–	–	(27)	(27)
Transferred to retained earnings upon derecognition	–	–	–	–	20	20
Depreciation on revaluation reserve transferred to retained earnings	–	–	–	–	–	–
Treasury shares sold / vested during the year - net of purchases	–	–	(1)	–	–	(1)
Gain on sale of treasury shares – net of loss on vesting	–	–	45	–	–	45
Approved appropriations for fiscal 2016 paid	–	–	–	–	–	–
Proposed appropriations for fiscal 2017	–	–	–	–	–	–
Balance at June 30, 2017	223	200	226	100	(5)	321
Total comprehensive income	**–**	**–**	**–**	**–**	**(6)**	**(6)**
Transferred to retained earnings upon derecognition	**–**	**–**	**–**	**–**	**4**	**4**
Depreciation on revaluation reserve transferred to retained earnings	**–**	**–**	**–**	**–**	**–**	**–**
Treasury shares sold / vested during the year - net of purchases	**–**	**–**	**–**	**–**	**–**	**–**
Gain on sale of treasury shares - net of loss on vesting	**–**	**–**	**3**	**–**	**–**	**3**
Preference shares redeemed during the year	**(100)**	**–**	**–**	**–**	**–**	**–**
Approved appropriations for fiscal 2017 paid	**–**	**–**	**–**	**–**	**–**	**–**
Proposed appropriations for fiscal 2018	**–**	**–**	**–**	**–**	**–**	**–**
Balance at June 30, 2018	**123**	**200**	**229**	**100**	**(7)**	**322**

The attached Notes 1 to 32 are an integral part of these consolidated financial statements.

Treasury shares	Retained earnings	Proposed appropriations	Other Reserves: Cash flow hedges	Other Reserves: Revaluation reserve on premises and equipment	Other Reserves: Total	Total equity
(45)	309	45	(8)	6	(2)	1,014
–	120	–	(3)	–	(3)	90
–	(20)	–	–	–	–	–
–	1	–	–	(1)	(1)	–
87	–	–	–	–	–	86
(45)	–	–	–	–	–	–
–	–	(45)	–	–	–	(45)
–	(44)	44	–	–	–	–
(3)	366	44	(11)	5	(6)	1,145
–	**125**	–	**2**	**–**	**2**	**121**
–	**(4)**	–	**–**	**–**	**–**	**–**
–	**1**	–	**–**	**(1)**	**(1)**	**–**
1	–	–	–			**1**
(3)	–	–	**–**	**–**	**–**	–
–	–	–	**–**	**–**	**–**	**(100)**
–	–	**(44)**	**–**	**–**	**–**	**(44)**
–	**(41)**	**41**	**–**	**–**	**–**	**–**
(5)	**447**	**41**	**(9)**	**4**	**(5)**	**1,123**

INVESTCORP BANK B.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2018

$millions	2018	2017	Notes	Page
OPERATING ACTIVITIES				
Profit before tax	**138**	127		
Adjustments for non-cash items in profit before tax				
Depreciation	**5**	5	5	131
Provisions for impairment	**4**	4	14	137
Amortization of transaction costs of borrowing and management contracts	**8**	7		
Employee deferred awards	**25**	26		
Operating profit adjusted for non-cash items	**180**	169		
Changes in:				
Operating capital				
Placements with financial institutions and other liquid assets (non-cash equivalent)	**126**	(103)		
Receivables and prepayments	**(20)**	43	7	132
Advances	**(8)**	18	8	132
Underwritten and warehoused investments	**14**	74	9	133
Call accounts	**(100)**	119	16	138
Payables and accrued expenses	**44**	(82)	18	138
Deferred fees	**(15)**	(6)	21	140
Co-investments				
Corporate investment	**(91)**	64	10	133
Credit management investment	**(13)**	(30)	11	135
Alternative investment solutions	**48**	79	12	135
Real estate investment	**3**	(2)	13	136
Fair value of derivatives	**1**	(48)		
Other assets	**1**	1		
Income taxes paid	**(11)**	(2)		
NET CASH FROM OPERATING ACTIVITIES	**159**	294		
FINANCING ACTIVITIES				
Term and institutional accounts	**115**	61	17	138
Medium-term debt repaid – net of transaction costs	**(217)**	(29)	19	139
Long-term debt issued – net of transaction costs	**37**	–	20	139
Treasury shares purchased/ sold – net	**(12)**	73		
Dividends paid	**(44)**	(42)		
Preference shares redeemed during the year	**(100)**	–		
Charitable contributions paid	–	(3)		
NET CASH (USED IN) / FROM FINANCING ACTIVITIES	**(221)**	60		
INVESTING ACTIVITIES				
Acquisition of subsidiaries	–	(316)		
Investment in premises and equipment	**(4)**	(4)		
NET CASH USED IN INVESTING ACTIVITIES	**(4)**	(320)		
Net (decrease) / increase in cash and cash equivalents	**(66)**	34		
Cash and cash equivalents at beginning of the year	**435**	401		
Cash and cash equivalents at end of the year	**369**	435		
Cash and cash equivalents comprise of:				
Cash and short-term funds	**105**	45		
Placements with financial institutions and other liquid assets with an original maturity of three months or less	**264**	390		
	369	435		

In addition to the above, the Group has an undrawn and available balance of $625 million (June 30, 2017: $422.1 million) from its revolving medium-term facilities.

Additional cash flow information $millions	2018	2017
Interest paid	**(59)**	(57)
Interest received	**46**	10

The attached Notes 1 to 32 are an integral part of these consolidated financial statements.

INVESTCORP BANK B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018

1. ORGANIZATION

(i) Incorporation

Investcorp Bank B.S.C. (the “Bank”) operates under a Wholesale Banking License issued by the Central Bank of Bahrain (“CBB”).

The Bank is a holding company owning various subsidiaries (together the “Group” or “Investcorp”). The activities of the Bank are substantially transacted through its subsidiaries.

The Bank is incorporated in the Kingdom of Bahrain as a Bahraini Shareholding Company with limited liability. The Bank is listed on the Bahrain Bourse. The ultimate parent of the Group is SIPCO Holdings Limited (“SHL”) incorporated in the Cayman Islands.

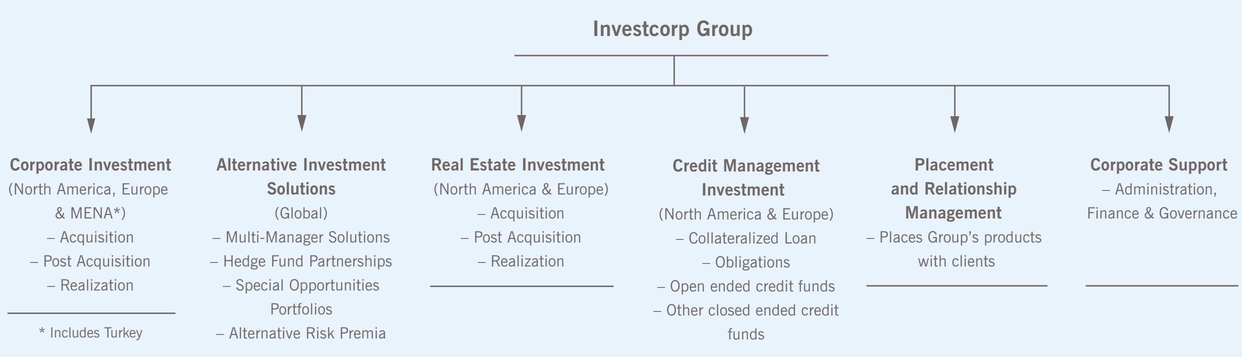
The registered office of the Bank is at Investcorp House, Building 499, Road 1706, Diplomatic Area 317, Manama, Kingdom of Bahrain. The Bank is registered under commercial registration number 12411-1 issued by the Ministry of Industry, Commerce and Tourism, Kingdom of Bahrain.

The consolidated financial statements for the year ended June 30, 2018 were authorized for issue in accordance with a resolution of the Board of Directors effective on August 7, 2018.

(ii) Activities

The Group performs two principal roles (a) to act as an intermediary by bringing global investment opportunities to its clients, and (b) to act as a principal investor by co-investing with its clients in each of its investment products.

In performing its principal roles, the Group provides products in four broad investment asset classes. The investment asset classes in which the Group specializes are corporate investment, alternative investment solutions, real estate investment and credit management investment. Each of the asset classes is comprised of its own dedicated team of investment professionals and is supported by a common placement and relationship management team and corporate support units.

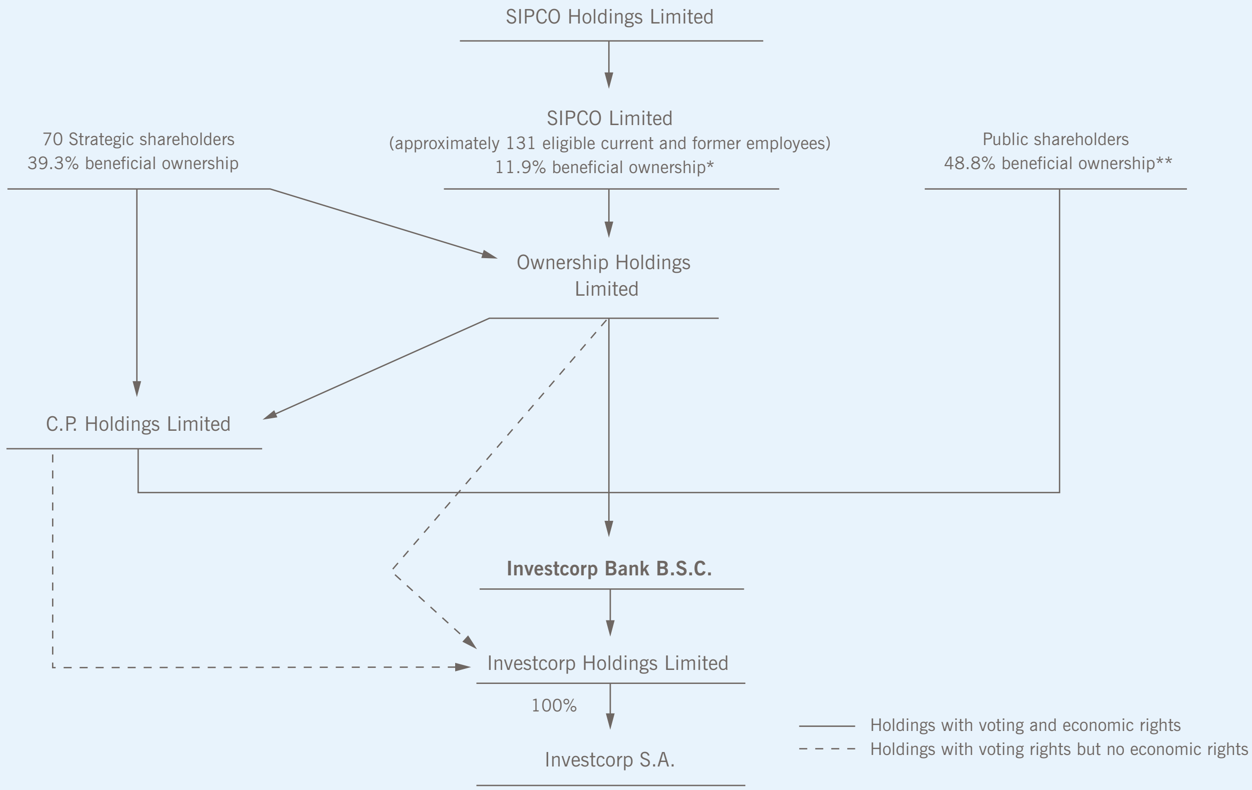


INVESTCORP BANK B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018

(iii) Ownership



* Includes 0.7% shares granted but not acquired and ungranted shares under the various Employee Share Ownership Plans. The Bank has approval from the Central Bank of Bahrain ('CBB') to hold up to 40% of its shares for various Employee Share Ownership Plans. On the balance sheet these shares are accounted for as the equivalent of treasury shares.

** Includes 0.03% beneficial ownership held in the form of unlisted Global Depositary Receipts.

As at June 30, 2018, Ownership Holdings Limited ('OHL'), a Cayman Islands company, has control of 51.2% of Investcorp Bank's Ordinary Shares directly and through CP Holdings Limited ('CPHL'), a Cayman Islands company. CPHL is controlled by OHL which, in turn, has SIPCO Limited ("SIPCO") as its largest shareholder. Strategic shareholders own the balance of CPHL and OHL. SIPCO, a subsidiary of SHL, is the entity through which employees own beneficial interests in the Bank's ordinary shares.

As a result of the Bank's ownership structure, the directors of SIPCO, comprised of certain of the Bank's directors and senior executive officers who are also the directors of OHL's sole director, which is a Cayman Islands corporation, have the ability to control the voting of 51.2% of the Bank's ordinary shares.

SHL, SIPCO, OHL and CPHL are companies incorporated in the Cayman Islands.

(iv) Subsidiary companies

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries.

The Bank has a 100% economic interest in Investcorp Holdings Limited ("IHL"), incorporated in the Cayman Islands, through its ownership of Series A and Series B preference shares issued by IHL. These preference shares have the right to 100% of all dividends declared by IHL and 100% of IHL's net assets in the event of liquidation subject to the payment of a nominal amount in respect of IHL's ordinary shares. CPHL, OHL and SIPCO Limited own ordinary shares of IHL to facilitate the investment protection mechanism described in the 2018 Annual Report. Please see Ownership Structure, Corporate Governance and Regulation. The ordinary shares and Series A preference shares of IHL carry voting rights.

IHL in turn has a 100% economic and voting interest in Investcorp S.A. ("ISA"), a Cayman Islands holding company. ISA is the principal asset-holding operating entity within the Group and, consistent with covenants contained in the Group's medium and long-term debt agreements, the Group holds at least 95% of its assets through ISA or subsidiaries that are owned directly or indirectly by ISA.

The Group structure along with its significant subsidiaries is illustrated below:

Parent	Wholly owned significant subsidiaries	Description of principal activities
Investcorp Bank B.S.C. (Bahrain)		Bahrain-based parent company of the Group.
	Investcorp Holdings Limited (Cayman Islands)	Holding company that provides *force majeure* investment protection to shareholders and lenders.
	Investcorp S.A. (Cayman Islands)	Holding company that is the principal operating and asset owning arm of the Group.
	Investcorp Capital Limited (Cayman Islands)	Company that issues the Group's long-term notes and other capital market financings.
	Investcorp Investment Holdings Limited (Cayman Islands)	Company through which the Group retains its equity investments across its product classes.
	Investcorp Management Services Limited (Cayman Islands)	Company that provides administrative services to non-United States client investment holding companies for corporate and real estate investments.
	Investcorp Single Manager Enterprises Limited (Cayman Islands)	Company that provides corporate management and administrative services.
	Investcorp Investment Advisers Limited (Cayman Islands)	Company that provides investment management and advisory services to investment funds including alternative investment solutions (AIS) and is an SEC registered investment advisor.
	Investcorp Funding Limited (Cayman Islands)	Company that provides short-term funding to investee and client investment holding companies.
	Investcorp Trading Limited (Cayman Islands)	Company that executes the Group's money market, foreign exchange and derivative financial contracts, invests in hedge funds partners and manages the Group's excess liquidity.
	CIP AMP Limited (Cayman Islands)	Company through which the Group co-invests in AIS products.
	Investcorp International Limited (UK)	The Group's principal operating subsidiary in the UK which employs the Group's UK-based employees.
	Investcorp Securities Ltd. (UK)	Company that provides M & A consulting services for deal execution in Europe and acts as a Small AIFM and RIA, regulated by the UK FCA and the SEC.
	Investcorp International Holdings Inc. (USA)	The Group's holding company in the United States of America.
	Investcorp International Inc. (USA)	Employs the Group's United States-based employees.
	N A Investcorp LLC (USA)	Company is a SEC registered broker dealer that provides marketing services in the United States for the AIS and real estate funds and investment banking services for M&A transactions.
	Investcorp Investment Advisers LLC (USA)	Company that provides investment management and advisory services in the United States for investment funds, including AIS, and is an SEC registered investment advisor.
	Investcorp Credit Management US LLC (USA)	Company that provides investment management and advisory services to various debt funds in the US and is an SEC registered investment adviser.
	Investcorp Credit Management EU Limited (UK)	Company that provides investment management and advisory services to various debt funds in the UK and is regulated by the UK FCA.
	Investcorp Asia Services Pte. Ltd. (Singapore)	Company that acts as principal agent of the Group in Asia for placements of alternative asset investment products.
	Investcorp Investments LLC (Qatar)	Company that acts as principal agent of the Group in Qatar for placements of the products offered by the Group.
	Investcorp Saudi Arabia Financial Investments Co. (Saudi Arabia)	Company that acts as principal agent of the Group in Saudi Arabia for placements of the products offered by the Group.

INVESTCORP BANK B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018

2. ASSETS UNDER MANAGEMENT

The Group's clients participate in products offered under its four alternative investment asset classes. Total assets under management ('AUM') in each product category at the year end are as follows:

	June 30, 2018				June 30, 2017			
$millions	Clients	Investcorp	Affiliates and co-investors	Total	Clients	Investcorp	Affiliates and co-investors	Total
Corporate investment								
Closed-end committed funds	380	20	10	410	191	20	4	215
Closed-end invested funds	718	81	18	817	753	101	26	880
Deal-by-deal	2,749	524*	139	3,412	2,728	413	163	3,304
Deal-by-deal underwriting	–	123	–	123	–	190	20	210
Strategic and other investments	–	20	–	20	–	24	–	24
Total corporate investment	3,847	768	167	4,782	3,672	748	213	4,633
Credit management investment								
Closed-end invested funds	10,772	272	–	11,044	10,186	259	–	10,445
Open-end invested funds	355	25	–	380	398	–	–	398
Warehousing	–	42	–	42	–	–	–	–
Total Credit management investment	11,127	339	–	11,466	10,584	259	–	10,843
Alternative investment solutions**								
Multi-manager solutions	2,004	45	–	2,049	1,927	70	–	1,997
Hedge funds partnerships	1,371	65	–	1,436	962	70	–	1,032
Special opportunities portfolios	121	55	–	176	107	57	–	164
Alternative risk premia	38	24	–	62	263	39	–	302
Special opportunities portfolios underwriting	–	11	–	11	–	–	–	–
Total Alternative investment solutions	3,534	200	–	3,734	3,259	236	–	3,495
Real estate investment								
Closed-end invested funds	25	5	–	30	33	7	–	40
Deal-by-deal	1,789	65	19	1,873	1,716	70	18	1,804
Deal-by-deal underwriting	–	270	–	270	–	270	16	286
Strategic and other investments	–	6	–	6	–	2	–	2
Total real estate investment	1,814	346	19	2,179	1,749	349	34	2,132
Client call accounts held in trust	393	–	–	393	235	–	–	235
Total	20,715	1,653	186	22,554	19,499	1,592	247	21,338
Summary by products:								
Closed-end committed funds	380	20	10	410	191	20	4	215
Closed-end invested funds	743	86	18	847	786	108	26	920
Credit management funds	11,127	297	–	11,424	10,584	259	–	10,843
Alternative investment solutions	3,534	189	–	3,723	3,259	236	–	3,495
Deal-by-deal	4,538	589	158	5,285	4,444	483	181	5,108
Underwriting and warehousing	–	446	–	446	–	460	36	496
Client monies held in trust	393	–	–	393	235	–	–	235
Strategic and other investments	–	26	–	26	–	26	–	26
Total	20,715	1,653	186	22,554	19,499	1,592	247	21,338
Summary by asset classes:								
Corporate investment	3,847	748	167	4,762	3,672	724	213	4,609
Credit management investment	11,127	339	–	11,466	10,584	259	–	10,843
Alternative investment solutions	3,534	200	–	3,734	3,259	236	–	3,495
Real estate investment	1,814	340	19	2,173	1,749	347	34	2,130
Client call accounts held in trust	393	–	–	393	235	–	–	235
Strategic and other investments	–	26	–	26	–	26	–	26
Total	20,715	1,653	186	22,554	19,499	1,592	247	21,338

* Includes Group's commitment of $4 million to a Corporate Investment deal.

** Stated at gross value of the underlying exposure. Also, includes $2.4 billion (June 30, 2017: $2.0 billion) of hedge fund partnerships (including exposure through multi-manager solutions) managed by third party managers and assets subject to a non-discretionary advisory mandate where Investcorp receives fees calculated on the basis of AUM.

In the above table, all alternative investment solutions exposures and Investcorp's co-investment amounts for corporate investment, real estate investment and credit management exposures are stated at current fair values while the other categories are stated at their carrying cost.

Certain of the Group's clients entered into a trust arrangement whereby their balances maintained with the Bank are transferred into individual trust fund accounts held by a common trustee. These trust funds are invested in highly liquid assets, which have a credit rating no lower than that of Investcorp, or placed with Investcorp. Client assets held in trust earn the return generated from the investment of such assets, with a guaranteed minimum return equivalent to inter-bank based market rates.

All of these clients' assets, including affiliates and co-investors, are managed in a fiduciary capacity and the Group has no entitlement to these assets. Clients bear all of the risks and earn a majority of the rewards on their investments, subject to normal management and performance fee arrangements. Accordingly, these assets are not included in the Group's consolidated statement of financial position.

3. SEGMENT REPORTING

A. REPORTING SEGMENTS

The business segments reported are based on the two primary reporting segments into which the Group classifies its activities.

(i) Fee Business

The Group acts as an intermediary by acquiring, managing and realizing investments in investment assets for institutional and high net worth clients. The Group operates through centers in the Arabian Gulf, the US, Europe and Singapore. The Group's clients primarily include institutional and high net worth clients in Arabian Gulf states and institutional investors in the United States, Europe and Asia. Fee income is earned throughout the life cycle of investments by providing these intermediary services to clients.

(ii) Co-investment Business

The Group co-invests along with its clients in the investment asset products it offers to clients. Income from these co-investments in corporate investment deals, alternative investment solutions, real estate investment deals and credit management investment deals are classified as asset based income.

B. ASSET CLASSES AND PRODUCTS

The Group classifies its two primary reporting segments further on the basis of asset classes and products:

Asset Classes	Products
(1) Corporate investment	Deal by deal offerings
	Closed-end fund(s)
(2) Credit management investment	Open-end fund(s)
	Closed-end fund(s)
(3) Alternative investment solutions	Multi-manager solutions
	Hedge fund partnerships
	Alternative risk premia
	Special opportunities portfolios
(4) Real estate investment	Deal by deal offerings
	Closed-end fund(s)

The asset classes, together with their related product offerings, are described in further detail below:

(i) Corporate Investment 'CI'

The CI teams are based in London, New York and the Kingdom of Bahrain. The CI teams based in London and New York arrange corporate investments in mid-size companies, in North America and Western Europe, with a strong track record and potential for growth. The CI team based in the Kingdom of Bahrain primarily looks at growth capital investments in the wider MENA region, including Turkey. These CI investments are placed primarily on a deal-by-deal basis with the Group's investor base in the Arabian Gulf states, and are also offered through conventional fund structures participation which is extended to institutional investors. The Group retains a small portion as a co-investment on its consolidated statement of financial position. These investments are held until realization.

(ii) Credit Management Investment 'CM'

The CM teams are based in London and New York. The teams primarily manage Investcorp's CM business which includes proprietary co-investments as well as client assets under management. The CM teams' business activity comprises of launching and managing of CLO funds in North America and Europe with an approximate size of each fund of US$500 million / €400 million and development and management of other senior debt funds that invest in debt of companies in North America and Europe. The business aims to achieve consistent outperformance against market returns for debt investors through active and diversified portfolio management.

(iii) Alternative Investment Solutions 'AIS'

The AIS team, primarily operating from New York, manages Investcorp's AIS business which includes proprietary co-investments as well as client assets under management. The AIS business comprises multi-manager solutions, special opportunities portfolios, alternative risk premia funds and hedge fund partnership products. The business aims to achieve attractive returns on a risk-adjusted basis over a medium-term period with low correlation to traditional and other asset classes, through a diversified portfolio of investments.

(iv) Real Estate Investment 'RE'

The RE teams, based in New York and London, arrange investments in North American and European properties with strong cash flows and/or potential for attractive capital gains over a three to five year holding period. Several properties are assembled into diversified portfolios that are then placed with the Group's investor base in the Arabian Gulf states, with the Group retaining a small portion as a co-investment on its own consolidated statement of financial position. Further, the Group also provides its investor base with mezzanine investment opportunities through fund structures, with the Group retaining a small portion as a co-investment on its own consolidated statement of financial position. The real estate investments are held until realization.

C. REVENUE GENERATION

(i) Fee income

There are several components of fees that are earned from providing intermediary services to clients and investee companies.

AUM fees

AUM fees consist of

- management, administrative and recurring consulting fees earned on CI and RE investments from client's investment holding companies, investee companies and closed-end funds; and
- management, performance and other fees earned on AIS and CM assets under management.

Deal fees

Deal fees are comprised of activity fees and performance fees on CI and RE investments.

Activity fees comprise fees earned by the Group from investee companies in connection with new CI or RE acquisitions. This also includes part of the placement fees earned by the Group from clients at the time of placing a new investment with them (usually as a percentage of the total subscription from a client), and ancillary fees that are earned from investee companies for providing consulting services.

Performance fees on CI and RE deals are calculated as a portion of the gain earned by clients on investments that exceed a specified hurdle performance/rate.

(ii) Asset based income

This includes realized as well as unrealized gains and losses on co-investments in CI, RE and AIS which are measured at Fair Value Through Profit or Loss ("FVTPL"), cash or pay-in-kind interest net of impairment from various CI, RE and CM debt investments carried at amortized cost and rental income distributions from real estate co-investments.

All other income that is common to the Group (such as income arising from the deployment of the Group's excess liquidity and interest earned on other advances) is treated as treasury and other asset based income.

D. SEGREGATION OF ASSETS

Assets directly attributable to the Co-investment Business are primarily in the form of co-investments by the Group in each asset class, and any associated working capital items. All other assets, including cash and receivables relating to realization or redemption from a co-investment, are recorded under the Fee Business.

E. ALLOCATION OF EQUITY, LIABILITIES AND INTEREST EXPENSE

Total equity allocated to the Fee Business is determined by the amount of economic capital needed to support ongoing underwriting activity and associated working capital requirements. The remaining amount of total equity is allocated to the Co-investment Business. Revaluation reserves and other components of equity are allocated to the relevant reporting segment on the basis of the asset or liability to which they relate.

Having determined the assets directly attributable to each reporting segment, and the economic capital requirements, the Group allocates liabilities (debt funding) to each reporting segment based on the relative maturity profile of the segment's assets. Long term debt including loans secured by co-investments in CM are allocated to the Co-investment Business to the extent possible with the residual being allocated to Fee Business. Call accounts, term and institutional accounts, medium term debt, other associated working capital and the fair value of derivatives are allocated to the Fee Business. The allocation of liabilities determined above, in turn, drives the allocation of interest expense for each reporting segment.

F. ALLOCATION OF OPERATING EXPENSES

A portion of the operating expenses for the Co-investment Business are allocated using a fixed rate charge on the aggregate co-investments, excluding underwriting, at the beginning and middle of the year. There is an additional potential expense for the co-investment business in the form of incentive payments if the net asset based income from the Co-investment Business exceeds a certain hurdle. All residual operating expenses are allocated to the Fee Business.

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G. PROFIT OR LOSS AND FINANCIAL POSITION BY REPORTING SEGMENTS

The consolidated statements of profit or loss by reporting segments are as follows:

$millions	2018	2017
FEE BUSINESS		
AUM fees		
Corporate investment	**95**	93
Credit management investment	**46**	15
Alternative investment solutions	**13**	13
Real estate investment	**19**	15
Total AUM fees	**173**	136
Deal fees		
Corporate investment	**90**	135
Credit management investment	**2**	–
Alternative investment solutions	**2**	1
Real estate investment	**54**	48
Total deal fees	**148**	184
Treasury and other asset based income	**10**	11
Gross income attributable to fee business (a)	**331**	331
Provisions for impairment	**(4)**	(4)
Interest expense (b)	**(16)**	(35)
Operating expenses attributable to fee business (c)*	**(233)**	(213)
FEE BUSINESS PROFIT (d)	**78**	79
CO-INVESTMENT BUSINESS		
Asset-based income		
Corporate investment	**61**	19
Credit management investment	**28**	34
Alternative investment solutions	**10**	16
Real estate investment	**24**	22
Asset based income	**123**	91
Gross income attributable to co-investment business (e)	**123**	91
Interest expense (f)	**(40)**	(22)
Operating expenses attributable to co-investment business (g)*	**(36)**	(28)
CO-INVESTMENT BUSINESS PROFIT (h)	**47**	41
PROFIT FOR THE YEAR (d) + (h)	**125**	120
Gross operating income (a) + (e)	**454**	422
Gross operating expenses (c) + (g)*	**(269)**	(241)
Interest expense (b) + (f)	**(56)**	(57)

* Including income tax expense.

Revenue reported above represents revenue generated from external customers. There were no inter-segment revenues in the year (2017: nil).

$128.6 million (2017: $165.0 million) of deal fees relates to activity fees and $19.8 million (2017: $19.7 million) represents performance fees.

Treasury and other asset based income includes $11.6 million (2017: $9.3 million) of interest income. CI, RE and CM asset based income includes $30.0 million (2017: $12.1 million) of interest income.

None of the Group's customers have generated ten percent or more of the Group's total revenues reported above.

All significant activities of the Group are performed on an integrated, worldwide basis. The Group's clients and trading partners also operate in the international market place, and neither their domicile nor the geographical location of a transaction is necessarily related to the country in which the asset or liability underlying the transaction is located. Consequently, any geographical segmentation of revenues would be potentially misleading. As such, segmentation of revenues and cashflows by region has not been presented. Notes 9, 10, 11, 13 and 28 (iv) present the geographical split of assets and off-balance sheet items.

The cashflows generated from the business segments and asset classes have been presented under the operating activities in the cashflow statement, as these arose in the normal course of the business.

Consolidated statements of financial position by reporting segments are as follows:

	June 30, 2018		
$millions	Co-investment Business	Fee Business	Total
Assets			
Cash and short-term funds	–	105	105
Placements with financial institutions and other liquid assets	–	266	266
Positive fair value of derivatives	–	55	55
Receivables and prepayments	92	184	276
Advances	–	92	92
Underwritten and warehoused investments	–	446	446
Co-investments			
Corporate investment	625	–	625
Credit management investment	272	–	272
Alternative investment solutions	189	–	189
Real estate investment	76	–	76
Premises, equipment and other assets	–	36	36
Intangible assets	–	55	55
Total assets	1,254	1,239	2,493
Liabilities and Equity			
Liabilities			
Call accounts	–	149	149
Term and institutional accounts	–	300	300
Payables and accrued expenses	9	184	193
Negative fair value of derivatives	–	39	39
Medium-term debt	–	167	167
Long-term debt	448	2	450
Deferred fees	–	72	72
Total liabilities	457	913	1,370
Total equity	797	326	1,123
Total liabilities and equity	1,254	1,239	2,493

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	June 30, 2017		
$millions	Co-investment Business	Fee Business	Total
Assets			
Cash and short-term funds	–	45	45
Placements with financial institutions and other liquid assets	–	517	517
Positive fair value of derivatives	–	62	62
Receivables and prepayments	29	248	277
Advances	–	86	86
Underwritten investments	–	460	460
Co-investments			
Corporate investment	539	–	539
Credit management investment	259	–	259
Alternative investment solutions	236	–	236
Real estate investment	79	–	79
Premises, equipment and other assets	–	38	38
Intangible assets	–	58	58
Total assets	1,142	1,514	2,656
Liabilities and Equity			
Liabilities			
Call accounts	–	249	249
Term and institutional accounts	–	185	185
Payables and accrued expenses	6	148	154
Negative fair value of derivatives	–	44	44
Medium-term debt	14	368	382
Long-term debt	305	105	410
Deferred fees	–	87	87
Total liabilities	325	1,186	1,511
Total equity	817	328	1,145
Total liabilities and equity	1,142	1,514	2,656

4. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Categories of financial assets and financial liabilities

The table below shows categories of the Group's financial assets and financial liabilities at the year end.

	June 30, 2018				
$millions	FVTPL Investments	Items at amortized cost	FVOCI Investments	Derivatives	Total
Financial assets					
Cash and short-term funds	–	105	–	–	105
Placements with financial institutions and other liquid assets	–	266	–	–	266
Positive fair value of derivatives	–	–	–	55	55
Receivables	–	237	–	–	237
Advances	–	92	–	–	92
Underwritten and warehoused investments	389	42	15	–	446
Co-investments					
Corporate investment	550	–	75	–	625
Credit management Investment	–	207	65	–	272
Alternative investment solutions	180	–	9		189
Real estate investment					
Debt	–	2		–	2
Equity	64	–	10	–	74
Total financial assets	1,183	951	174	55	2,363
Non-financial assets					
Prepayments					39
Premises, equipment and other assets					36
Intangible assets					55
Total assets					2,493
Financial liabilities					
Call accounts	–	149	–	–	149
Term and institutional accounts	–	300	–	–	300
Payables and accrued expenses	–	193	–	–	193
Negative fair value of derivatives	–	–	–	39	39
Medium-term debt*	–	167	–	–	167
Long-term debt*	–	450	–	–	450
Total financial liabilities	–	1,259	–	39	1,298
Non-financial liabilities					
Deferred fees					72
Total liabilities					1,370

* Adjusted for related fair value hedges.

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$millions	FVTPL Investments	Items at amortized cost	FVOCI Investments	Derivatives	Total
			June 30, 2017		
Financial assets					
Cash and short-term funds	–	45	–	–	45
Placements with financial institutions and other liquid assets	–	517	–	–	517
Positive fair value of derivatives	–	–	–	62	62
Receivables	–	227	–	–	227
Advances	–	86	–	–	86
Underwritten and warehoused investments	460	–	–	–	460
Co-investments					
Corporate investment	494	21	24	–	539
Credit management Investment	–	259	–	–	259
Alternative investment solutions	217	–	19	–	236
Real estate investment					
Debt	–	4	–	–	4
Equity	60	–	15	–	75
Total financial assets	1,231	1,159	58	62	2,510
Non-financial assets					
Prepayments					50
Premises, equipment and other assets					38
Intangible assets					58
Total assets					2,656
Financial liabilities					
Call accounts	–	249	–	–	249
Term and institutional accounts	–	185	–	–	185
Payables and accrued expenses	–	154	–	–	154
Negative fair value of derivatives	–	–	–	44	44
Medium-term debt*	–	382	–	–	382
Long-term debt*	–	410	–	–	410
Total financial liabilities	–	1,380	–	44	1,424
Non-financial liabilities					
Deferred fees					87
Total liabilities					1,511

* Adjusted for related fair value hedges.

5. OPERATING EXPENSES

$millions	2018	2017
Staff compensation and benefits	**164**	150
Other personnel and compensation charges	**11**	11
Professional fees	**29**	24
Travel and business development	**12**	13
Administration and research	**16**	13
Technology and communication	**7**	7
Premises	**12**	11
Depreciation	**5**	5
Total	**256**	234

6. INCOME TAX

The Group's current tax expense and deferred tax expense amounts to $3.2 million (2017: $7.9 million) and $10.0 million (2017: $1.1million deferred tax income) respectively. The current tax liability includes $4.1 million (June 30, 2017: $11.9 million) as shown in Note 18. The deferred tax asset amounts to $12.5 million (June 30, 2017: $22.5 million) as shown in Note 7. The deferred tax asset relates to an excess of depreciation over capital allowances amounting to $3.1 million (June 30, 2017: $4.7 million), losses available for offset against future taxable income and other intangibles amounting to $0.4 million (June 30, 2017: $0.5 million) and deferred compensation amounting to $9.0 million (June 30, 2017: $17.3 million).

The Group's tax expense includes all direct taxes that are accrued on taxable profits of entities in their respective countries of incorporation, in accordance with the tax laws prevailing in those jurisdictions. Consequently, it is not practical to provide a reconciliation between the accounting and taxable profits.

The effective tax rates for the Group's significant subsidiaries operating in the following tax based jurisdictions are as follows:

	2018	2017
United Kingdom	**20%**	20%
Kingdom of Saudi Arabia	**20%**	24%
Qatar	**10%**	10%

Apart from the above, the Group also incurs tax charge on US operations. During the current year, the applicable statutory federal corporation tax rate in the United States has changed to 21% effective from January 1, 2018 and has resulted in the blended tax rate of 27.5% for the current fiscal year (2017: 34%) resulting in effective tax rate of 30% on a steady state basis. However, due to the change in tax regulations in the US, the Group had to take a one-off charge relating to deferred tax asset, which resulted in effective tax rate of 89% for US operations of the Group.

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7. RECEIVABLES AND PREPAYMENTS

$millions	June 30, 2018	June 30, 2017
Subscriptions receivable	**72**	115
Receivables from investee and holding companies	**78**	98
Investment disposal proceeds receivable	**78**	11
AIS related receivables	**8**	5
Accrued interest receivable	**6**	6
Prepaid expenses	**26**	27
Deferred tax asset (see Note 6)	**13**	23
Other receivables	**7**	2
	288	287
Provisions for impairment (see Note 14)	**(12)**	(10)
Total	**276**	277

Receivables arise largely from subscriptions by clients to the Group's investment products, fees earned in respect of the Group's investment management, investment performance and other transactional services, interest accruals on advances and proceeds due from investment disposals.

Subscriptions receivable represent amounts due from clients for participation in the Group's deal by deal investment products. These arise in the normal course of the Group's placement activities and are recorded when clients sign a binding agreement confirming their participation in an investment offering. These are typically collected over the short-term, and, in the interim period prior to receipt of cash, are collateralized by clients' other investment assets with Investcorp.

Receivables from investee and holding companies and funds include fees and other receivables, which are due from investee companies and performance fee receivables from holding companies accrued on client assets under management.

Investment disposal proceeds receivable includes proceeds due from contracted disposals of corporate investments and real estate investments. They also include redemption proceeds receivable from underlying investment managers relating to the Group's AIS co-investments.

AIS related receivables represent amounts due from clients for management and administrative services and performance fees.

Accrued interest receivable represents interest receivable on placements with financial institutions.

8. ADVANCES

$millions	June 30, 2018	June 30, 2017
Advances to investment holding companies	**73**	70
Advances to employee investment programs	**16**	17
Advances to CI closed-end funds	**17**	11
Other advances	**1**	1
	107	99
Provisions for impairment (see Note 14)	**(15)**	(13)
Total	**92**	86

Advances to investment holding companies arise largely as a result of the Group extending working capital advances to companies established for client participation in the Group's investment products. These advances carry interest at market rates.

Advances to employee investment programs represent the amounts advanced by the Group on behalf of employees in connection with their co-investment in the Group's investment products. These advances carry interest at benchmark interbank rates plus a margin, and are collateralized by the underlying investments, resulting in a low risk to the Group.

Advances to the CI closed-end funds represent amounts invested on behalf of the Group's clients in the acquisitions and expenses of the funds in the interim period prior to receipt of the associated capital call from clients.

These advances carry interest at market rates. The advances, in management's opinion, represent a low risk to the Group.

9. UNDERWRITTEN AND WAREHOUSED INVESTMENTS

At the time the Group acquires an investment it earmarks a significant portion of each investment for placement with investors and classifies this as an underwritten and warehoused investment. These investments are placed with the investors over the underwriting period which typically can take up to 6 months.

The Group's current underwritten investment balances in Corporate Investments, Alternative Investment Solutions, Real Estate Investments classified as FVTPL, except for certain Corporate Investment exposures classified as FVOCI and warehoused investments in Credit Management Investments classified as amortized cost investments, comprise the following:

	June 30, 2018				June 30, 2017			
$millions	North America	Europe	MENA	Total	North America	Europe	MENA	Total
Underwritten investments								
Corporate investment:								
Industrial Products	**11**	**50**	**–**	**61**	4	–	–	4
Healthcare	**–**	**–**	**38**	**38**	–	–	–	–
Industrial/Business Services	**24**	**–**	**–**	**24**	28	–	–	28
Consumer Products	**–**	**–**	**–**	**–**	8	21	–	29
Technology	**–**	**–**	**–**	**–**	–	129	–	129
Total corporate investment	**35**	**50**	**38**	**123**	40	150	–	190
Alternative investment solutions:								
Special opportunities portfolio	**11**	**–**	**–**	**11**	–	–	–	–
Total alternative investment solutions	**11**	**–**	**–**	**11**	–	–	–	–
Real estate investment:								
Core/Core Plus	**187**	**83**	**–**	**270**	224	46	–	270
Total real estate investment	**187**	**83**	**–**	**270**	224	46	–	270
Warehoused investments								
Credit management Investments								
CLO Investments	**30**	**12**	**–**	**42**	–	–	–	–
Total credit management investment	**30**	**12**	**–**	**42**	–	–	–	–
Total	**263**	**145**	**38**	**446**	264	196	–	460

10. CORPORATE CO-INVESTMENTS

$millions	June 30, 2018	June 30, 2017
CI co-investments [See Note 10 (A)]	**609**	515
Strategic and other investments [See Note 10 (B)]	**16**	24
Total	**625**	539

10. (A) CI CO-INVESTMENTS

The Group's CI co-investments are primarily classified as FVTPL investments. Certain debt investments amounting to $20.4 million were carried at amortised cost at the end of the prior year which were fully settled during the year.

The fair value of unquoted co-investments is determined wherever possible using valuations implied by material financing events for the specific investment in question that involve third party capital providers operating at arms' length. An example of a material event would be where a sale is imminent and credible bids have been received from third parties or valuations have been received from banks engaged in the sale process. In these cases, the fair value would be established with reference to the range of bids received and based on management's assessment of the most likely realization value within that range. Another example of a material event would be where an arm's length financing transaction has occurred recently that is (a) material in nature, (b) involves third parties, and (c) attaches an implicit value to the company. In the event that such a recent third-party measure of specific fair value for an individual investment is not available, the fair value is determined by using a multiples-based approach applied to the most recent and relevant operating performance metric of the underlying company, typically EBITDA and sometimes sales. The multiple used is taken from a universe of comparable publicly listed companies, recent M&A transactions involving comparable companies, and multiples implied by Discounted Cash Flow ("DCF") analysis. Management exercises its judgment in choosing the most appropriate multiple, on a consistent basis, from within the universe referred to above.

The carrying values of the Group's CI co-investments at June 30, 2018 and June 30, 2017 are:

	June 30, 2018				June 30, 2017			
$millions	**North America**	**Europe**	**MENA***	**Total**	North America	Europe	MENA*	Total
Consumer Products	**63**	**72**	**32**	**167**	55	43	33	131
Consumer Services	**22**	**–**	**9**	**31**	40	–	11	51
Healthcare	**–**	**8**	**45**	**53**	–	–	6	6
Industrial Products	**7**	**18**	**4**	**29**	–	75	4	79
Industrial / Business Services	**28**	**8**	**59**	**95**	9	1	53	63
Telecom	**107**	**–**	**–**	**107**	111	–	–	111
Technology								
Big Data	**1**	**89**	**–**	**90**	1	17	–	18
Internet / Mobility	**–**	**8**	**2**	**10**	1	6	2	9
Security	**14**	**13**	**–**	**27**	14	33	–	47
Total	**242**	**216**	**151**	**609**	231	175	109	515

* Including Turkey.

10. (B) STRATEGIC AND OTHER INVESTMENTS

Strategic and other investments represent the following types of investments of the Group:

1. Investments made for strategic reasons; and
2. Instruments obtained on disposal of exited investments.

Strategic investments in equity instruments are held as FVOCI investments. For FVOCI investments, during the year, $0.3 million (2017: $0.4 million) of dividend income was recognized in the consolidated statement of profit or loss and $5.1 million (2017: $1.0 million) of losses were recognized in other comprehensive income. A loss of $2.5 million (2017: nil) was recycled to retained earnings on de-recognition.

Valuation techniques for measuring the fair value of strategic and other investments are the same as those used for CI co-investments.

11. CREDIT MANAGEMENT INVESTMENTS (CM)

$millions	June 30, 2018	June 30, 2017
European CLO Investments	**254**	219
US CLO Investments	**18**	40
Total	**272**	259

The Group's co-investments in CM investment represents co-investments in collateralized loan obligations (CLOs) managed by the CM team and are classified as FVOCI debt investments, except for certain European positions that are carried at amortised cost.

During the current year, there was a change in the business model, primarily driven by regulatory changes in the US, for the Group's credit management business which resulted in the Group's co-investment in some CLOs being re-classified as FVOCI investments from amortized cost. The difference between the fair value and the carrying value at the reclassification date was recognized in fair value reserve. Similarly, any subsequent fair value changes on such investments will be recognized directly in equity and any impairment in the carrying value will be recognized in the consolidated statement of profit or loss.

In relation to investments carried at amortised cost, interest income on these debt instruments is recognized using the effective interest rate ("EIR"). EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the debt instruments or, when appropriate a shorter period, to the net carrying amount of the debt instruments at the reporting date. The amortised cost of the CLO debt instrument will be adjusted if there is a revision in estimates of projected cashflows from the underlying CLO investments. The adjusted amortised cost is calculated based on the latest re-estimated EIR. The accrual based on EIR and any losses arising from impairment of such investments are included in asset based income in the statement of profit or loss.

The fair value of CLO co-investments categorized as FVOCI co-investments is determined on the basis of inputs from independent third parties including broker quotes and Markit data.

The Group's CLO co-investments amounting to $42 million (June 30, 2017: nil) are utilized to secure amounts drawn under repurchase agreements. At June 30, 2018, $42 million (June 30, 2017: nil) was the outstanding balance from financing under repurchase agreements (See Note 20).

12. ALTERNATIVE INVESTMENT SOLUTIONS CO-INVESTMENTS

The Group's AIS co-investments, primarily classified as FVTPL investments, comprise the following:

$millions	June 30, 2018	June 30, 2017
Multi-manager solutions	**45**	69
Hedge funds partnerships	**65**	71
Alternative risk premia	**24**	39
Special opportunities portfolios	**55**	57
Total	**189**	236

The net asset value of the Group's AIS co-investments is determined based on the fair value of the underlying investments of each fund as reported by the managers. Significant controls are built into the determination of the net asset values of the various investments, including the appointment of third party independent fund administrators, use of separate accounts for increased transparency and an independent verification of the prices of underlying securities through a dedicated operational risk group unit.

The valuations of the Group's AIS co-investments which are classified under Level 3 of the fair value hierarchy (see Note 29) are closely monitored by the Group. Management holds regular discussions with the investment managers and uses pricing which is reflective of the investment's fair value.

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Of the above, co-investments amounting to $9.0 million (June 30, 2017: $18.7 million) are classified as FVOCI investments. For FVOCI investments, during the year, $1.0 million of gains (2017: losses of $4.3 million) were recognized in other comprehensive income. These investments comprise funds which are not immediately available for redemption due to the liquidity profile of the instruments held by the underlying managers and are classified as Level 3 investments in the fair value hierarchy.

Of the above, co-investments amounting to $18.8 million (June 30, 2017: Nil) are subject to a lock up-period. Such investments are classified as Level 2 investments in the fair value hierarchy.

A portion of the Group's AIS co-investments was utilized to secure amounts drawn under a bi-lateral revolving facility until the end of the prior year, when the drawn balance from the facility was $13.8 million. (See Note 19).

13. REAL ESTATE CO-INVESTMENTS

The Group's co-investments in real estate are classified as follows:

- Co-investments in equity of real estate acquired after the global financial crisis in 2008-2009 are classified as FVTPL investments.
- Co-investments in equity of real estate acquired prior to global financial crisis in 2008-2009 and strategic investments are classified as FVOCI investments.
- Debt investments in real estate properties are carried at amortised cost.

Those investments that are developed and leased out are fair valued based on the estimated future cash flows from the underlying real estate assets and using prevailing capitalization rates for similar properties in the same geographical area, or DCF analysis.

Opportunistic investments that involve an element of development are generally valued based on third party led financing events, or DCF analysis.

Debt investments in real estate properties carried at amortised cost amount to $2.2 million (June 30, 2017: $3.7 million). Strategic and other equity investments which are classified as FVOCI investments amount to $9.7 million (June 30, 2017: $14.8 million). For FVOCI investments, during the year, $0.2 million (2017: $21.5 million) of losses were recognized in other comprehensive income and a loss of nil (2017: $19.3 million) was recycled to retained earnings on derecognition. All other investments are classified as FVTPL.

The carrying values of the Group's co-investments in real estate portfolios, which as at June 30, 2018 and June 30, 2017 were located in United States and Europe are:

	June 30, 2018			June 30, 2017		
$millions Portfolio Type	**North America**	**Europe**	**Total**	North America	Europe	Total
Core / Core Plus	**61**	**7**	**68**	70	2	72
Debt	**2**	**–**	**2**	4	–	4
Opportunistic	**1**	**–**	**1**	1	–	1
Strategic	**5**	**–**	**5**	2	–	2
Total	**69**	**7**	**76**	77	2	79

14. PROVISIONS FOR IMPAIRMENT

Impairment provisions are as follows:

$millions Categories	Balance At beginning	Charge	At end*
12 months to June 30, 2018			
Receivables (Note 7)	**10**	**2**	**12**
Advances (Note 8)	**13**	**2**	**15**
Cash and short-term funds	**0**	**–**	**0**
Placement with financial institutions and other liquid assets	**0**	**–**	**0**
Co-investments - debt	**1**	**–**	**1**
Total	**24**	**4**	**28**

* Of the total provision, $1.5 million relates to stage 1, $2.6 million relates to stage 2 and $24.3 million relates to stage 3 assets. Of the stage 1 and 2 provision, $2.7 million relates to advances. During the year, there was a movement in loss allowance of $0.2m from stage 1 to stage 2 assets.

$millions Categories	Balance At beginning	Charge	At end*
12 months to June 30, 2017			
Receivables (Note 7)	8	2	10
Advances (Note 8)	12	1	13
Cash and short-term funds	0	–	0
Placement with financial institutions and other liquid assets	0	–	0
Co-investments - debt	–	1	1
Total	20	4	24

* Of the total provision, $1.8 million relates to stage 1, $1.1 million relates to stage 2 and $21.5 million relates to stage 3 assets.

15. INTANGIBLE ASSETS

$millions	June 30, 2018	June 30, 2017
Goodwill	**49**	49
Management Contracts	**6**	9
Total	**55**	58

Intangible assets were recognized on the acquisition of the credit management business acquired through business combination during the prior financial year.

Management contracts represent the right to manage European and US CLOs. The contracts have a useful life of 5 years from the date of acquisition and are amortized accordingly.

The Group performed its annual impairment test on Goodwill in June 2018. No impairment indicators were identified which would cause the management to believe the existence of impairment on Goodwill.

The movement in intangible assets is set out in the below table:

$millions	Goodwill	Management Contracts	Total
Balance at July 1, 2016	–	–	–
Recognized at acquisition of a subsidiary	49	10	59
Amortization during the year	–	(1)	(1)
Balance at June 30, 2017	49	9	58
Amortization during the year	–	(3)	(3)
Balance at June 30, 2018	**49**	**6**	**55**

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16. CALL ACCOUNTS

$millions	June 30, 2018	June 30, 2017
Investment holding companies accounts	**107**	167
Other call accounts	**9**	30
Discretionary and other accounts	**33**	52
Total	**149**	249

Investment holding companies' accounts represent excess cash of the investment holding companies with the Bank, prior to utilization or onward distribution.

Other call accounts comprise of cash placed with the Bank, on call, for future participation in the Group's investment products.

Discretionary and other accounts represent money held on behalf of various affiliates, including strategic shareholders and employees.

All these balances bear interest at market rates.

17. TERM AND INSTITUTIONAL ACCOUNTS

$millions	June 30, 2018	June 30, 2017
Institutional accounts on call	**251**	167
Term deposits	**49**	18
Total	**300**	185

All these balances bear interest at market rates.

18. PAYABLES AND ACCRUED EXPENSES

$millions	June 30, 2018	June 30, 2017
Accrued expenses - employee compensation	**77**	76
Vendor and other payables	**33**	38
Unfunded deal acquisitions	**71**	19
Tax liability (see Note 6)	**6**	12
Accrued interest payable	**6**	9
Total	**193**	154

Accrued expenses for employee compensation include the incentive and retention component of the Group's overall employee related costs and end of service benefits payable to individuals employed by the Group in the Kingdom of Bahrain, the Kingdom of Saudi Arabia, Qatar, and the United Arab Emirates.

Unfunded deal acquisitions represent amounts contractually payable by the Group in respect of investment acquisitions the agreements for which are signed, but have not been funded as of the year end.

19. MEDIUM-TERM DEBT

Amounts outstanding represent the drawn portion of the following medium-term revolvers and funded facilities:

		June 30, 2018		June 30, 2017	
$millions	Final Maturity	Size	Current outstanding	Size	Current outstanding
4-year syndicated revolving facility					
	March 2020	**25**	**–**	25	–
	March 2021	**400**	**50**	397	–
3-year syndicated revolving facility	December 2020	**250**	**–**	–	–
5-year fixed rate bonds	June 2019	**139**	**139**	139	139
5-year fixed rate bonds	November 2017	**–**	**–**	250	250
2-year secured bi-lateral revolving facility	June 2019	**–**	**–**	50	14
Total			**189**		403
Foreign exchange translation adjustments			**(13)**		(9)
Fair value adjustments relating to interest rate hedges			**0**		0
Transaction costs of borrowings			**(9)**		(12)
Total			**167**		382

All medium-term facilities, except for the 5-year fixed rate bonds, carry floating rates of interest when drawn. Revolvers carry a fixed rate of commitment fees when undrawn. The syndicated revolving facilities and the fixed rate bonds are subject to certain customary covenants, including maintaining certain minimum levels of net worth and operating below maximum leverage ratios.

During the current year the Group has pre-paid the secured bi-lateral revolving facility that was due to mature in June 2019. The facility was secured, to the extent drawn, by an equivalent amount of the Group's AIS co-investments. As of June 30, 2017, the effective available facility was $13.8 million, which was fully drawn.

20. LONG-TERM DEBT

$millions	Final Maturity	June 30, 2018	June 30, 2017
PRIVATE NOTES			
JPY 37 Billion Private Placement	March 2030	**332**	332
$50 Million Private Placement	July 2032	**50**	50
		382	382
SECURED FINANCING			
Repurchase agreement	October 2030	**20**	–
Repurchase agreement	April 2031	**22**	–
		42	–
Foreign exchange translation adjustments		**2**	(2)
Fair value adjustments relating to interest rate hedges		**27**	31
Transaction costs of borrowings		**(3)**	(1)
Total		**450**	410

Private Notes

Long-term notes issued by the Group carry fixed rates of interest and are governed by covenants contained in the relevant agreements. Such covenants include maintaining certain minimum levels of net worth and operating below a maximum leverage ratio.

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Secured Financing

Secured financing relates to financing obtained under repurchase transaction arrangements entered into by the Group, with underlying assets being CLO co-investment exposures in Europe. The financings carry variable rates of interest. Each financing arrangement has a specified repurchase date at which, the Group will repurchase the underlying CLO asset at a pre-determined repurchase price.

21. DEFERRED FEES

$millions	June 30, 2018	June 30, 2017
Deferred fees relating to placements	**72**	86
Deferred fees from investee companies	**–**	1
Total	**72**	87

Deferred fees relating to placements represents a portion of the placement fee received from investors at the time of placement, the recognition of which is deferred to future periods concurrent with the services to be rendered.

Deferred fees from investee companies represents amounts received by the Group, the recognition of which is deferred to future periods concurrent with the services to be rendered.

During the current financial year, income recognized through amortization of deferred fees amounted to $42.3 million (2017: $49.1 million).

22. SHARE CAPITAL AND RESERVES

The Bank's share capital at year end is as follows:

	June 30, 2018			June 30, 2017		
	No. of shares	Par value $	$millions	No. of shares	Par value $	$millions
Authorized share capital						
– Ordinary shares	**400,000,000**	**2.50**	**1,000**	400,000,000	2.50	1,000
– Preference and other shares	**1,000,000**	**1,000**	**1,000**	1,000,000	1,000	1,000
			2,000			2,000
Issued share capital						
– Ordinary shares	**80,000,000**	**2.50**	**200**	80,000,000	2.50	200
– Preference shares	**123,239**	**1,000**	**123**	223,239	1,000	223
			323			423

Capital management

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) as adopted by the Central Bank of Bahrain (see Note 27).

Statutory reserve

The Bahrain Commercial Companies Law requires the maintenance of a statutory reserve equal to 50% of the Bank's issued and paid up ordinary share capital of $200 million, which amounts to $100 million. The reserve is not available for distribution but can be utilized as stipulated by the Bahrain Commercial Companies Law.

Fair value reserve

Certain of the Group's CI, RE, AIS co-investments in equity instruments and certain CM debt instruments have been classified as FVOCI. The gains and losses arising on fair valuation of such investments is recorded in the fair value reserve account. Any gain or loss on realization of such CI, RE, AIS co-investments is recycled directly to retained earnings and any gain or loss on realization of such CM co-investments is recycled to retained earnings through profit or loss.

Treasury shares

586,343 (June 30 2017: 352,418) ordinary shares were held as treasury shares, which includes 337,408 shares (June 30, 2017: 352,418 shares) that have been granted to employees as part of deferred remuneration but have not yet started vesting. 1,184,852 shares (June 30, 2017: 1,560,821 shares) that have been granted to employees and have commenced vesting, but have not fully vested as at June 30, 2018, are not counted as treasury shares (see Note 30).

Preference share capital

The preference shares are non-cumulative, non-convertible, non-voting, non-participating and perpetual in nature and carry a floating rate dividend, equal to the benchmark 12-month interbank rate + 9.75% per annum.

These preference shares are callable, at the Bank's option, in part or in whole at par plus dividends due up to the call date.

The payment of dividends on preference shares is subject to recommendation by the Board of Directors, and approval by the CBB and ordinary shareholders. The preference shares take priority over the Bank's ordinary shares for payment of dividends and distribution of assets in the event of a liquidation or dissolution.

During the year, 100,000 preference shares were re-purchased for an aggregate purchase price of $100 million, resulting in 123,239 (June 30, 2017: 223,239) issued preference shares as at year end. Out of the total shares re-purchased, 680 shares were purchased from the Group's employees.

23. OTHER RESERVES

During the prior year, the Group early adopted IFRS 9. Following the adoption, the AFS investments and related revaluation reserve was reclassified as FVOCI investments and fair value reserve respectively.

Other reserves now consist of cash flow hedges and the revaluation reserve of premises and equipment recognized directly in equity.

Movements relating to other reserves are set out below:

$millions	Cash flow hedges	Revaluation reserve on premises and equipment	Total
Balance at July 1, 2016	(8)	6	(2)
Net realized loss recycled to statement of profit or loss	5	–	5
Net unrealized losses for the year	(8)	–	(8)
Transfer of depreciation to retained earnings	–	(1)	(1)
Balance at June 30, 2017	(11)	5	(6)
Net realized gain recycled to statement of profit or loss	(1)	–	(1)
Net unrealized gain for the year	3	–	3
Transfer of depreciation to retained earnings	–	(1)	(1)
Balance at June 30, 2018	**(9)**	**4**	**(5)**

24. EARNINGS, BOOK VALUE AND DIVIDENDS PER SHARE

The Group's earnings per share for the year and proposed appropriations are as follows:

	2018	2017
Profit for the year ($millions)	**125**	120
Less : Preference shares dividend - proposed ($millions)	**(22)**	(25)
Profit attributable to ordinary shareholders ($millions)	**103**	95
Weighted average ordinary shares for basic earnings per ordinary share (millions)	**77**	74
Basic earnings per ordinary share - on weighted average shares ($)	**1.34**	1.28
Weighted average ordinary shares for fully diluted earnings per ordinary shares (millions)	**79**	76
Fully diluted earnings per ordinary share - on weighted average diluted shares ($)	**1.30**	1.25
Proposed appropriations:		
Ordinary shares dividend ($millions)	**19**	19
Preference shares dividend ($millions)	**22**	25
	41	44

The proposed ordinary share dividend is 24 cents (2017: 24 cents) per share payable only on issued shares (excluding treasury shares), that are held on the date of approval.

The proposed preference share dividend of $22.3 million (2017: $25.0 million) represents an annual dividend on issued preference shares.

The book value per ordinary share at the year-end date is calculated by dividing the ordinary shareholders' equity (excluding unrealized changes relating to cash flow hedges, the revaluation reserve and proposed appropriations) by the number of ordinary shares outstanding at year end (taking into account the beneficial interest of management in all acquired unvested shares issued at year end). The fully diluted book value per ordinary share is $12.13 per share (June 30, 2017: $11.10 per share).

The potential dilution effect of future vesting of the unvested awards is reflected as a difference between the weighted average shares outstanding for diluted and basic earnings per share.

25. DERIVATIVE FINANCIAL INSTRUMENTS

The Group utilizes derivative financial instruments primarily as risk management tools for hedging various statement of financial position and cash flow risks. Such derivative instruments include forwards, swaps and options in the foreign exchange and capital markets.

The Group currently applies IAS 39 for hedge accounting. The Group's criteria for a derivative financial instrument to be accounted for as a hedge include:

- the hedging instrument, the underlying hedged item, the nature of the risk being hedged and the risk management objective and strategy must be formally documented at the inception of the hedge;
- it must be clearly demonstrated that the hedge, through changes in the value of the hedging instrument, is expected to be highly effective in offsetting the changes in fair values or cash flows attributable to the hedged risk in the hedged item;
- the effectiveness of the hedge must be capable of being reliably measured; and
- the hedge must be assessed on an ongoing basis and determined to have actually been highly effective throughout the financial reporting period.

The Group's management classifies hedges into two categories: (a) fair value hedges that hedge exposure to changes in fair value of a recognized asset or liability; and (b) cash flow hedges that hedge exposure to variability in cash flows that is attributable to a particular risk associated with either a recognized asset or liability or a forecasted transaction highly probable to occur.

The following table illustrates the accounting treatment of fair value changes relating to various types of effective hedges:

Type of hedge	Changes in fair value of underlying hedged item relating to the hedged risk	Changes in fair value of hedging instrument
Fair value hedges	Recorded in the consolidated Statement of Profit or Loss, and as a corresponding adjustment to the carrying value of the hedged item on the consolidated statement of financial position.	Recorded in the consolidated statement of profit or loss, with a corresponding effect on the consolidated statement of financial position under positive or negative fair value of derivatives.
Cash flow hedges	Not applicable	Recorded in equity with a corresponding effect on the consolidated statement of financial position under positive or negative fair value of derivatives. Any unrealized gains or losses previously recognized in equity are transferred to the consolidated statement of profit or loss at the time when the forecasted transaction impacts the consolidated statement of profit or loss.

Other derivatives

The Group does not actively engage in proprietary trading activities in derivatives. However, on occasion, the Group may need to undertake certain derivative transactions to mitigate economic risks under its asset-liability management and risk management guidelines that may not qualify for hedge accounting under IAS 39 (e.g. hedging of foreign currency risk on fair valued investments). Consequently, gains or losses resulting from the re-measurement to fair value of these derivatives are taken to the consolidated statement of profit or loss.

Valuation of derivatives

The Group values the majority of its derivative financial instruments using internal models. The models use market observable inputs including interest rate curves and both forward and spot prices for currencies. Derivative assets and liabilities included in Level 2 (see Note 29) represent interest rate swaps, cross currency swaps, currency forwards and option contracts. For derivatives that are not valued using internal models, the Group's policy is to rely on third party valuations, whilst benchmarking them against observable market data.

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The Group's outstanding derivative financial instruments comprise the following:

	June 30, 2018			June 30, 2017		
Description $millions	**Notional value**	**Positive fair value***	**Negative fair value**	Notional value	Positive fair value*	Negative fair value
(A) HEDGING DERIVATIVES						
Currency risk being hedged using forward foreign exchange contracts						
(i) Fair value hedges						
On balance sheet exposures	**302**	**–**	**(17)**	280	–	(5)
(ii) Cash flow hedges						
Forecasted transactions	**51**	**0**	**(0)**	57	1	(3)
Coupon on long-term debt	**48**	**–**	**(3)**	58	–	(1)
Total forward foreign exchange contracts	**401**	**0**	**(20)**	395	1	(9)
Interest rate risk being hedged using interest rate swaps						
(i) Fair value hedges – fixed rate debt	**490**	**28**	**(2)**	738	21	(1)
(ii) Cash flow hedges – floating rate debt	**25**	**–**	**–**	25	–	(2)
Total interest rate hedging contracts	**515**	**28**	**(2)**	763	21	(3)
Total hedging derivatives	**916**	**28**	**(22)**	1,158	22	(12)
(B) OTHER DERIVATIVES						
Interest rate swaps	**623**	**10**	**(9)**	464	12	(12)
Total return swaps	**–**	**–**	**–**	108	–	(0)
Forward foreign exchange contracts	**668**	**9**	**(3)**	1,709	13	(10)
Currency options	**36**	**0**	**–**	–	–	–
Cross currency swaps	**363**	**8**	**(5)**	437	15	(10)
Total other derivatives	**1,690**	**27**	**(17)**	2,718	40	(32)
TOTAL – DERIVATIVE FINANCIAL INSTRUMENTS	**2,606**	**55**	**(39)**	3,876	62	(44)

* Net collateral received by the Group amounting to $50.7 million has been taken against the fair values above (June 30, 2017: $64.9 million).

Interest rate swaps, classified as hedging derivatives include notional value of $38.9 million (June 30, 2017: $38.3 million) of credit contingent swaps, which are cancellable if the Group defaults on its CHF 125 million 4.75% notes due in 2019.

Cross currency swaps, classified as other derivatives, include notional value of $118.3 million (June 30, 2017: $119.9 million) of credit contingent swaps, which are cancellable if the Group defaults on its CHF 125 million 4.75% notes due in 2019.

Total return swaps classified as other derivatives matured during the year (June 30, 2017: $108.1 million).

The table below shows the notional amounts of derivative financial instruments, analyzed by the term to maturity:

	June 30, 2018				
	Notional amounts by term to maturity				
$millions	Up to 3 months	>3 months up to 1 year	>1 year up to 5 years	Over 5 years	Total
Derivatives held as fair value hedges:					
Forward foreign exchange contracts	**302**	**–**	**–**	**–**	**302**
Interest rate swaps	**–**	**63**	**6**	**421**	**490**
Derivatives held as cash flow hedges:					
Forward foreign exchange contracts	**87**	**12**	**–**	**–**	**99**
Interest rate swaps	**–**	**–**	**–**	**25**	**25**
Other Derivatives:					
Interest rate swaps	**–**	**573**	**–**	**50**	**623**
Total return swaps	**–**	**–**	**–**	**–**	**–**
Forward foreign exchange contracts	**620**	**48**	**–**	**–**	**668**
Cross currency swaps	**–**	**322**	**–**	**41**	**363**
Currency options	**36**	**–**	**–**	**–**	**36**
	1,045	**1,018**	**6**	**537**	**2,606**

	June 30, 2017				
	Notional amounts by term to maturity				
$millions	Up to 3 months	>3 months up to 1 year	>1 year up to 5 years	Over 5 years	Total
Derivatives held as fair value hedges:					
Forward foreign exchange contracts	280	–	–	–	280
Interest rate swaps	–	250	71	417	738
Derivatives held as cash flow hedges:					
Forward foreign exchange contracts	55	60	–	–	115
Interest rate swaps	–	–	–	25	25
Other Derivatives:					
Interest rate swaps	414	–	–	50	464
Total return swaps	–	108	–	–	108
Forward foreign exchange contracts	1,591	118	–	–	1,709
Cross currency swaps	–	–	437	–	437
	2,340	536	508	492	3,876

Fair value hedges

Losses arising from fair value hedges during the year ended June 30, 2018 were $28.2 million (2017: losses of $86.9 million) while the gains on the hedged items, attributable to interest rate and foreign currency risks, were $27.3 million (2017: gains of $88.9 million). These gains and losses are included in treasury and other asset based income or interest expense, as appropriate, in the consolidated statement of profit or loss. Additionally, during the current financial year, there was a loss of $0.9 million (2017: $1.9 million) on derivative instruments classified as other derivatives.

Undiscounted cash flows for forecasted items hedged

The Group has hedged the following forecasted cash flows, which primarily relate to interest rate and foreign currency risks. The cash flows from the hedged item impact the consolidated statement of profit or loss in the following periods, assuming no adjustments are made to hedged amounts:

	June 30, 2018				
$millions	Up to 3 months	>3 months up to 1 year	>1 year up to 5 years	Over 5 years	Total
Currency risk*					
Coupon on long-term debt	–	(12)	(47)	(82)	(141)
Operating expenses	(43)	(3)	–	–	(46)
Fee income	15	10	–	–	25
Interest rate risk*					
Interest on liabilities	(2)	(3)	(19)	(43)	(67)
	(30)	(8)	(66)	(125)	(229)

	June 30, 2017				
$millions	Up to 3 months	>3 months up to 1 year	>1 year up to 5 years	Over 5 years	Total
Currency risk*					
Coupon on long-term debt	(6)	(6)	(46)	(92)	(150)
Operating expenses	–	(18)	–	–	(18)
Fee income	–	31	–	–	31
Interest rate risk*					
Interest on liabilities	(2)	(2)	(18)	(47)	(69)
	(8)	5	(64)	(139)	(206)

* These forecasted fixed coupon payments have been hedged using interest rate swap derivative contracts as disclosed earlier in this note.

The ineffective portion of cash flow hedges recycled out of equity to the consolidated statement of profit or loss for the year ended June 30, 2018 was a loss of $0.8 million (2017: $5.3 million).

26. COMMITMENTS AND CONTINGENT LIABILITIES

$millions	June 30, 2018	June 30, 2017
Investment commitments	**66**	61
Non-cancelable operating leases:		
Up to 1 year	**6**	6
1 year to 5 years	**40**	12
Over 5 years	**63**	11
Total non-cancelable operating leases	**109**	29
Guarantees and letters of credit issued to third parties	**10**	10

Investment related commitments represent the Group's unfunded co-investment commitments to various CI and RE investment funds.

Non-cancelable operating leases relate to the Group's commitments in respect of its New York, London, Riyadh and Singapore office premises.

Guarantees and letters of credit issued to third parties include financial guarantees provided to facilitate investee companies' on-going operations and leasing of equipment and facilities.

In addition, the Group has also issued indemnification letters and back stop guarantees in support of performance obligations of operating partners and investee companies in relation to real estate investments, which are covered under the Group's Errors and Omissions insurance policy.

The Group is engaged in litigation cases in various jurisdictions. The litigation cases involve claims made by and against the Group which have arisen in the ordinary course of business. The management of the Group, after reviewing the claims pending against the Group companies and based on the advice of the relevant professional legal advisors, are satisfied that the outcome of these claims will not have a material adverse effect on the financial position of the Group and accordingly no provision has been made in the consolidated financial statements.

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27. REGULATORY CAPITAL ADEQUACY

The Group applies the Basel III framework regulations, as adopted by the CBB, on a consolidated basis for Investcorp Bank B.S.C. which is the entity licensed and regulated by the CBB. Below are the disclosures required under CBB guidelines:

	June 30, 2018		June 30, 2017		
$millions	Balance as per published financial statements	Consolidated PIR data	Balance as per published financial statements	Consolidated PIR data	*Reference*
Assets					
Cash and short-term funds	**105**	**105**	45	45	
Placements with financial institutions and other liquid assets	**266**	**266**	517	517	
Positive fair value of derivatives	**55**	**55**	62	62	
Receivables	**250**	**250**	227	227	
Advances	**92**	**92**	86	86	
Underwritten investments	**446**	**446**	460	460	
Co-investments - retention					
Corporate investment	**625**	**625**	539	539	
Credit management investment	**272**	**272**	259	259	
Alternative investment solutions	**189**	**189**	236	236	
Real estate investment	**76**	**76**	79	79	
Prepayments	**26**	**26**	50	50	
Premises, equipment and other assets	**36**	**21**	38	29	
Intangible assets	**55**	**–**	58	–	
Goodwill	**–**	**49**	–	49	
Other Intangibles**	**–**	**21**	–	18	*F*
Total assets	**2,493**	**2,493**	2,656	2,656	
Liabilities and Equity					
Liabilities					
Call accounts	**149**	**149**	249	249	
Term and institutional accounts	**300**	**300**	185	185	
Payables and accrued expenses	**193**	**193**	154	154	
Negative fair value of derivatives	**39**	**39**	44	44	
Medium-term debt	**167**	**167**	382	382	
Long-term debt	**450**	**450**	410	410	
Deferred fees	**72**	**72**	87	87	
Total liabilities	**1,370**	**1,370**	1,511	1,511	
Equity					
Paid-in-share capital					
Of which form part of Common Equity Tier 1 (CET1)					
Ordinary share capital	**200**	**200**	200	200	*A1*
Treasury shares	**(5)**	**(5)**	(3)	(3)	*A2*
Reserves and accumulated other comprehensive income					
Of which form part of Common Equity Tier 1 (CET1)					
Statutory reserve	**100**	**100**	100	100	*C1*
Share premium	**229**	**229**	226	226	*C2*
Fair value reserve	**(7)**	**(7)**	(5)	(5)	*C3*
Retained earnings	**322**	**322**	246	246	*B1*
Current cumulative net income	**125**	**125**	120	120	*B2*
Proposed appropriations	**41**	**41**	44	44	*B3*
Cash flow hedge reserve	**(9)**	**(9)**	(11)	(11)	*C4*
Of which form part of Additional Tier 1 (AT1)					
Preference share capital	**123**	**123**	223	223	*D*
Fixed asset revaluation reserve	**4**	**4**	5	5	*E*
Total equity	**1,123**	**1,123**	1,145	1,145	
Total liabilities and equity	**2,493**	**2,493**	2,656	2,656	

** Regulatory adjustments on intangibles have been applied per CBB's transitional arrangements of phasing over the prescribed time period.

$millions	June 30, 2018 PIR	June 30, 2018 Amounts subject to Pre-2015 Treatment	June 30, 2017 PIR	June 30, 2017 Amounts subject to Pre-2015 Treatment	*Reference*
Common Equity Tier 1 (CET1) capital: instruments and reserves					
Directly issued qualifying common share capital plus related stock surplus	**195**		197		*A1+A2*
Retained earnings	**488**		411		*B1+B2+B3*
Accumulated other comprehensive income (and other reserves)	**313**		309		*C1+C2+ C3+C4*
CET1 capital before regulatory adjustments	**996**		917		
Less regulatory adjustments to CET 1					
Intangibles	**(12)**	**15**	(11)	10	*F*
Goodwill	**(49)**		(49)		
Cash-flow hedge reserve	**9**		11		*C4*
Total regulatory adjustments to Common equity Tier 1	**(52)**		(49)		
Common Equity Tier 1 capital (CET1)	**944**		868		
Additional Tier 1 capital (AT1): instruments					
Directly issued qualifying Additional Tier 1 instruments	**123**		223		*D*
Additional Tier 1 capital before regulatory adjustments	**123**		223		
Total regulatory adjustments to Additional Tier 1 capital	**–**		–		
Additional Tier 1 capital (AT1)	**123**		223		
Tier 1 capital (T1 = CET1 + AT1)	**1,067**		1,091		
Tier 2 capital (T2)					
Fixed asset revaluation reserve	**4**		5		*E*
Expected credit losses on advances (see Note 14)	**3**		2		
Tier 2 capital before regulatory adjustments	**7**		7		
Total regulatory adjustments to Tier 2 capital	**–**		–		
Tier 2 capital (T2)	**7**		7		
Total capital (TC = T1 + T2)	**1,074**		1,098		

For the assessment of the adequacy of regulatory capital, the Group has chosen the following approaches:

- standardized approach for credit risk and market risk
- basic indicator approach for operational risk

The following table outlines the corresponding Basel III methodology by asset class

Asset class segment	**Basel III Methodology June 30, 2018**	**Basel III risk weight**
Corporate investments	Standardized approach (‘STA’)	150%
Real estate investments	Standardized approach (‘STA’)	200%
Alternative Investment Solutions	Standardized approach (‘STA’)	150%
Credit management investments and warehousing	Standardized approach (‘STA’)	100% to 1250%
CI and RE underwriting	Standardized approach (‘STA’)	100%
Operational risk	Basic indicator approach (‘BIA’)	15%

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The table below summarizes the regulatory capital and the capital adequacy ratio calculation in line with the rules set out above. All co-investment activities are subject to a Banking Book credit risk framework, whereas foreign exchange risk comprises most of the Trading Book market risk.

$millions	June 30, 2018	June 30, 2017
Tier 1 capital	**1,067**	1,093
Tier 2 capital	**7**	5
Regulatory capital base under Basel III (TC=T1+T2)	**1,074**	1,098

	June 30, 2018		June 30, 2017	
Risk weighted exposure $millions	Principal/ Notional amounts	Risk-weighted equivalents	Principal/ Notional amounts	Risk-weighted equivalents
Credit risk				
Claims on sovereigns	**1**	**–**	16	–
Claims on banks	**348**	**160**	385	195
Claims on corporates	**345**	**344**	471	427
Co-investments (including underwriting)	**1,608**	**2,159**	1,574	2,084
Other assets	**50**	**69**	101	157
Off-balance sheet items				
Commitments and contingent liabilities	**185**	**82**	100	40
Derivative financial instruments	**65**	**36**	78	42
Credit risk weighted exposure		**2,850**		2,945
Market risk				
Market risk weighted exposure		**1**		1
Operational risk				
Operational risk weighted exposure		**562**		522
Total risk weighted exposure (RWE)		**3,413**		3,468
Tier 1 capital ratio (T1)/(RWE)		**31.3%**		31.5%
Capital adequacy ratio (TC)/(RWE)		**31.5%**		31.7%
Minimum required as per CBB regulatory guidelines under Basel III		**12.5%**		12.5%
Capital cushion over minimum required as per CBB guidelines		**647**		665

Fair value unrealized gain on fair valued investments amounting to $69.3 million (June 30, 2017: losses of $10.1 million) are reflected in retained earnings, which is part of Tier 1 Capital.

28. RISK MANAGEMENT

Risk management is an integral part of the Group's corporate decision-making process. The Financial and Risk Management Committee (FRMC) oversees the Group's risk management activities, and sets the Group's risk profile on an enterprise wide basis. The FRMC is comprised of members of senior management drawn from all key areas of the Group.

The Group's primary risk management objective is to support its business objectives with sufficient economic capital. The Group employs risk models to determine the capital needed to cover unexpected losses from investment or other risks. This capital amount is known as economic capital and differs from regulatory capital as defined by the CBB using the Basel Accord (see Note 27). The economic capital requirement for each reporting segment is determined for a one year horizon and subsequently aggregated to determine the total economic capital. This total economic capital is then stress tested under a dynamic VaR approach. The dynamic VaR is calculated by using a five-year planning horizon, a 99% one-tailed confidence level and by recognizing diversification benefits across asset classes.

In addition to determining an adequate economic capital allocation for each reporting segment, the risk management team has developed tools in conjunction with leading risk management consultants to perform detailed risk analyses that specifically address the investment risks in each individual line of business.

The principal risks associated with the Group's business, and the related risk management processes are explained below:

(i) 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 limits for all counterparties. The Group also monitors credit exposures, and continually assesses the creditworthiness of counterparties. Counterparty credit risk in respect of derivative financial instruments is limited to those with positive fair values (see Note 25). With respect to the counterparty credit risk exposure arising from other financial assets, the Group has a maximum exposure equal to the carrying value of these instruments. The Group also actively attempts to mitigate counterparty credit risks, where possible, through documented netting and margin arrangements with counterparties, under ISDA and CSA agreements.

The risk management team maintains an overall external rating-based methodology for setting Board approved counterparty limits. For rated counterparties, credit ratings from at least two rating agencies are used for developing counterparty limits. All non-rated counterparties are screened through due diligence and credit analysis prior to the assumption of credit exposures to them by Investcorp. These non-rated counterparties are categorized under the 'Standard' internal rating for financial reporting purposes.

The table below shows the relationship between the internal rating* and the category of the external rating grades:

Internal Rating	External Rating by S & P and Moody's
High	AAA to A
Standard	A– to B–

* The internal rating is used to determine provisions and impairments for financial reporting purposes.

Internal rating categories are summarized as follows:

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.

Counterparty credit risk exposure is considered as past due when payment is due according to the contractual terms but is not received. During the current and previous year, none of the advances (refer note 8) were restructured.

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The table below analyses the Group's maximum counterparty credit risk exposures at year end without taking into account any credit mitigants.

	June 30, 2018					
	Neither past due nor impaired (a)		Past due but not impaired (b)	Impaired (c)	Provisions (d)	Maximum credit risk (a+b+c+d)
	Stage 1		Stage 2	Stage 3		
	Credit risk rating					
$millions	High	Standard				
Short-term funds	1	104	–	–	(0)	105
Placements with financial institutions and other liquid assets	123	143	–	–	(0)	266
Positive fair value of derivatives	5	50	–	–	–	55
Receivables	–	169	68	12	(12)	237
Advances	–	95	–	12	(15)	92
Co-investments - debt	–	275	–	–	(1)	274
Guarantees	–	10	–	–	–	10
Total	129	846	68	24	(28)	1,039

	June 30, 2017					
	Neither past due nor impaired (a)		Past due but not impaired (b)	Impaired (c)	Provisions (d)	Maximum credit risk (a+b+c+d)
	Stage 1		Stage 2	Stage 3		
	Credit risk rating					
$millions	High	Standard				
Short-term funds	–	44	–	–	(0)	44
Placements with financial institutions and other liquid assets	206	311	–	–	(0)	517
Positive fair value of derivatives	62	–	–	–	–	62
Receivables	–	144	84	9	(10)	227
Advances	–	87	–	12	(13)	86
Co-investments - debt	–	284	–	–	(1)	283
Guarantees	–	10	–	–	–	10
Total	268	880	84	21	(24)	1,229

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

$millions	June 30, 2018	June 30, 2017
Up to 1 month	32	43
> 1 up to 3 months	27	5
> 3 up to 6 months	5	26
> 6 months	4	10
Total	68	84

The financial assets that are past due but not impaired mainly relate to subscriptions receivable from clients. These assets are over-collateralized by all other assets under management on behalf of these clients. The collateral is revalued from time to time in the same manner as the Group's exposure to investments. The fair value of collateral that the Group holds relating to financial assets that are past due but not impaired at June 30, 2018 amounts to $915.8 million (June 30, 2017: $156.0 million).

The breakdown of provisions by geographical region and industry sector is as follows:

$millions	June 30, 2018	June 30, 2017
Geographical Region		
North America	**24**	23
Europe	**1**	1
Other	**3**	0
Total	**28**	24

$millions	June 30, 2018	June 30, 2017
Industry Sector		
Banking and Finance	**7**	6
Real estate	**18**	18
Healthcare	**3**	–
Total	**28**	24

Securitization

The Group provides fund management services to funds which invest in CLOs and funds which provide syndicated lending to a variety of institutions. The Group also acts as an originator and sponsor for certain CLO investments and co-invests through specific SPVs in the CLO investments. The CLO investments are held within a business model whose objective is to hold and sell assets in order to collect contractual cash flows on specified dates. The contractual terms give rise to variable distributions (solely payments of principal and interest) based on CLO's respective waterfall and priorities of payment. The Group manages it's risk relevant to the securitization activity in line with it's risk management policies and procedures.

The Group's exposure to CLOs is carried in the banking book. The Group's securitization exposures through the CLOs are in the rated and unrated tranches of the notes and varies from fund to fund. The Group does not hold securitization positions with trading intent or to hedge positions with trading intent. The Group has not established and does not manage any synthetic securitization structures nor does it securitize revolving exposures.

Capital requirements are measured using the standardised approach in line with CBB regulatory requirements. Refer to Note 27 for risk weighting.

(ii) Credit Risk Measurement

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience, expert credit assessment and forward-looking information.

As a practical expedient, IFRS 9 provides a low credit risk ('LCR') operational simplification that if a financial instrument has low credit risk i.e. an investment grade credit rating, an entity is allowed to assume at the reporting date that no significant increase in credit risk has occurred.

The Group considers the following as LCR for the short-term liquid asset portfolio:

- Financial instruments with an external rating grade of 'investment grade'.; and/or
- Financial instruments with a tenor of one year or less.

The receivables and advances of the Group are collateralized by the underlying investments. Hence, the Group considers fair-value movements of such investments and management judgement to assess whether there has been a significant increase in credit risk for its receivables and advances portfolio.

Measurement of ECL

The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). PD represents the likelihood of a borrower defaulting on its financial obligation. EAD is based on the amounts the Group expects to be owed at the time of default. LGD represents the group's expectation of the extent of loss on the exposure.

For the short-term liquid asset portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PDs associated with each grade are determined based on realized default rates over the period of 12 months, as published by the rating agencies, after adjusting for forward-looking macro-economic information.

For receivables and advances that arise in connection with the CI asset class, PDs are derived using an internal model and adjusted for forward-looking macro-economic information. PDs for receivables and advances of the RE asset class are derived based on internal categorization of the related investment and default rates published by a reputable rating agency adjusted for forward-looking macro-economic information.

For secured assets, LGDs are determined based on factors which impact the recoveries made post default. For unsecured assets, LGDs are based on regulatory guidelines.

The Group writes-off exposures if there is no reasonable expectation of recovery, subject to the appropriate regulatory approvals.

(iii) 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 the use of risk limits, monitoring systems and scenario analyses that are incorporated into a contingency funding plan. The framework is consistent with regulatory requirements and is subject to Board and senior management oversight. Liquidity management aims to arrange diversified funding sources and maintain comfortable and laddered debt maturities. The Group manages assets with liquidity in mind, and it monitors liquidity on a daily basis.

The table below summarizes the maturity profile of the Group's assets and liabilities based on expected realizations.

	June 30, 2018							
$millions	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	Non-cash items	Total
Assets								
Financial assets								
Cash and short-term funds	105	–	105	–	–	–	–	105
Placement with financial institutions and other liquid assets	262	4	266	–	–	–	–	266
Positive fair value of derivatives	5	4	9	1	–	45		55
Receivables	167	2	169	68	–	–	–	237
Advances	1	17	18	74	–	–	–	92
Underwritten and warehoused investments	446	–	446	–	–	–	–	446
Co-investments								
Corporate investment	–	36	36	589	–	–	–	625
Credit management Investment	5	17	22	168	82	–	–	272
Alternative investment solutions	67	37	104	85	–	–	–	189
Real estate investment	–	–	–	76	–	–	–	76
Total financial assets	1,058	117	1,175	1,061	82	45	–	2,363
Non-financial assets								
Prepayments	–	–	–	–	–	–	39	39
Premises, equipment and other assets	–	–	–	–	–	–	36	36
Intangibles	–	–	–	–	–	–	55	55
Total assets	1,058	117	1,175	1,061	82	45	130	2,493
Liabilities								
Financial liabilities								
Call accounts	9	–	9	140	–	–	–	149
Term and institutional accounts	95	76	171	129	–	–	–	300
Payables and accrued expenses	159	15	174	19	–	–	–	193
Negative fair value of derivatives	23	5	28	–	–	11	–	39
Medium-term debt	41	126	167	–	–	–	–	167
Long-term debt	–	–	–	–	42	408	–	450
Total financial liabilities	327	222	549	288	42	419	–	1,298
Non-financial liability								
Deferred fees	–	–	–	–	–	–	72	72
Total liabilities	327	222	549	288	42	419	72	1,370
Net gap	731	(105)	626	773	40	(374)	58	1,123
Cumulative liquidity gap	731	626	626	1,399	1,439	1,065	1,123	

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	June 30, 2017							
$millions	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	Non-cash items	Total
Assets								
Financial assets								
Cash and short-term funds	45	–	45	–	–	–	–	45
Placement with financial institutions and other liquid assets	397	116	513	4	–	–	–	517
Positive fair value of derivatives	5	2	7	8	1	46	–	62
Receivables	141	4	145	82	–	–		227
Advances	4	6	10	76	–	–	–	86
Underwritten investments	393	67	460	–	–	–	–	460
Co-investments								
Corporate investment	24	49	73	466	–	–	–	539
Credit management Investment	10	29	39	155	65	–	–	259
Alternative investment solutions	90	78	168	68	–	–	–	236
Real estate investment	–	–	–	79	–	–	–	79
Total financial assets	1,109	351	1,460	938	66	46	–	2,510
Non-financial assets								
Prepayments	–	–	–	–	–	–	50	50
Premises, equipment and other assets	–	–	–	–	–	–	38	38
Intangibles	–	–	–	–	–	–	58	58
Total assets	1,109	351	1,460	938	66	46	146	2,656
Liabilities								
Financial liabilities								
Call accounts	30	–	30	219	–	–	–	249
Term and institutional accounts	45	49	94	91	–	–	–	185
Payables and accrued expenses	123	15	138	16	–	–	–	154
Negative fair value of derivatives	15	6	21	10	–	13	–	44
Medium-term debt	3	250	253	129	–	–	–	382
Long-term debt	–	–	–	–	–	410	–	410
Total financial liabilities	216	320	536	465	–	423	–	1,424
Non-financial liability								
Deferred fees	–	–	–	–	–	–	87	87
Total liabilities	216	320	536	465	–	423	87	1,511
Net gap	893	31	924	473	66	(377)	59	1,145
Cumulative liquidity gap	893	924	924	1,397	1,463	1,086	1,145	

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 Statement of Financial Position 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 to calculate future floating rate cash flows for the relevant periods.

	June 30, 2018					
$millions	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	9	2	148	–	–	159
Term and institutional accounts	97	79	135	–	–	311
Payables and accrued expenses	159	15	19	–	–	193
Medium-term debt	50	132	–	–	–	182
Long-term debt	2	14	66	122	426	630
	317	242	368	122	426	1,475
Derivatives:						
Contracts settled on a gross basis:						
Contractual amounts payable	932	244	40	–	–	1,216
Contractual amounts receivable	(917)	(248)	(43)	–	–	(1,208)
Contracts settled on a net basis:						
Contractual amounts payable (receivable)	(1)	(8)	(30)	(31)	(11)	(81)
Commitments	7	46	59	48	15	175
Guarantees	–	–	–	10	–	10
Total undiscounted financial liabilities	338	276	394	149	430	1,587

	June 30, 2017					
$millions	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	34	6	225	–	–	265
Term and institutional accounts	47	52	94	–	–	193
Payables and accrued expenses	123	15	17	–	–	155
Medium-term debt	14	267	137	–	–	418
Long-term debt	8	8	62	78	437	593
	226	348	535	78	437	1,624
Derivatives:						
Contracts settled on a gross basis:						
Contractual amounts payable	1,536	125	301	–	–	1,962
Contractual amounts receivable	(1,531)	(123)	(313)	–	–	(1,967)
Contracts settled on a net basis:						
Contractual amounts payable (receivable)	2	(9)	(32)	(32)	(16)	(87)
Commitments	15	35	29	11	–	90
Guarantees	–	–	–	10	–	10
Total undiscounted financial liabilities	248	376	520	67	421	1,632

(iv) 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 regularly monitored.

The distribution of assets and off-balance sheet items by geographical region and industry sector is as follows:

	June 30, 2018			June 30, 2017		
$millions	**Assets exposed to credit risk**	**Off-balance sheet items exposed to credit risk**	**Total credit risk exposure**	Assets exposed to credit risk	Off-balance sheet items exposed to credit risk	Total credit risk exposure
Geographical Region						
North America	**664**	**10**	**674**	792	10	802
Europe	**330**	**–**	**330**	357	–	357
MENA*	**35**	**–**	**35**	70	–	70
Total	**1,029**	**10**	**1,039**	1,219	10	1,229

* Including Turkey.

	June 30, 2018			June 30, 2017		
$millions	**Assets exposed to credit risk**	**Off-balance sheet exposed to credit risk**	**Total credit risk exposure**	Assets exposed to credit risk	Off-balance sheet exposed to credit risk	Total credit risk exposure
Industry Sector						
Banking and Finance	**776**	**–**	**776**	931	–	931
Consumer products	**32**	**–**	**32**	25	–	25
Consumer services	**67**	**–**	**67**	98	–	98
Industrial /business services	**33**	**10**	**43**	13	10	23
Industrial products	**42**	**–**	**42**	45	–	45
Real estate	**32**	**–**	**32**	59	–	59
Technology and Telecom	**36**	**–**	**36**	43	–	43
Others	**11**	**–**	**11**	5	–	5
Total	**1,029**	**10**	**1,039**	1,219	10	1,229

(v) 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 alternative investment solutions, 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 and external models to analyze the market price risks that may arise from adverse market movements.

Market price risk has been further detailed below under (a) foreign currency risk, (b) interest rate risk and (c) equity price risk.

(v) (a) Foreign currency risk

The Group's overall policy is generally to hedge all non-US dollar denominated assets, liabilities and commitments, and a proportion of its assets denominated in US-pegged currencies, into US dollars utilizing currency risk management products. In the normal course of its business the Group utilizes forward foreign exchange contracts and other 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 Group's significant net hedged and unhedged foreign currency positions are set out below.

$millions	June 30, 2018		June 30, 2017	
Long (Short)	Net hedged exposure	Net unhedged exposure	Net hedged exposure	Net unhedged exposure
Bahraini Dinar*	–	29	0	54
Saudi Riyal*	0	(0)	0	(0)
Euro	210	(0)	242	(0)
Pounds Sterling	74	0	(7)	0
Swiss Francs	(132)	0	(138)	0
Japanese Yen	(335)	0	(331)	(0)
	(183)	29	(234)	54

* Currency exchange rate currently pegged against the US Dollar.

Incidental unhedged positions are subjected to market risk calculation based on their VaR. VaR estimates the potential loss due to market movement of foreign exchange rates or volatility of those rates. Potential market movements of foreign exchange rates are derived from a study of their historical volatility. The risk methodology is based on the assumption that changes in foreign exchange rates follow a normal probability distribution over time. The characteristics of normal distribution are then used to assess portfolio risk. However, the Group's risk management team conducts back testing by comparing the daily VaR with the daily profit and loss to ensure the robustness of the VaR model.

The following table summarizes the 99% confidence level over a one-day holding period VaR for the Group's foreign currency exposures.

$000s	2018	2017
Average FX VaR	44	7
Year end FX VaR	4	9
Maximum FX VaR	533	31
Minimum FX VaR	1	1

The foreign exchange loss recognized in the statement of profit or loss as a result of incidental unhedged positions and costs of hedging against foreign exchange risk amounts to $0.9 million (2017: $1.9 million).

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(v) (b) Interest rate risk

The Group closely monitors interest rate movements, and seeks to limit its exposure to such movements by managing the interest rate repricing structure of its assets and liabilities. The Group actively manages its interest rate repricing gap exposure, with a bias towards floating rates and with exposure limits that are approved by the Board of Directors. The Group does not take interest rate trading positions and all of its interest rate risk is typically in the banking book where hedge accounting applies. The Group also utilizes interest rate related derivative financial instruments to manage its exposure to fluctuations in interest rates for specific transactions or groups of transactions.

A majority of the Group's interest earning assets and interest bearing liabilities carry floating rates of interest or if they carry fixed rates they have been hedged to floating rates of interest, except for the following:

- Investments amounting to nil (June 30, 2017: $20.8 million), which earn interest at an effective rate approximating nil (June 30, 2017: 13.0%) per annum.
- Credit management Investments amounting to $272.3 million (June 30, 2017: $258.7 million), which earn interest at an effective rate ranging between 5.0% to 15.7% (June 30, 2017: 6% to 15%) per annum.
- Term and institutional accounts amounting to $48.8 million (June 30, 2017: $18.4 million) on which interest is paid at an effective rate of 3.1% (June 30, 2017: 2.1%) per annum.

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 year end.

$millions	Sensitivity to profit/(loss) for +200 basis points	Sensitivity to profit/(loss) for –200 basis points
Currency	June 30, 2018	
Euro	(7)	2
Pounds Sterling	(1)	0
Japanese Yen	0	(0)
US Dollar	(3)	3
Others	(0)	1
Total	**(11)**	**6**

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%.

$millions	Sensitivity to profit/(loss) for +200 basis points	Sensitivity to profit/(loss) for -200 basis points
Currency	June 30, 2017	
Euro	(8)	2
Pounds Sterling	1	(0)
Japanese Yen	1	(0)
US Dollar	(3)	4
Others	(2)	1
Total	(11)	7

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%.

Potentially significant variances in interest rate sensitivity may exist at dates other than the year end.

(v) (c) Equity price risk

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

Co-investments in corporate investment and real estate investment

The Group manages the equity price risk of its co-investments in corporate investment and real estate investment on a portfolio basis as well as at the individual investment level.

The table below summarizes the sensitivity of the Group's co-investments in CI, RE and CM to changes in multiples/ capitalization rates/discount rates/quoted bid prices.

June 30, 2018

$millions	Factor	Change	Balance sheet exposure	Projected Balance Sheet Exposure		Impact on Income	
				For increase	For decrease	For increase	For decrease
CI co-investments	**EBITDA Multiples**	**+/- 0.5x**	**592**	**640**	**558**	**48**	**(34)**
	Revenue Multiples	**+/- 0.5x**	**11**	**12**	**10**	**1**	**(1)**
	Quoted bid price	**+/- 1%**	**6**	**6**	**6**	**0**	**(0)**
				For decrease	For increase	For decrease	For increase
RE co-investments	**Capitalization Rate**	**–/+ 1%**	**74**	**83**	**68**	**9**	**(6)**

June 30, 2017

$millions	Factor	Change	Balance sheet exposure	Projected Balance Sheet Exposure		Impact on Income	
				For increase	For decrease	For increase	For decrease
CI co-investments	EBITDA Multiples	+/- 0.5x	480	527	436	47	(44)
	Revenue Multiples	+/- 0.5x	6	7	6	1	(1)
	Quoted bid price	+/- 1%	7	7	7	0	(0)
				For decrease	For increase	For decrease	For increase
RE co-investments	Capitalization Rate	–/+ 1%	75	90	64	15	(11)

In the opinion of the Group's management, there is no material sensitivity in the net income of the Group to any reasonably possible changes in the fair value of strategic co-investments.

Co-investments in alternative investment solutions

The Group manages the market price risk in its AIS portfolio through its market risk management framework that uses the 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 Alternative Investment Solutions exposure.

$millions	**2018**	2017
Average VaR	**5**	7
Year end VaR	**3**	5
Maximum VaR	**6**	9
Minimum VaR	**3**	5

(vi) Operational risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems or from external events (such as natural disasters, changes in regulation or outsourcing of operations). Investcorp includes in this definition legal risk but excludes reputational and strategic risks.

While operational risks cannot be entirely eliminated, they are managed and mitigated by ensuring that appropriate infrastructure, controls, systems, procedures and trained and competent people are in place throughout Investcorp. The internal audit department makes regular, independent appraisals of the control environment in all identified risk areas. Contingency arrangements, which are tested from time to time, are also in place to support operations in the event of a range of possible disaster scenarios. In addition, Investcorp carries errors and omissions insurance against legal risks arising from its business activities.

As a part of Basel III compliance, Investcorp applies the Basic Indicator Approach ('BIA') to measure operational risk and also is implementing a Board of Directors approved operational risk management framework. Under the BIA approach, the operational risk charge is calculated by taking Investcorp's average gross income over the preceding two years and current financial year and multiplying it by a fixed alpha coefficient which has been set at 15 per cent in the CBB's Basel III capital adequacy framework. The operational risk management framework consists of the following: 1) "Risk Control and Self-Assessment": Self-assess operational risks by going through key business processes end-to-end, 2) Evaluate the adequacy of existing process controls, 3) Implement control modifications to reduce operational risks and determine residual risks and 4) Monitor and report operational risk events to senior management and the Board.

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, on the basis that market participants act in their economic best interest.

The Group has established guidelines for the valuation of its investments which are reviewed by the Board of Directors and abides by guidelines issued under IFRS on valuation of investments and guidelines recommended by the International Private Equity and Venture Capital Association. The Group performs valuations of its corporate and real estate investments on a quarterly basis. The business support teams work along with deal teams to prepare valuation packages in accordance with the valuation guidelines of the Group. The valuation packages are then presented to the Valuation Committee which is comprised of senior members of the Finance team and investing lines of business. The Valuation Committee has the final responsibility of reviewing and approving the fair value of all investments.

Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value adjustments arise from re-measurement of liabilities which are hedged, investments and derivatives. Nonetheless the actual amount that is realized in a future transaction may differ from the current estimate of fair value, given the inherent uncertainty surrounding valuations of unquoted investments.

The fair values of the Group's financial assets and liabilities are not materially different from their carrying values except for certain assets and liabilities carried at amortized cost. The fair value of CLO co-investments carried at amortized cost amounts to $212.0 million (June 30, 2017: $258.5 million) as compared to the carrying value of $207.0 million (June 30, 2017: $258.7 million). The fair value of CLO co-investments is based on inputs from independent third parties including broker quotes and Markit and falls under Level 3 of the fair value hierarchy disclosure. The fair value of medium and long term debt amounts to $567.9 million (June 30, 2017: $783.9 million) as compared to the carrying value of $629.3 million (June 30, 2017: $805.8 million). The fair value of medium and long term debt is based on inputs from third party banks and falls under Level 3 of the fair value hierarchy described below.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

During the current financial year, there was no transfer from level 3 to level 1 (2017: $1.8 million) under co-investments in corporate investments. The prior year transfer represented the listing on a stock exchange of previously unquoted investments. Additionally, under alternative investment solutions, an exposure of $9.0 million (June 30, 2017: $18.7 million) is comprised of illiquid side pocket investments which are classified as Level 3. The year to date fair value changes on this AIS exposure amounts to a gain of $1.0 million (June 30, 2017: loss of $4.3 million) and the net redemptions amount to $10.7 million (June 30, 2017: $6.8 million).

The fair values of financial assets that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques which are explained in Notes 10, 11, 12 and 25 to the financial statements.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	June 30, 2018			
$millions	Level 1	Level 2	Level 3	Total
Financial assets				
Positive fair value of derivatives	**–**	**55**	**–**	**55**
Co-investments				
Corporate investment	**6**	**–**	**619**	**625**
Credit management investment	**–**	**–**	**65**	**65**
Alternative investment solutions	**–**	**180**	**9**	**189**
Real estate investment	**–**	**–**	**74**	**74**
Underwritten investments*	**–**	**–**	**404**	**404**
Total financial assets	**6**	**235**	**1,171**	**1,412**
Financial liabilities				
Negative fair value of derivatives	**–**	**39**	**–**	**39**
Total financial liabilities	**–**	**39**	**–**	**39**

* Underwritten investments amounting to $460.4m were placed with the clients and transferred to co-investments during the year. No fair value gain/ loss was recognized on underwritten investments during the year.

	June 30, 2017			
$millions	Level 1	Level 2	Level 3	Total
Financial assets				
Positive fair value of derivatives	–	62	–	62
Co-investments				
Corporate investment	7	–	512	519
Alternative investment solutions	–	217	19	236
Real estate investment	–	–	75	75
Underwritten investments*	–	–	460	460
Total financial assets	7	279	1,066	1,352
Financial liabilities				
Negative fair value of derivatives	–	44	–	44
Total financial liabilities	–	44	–	44

* Underwritten investments amounting to $493.5m were placed with the clients and transferred to co-investments during the year. No fair value gain/ loss was recognized on underwritten investments during the year.

A reconciliation of the opening and closing amounts of Level 3 co-investment in corporate investment, real estate investment and credit management investment is given below:

	June 30, 2018					
$millions	At beginning	Net new acquisitions	Fair value movements*	Movements relating to realizations	Other movements**	At end
CI co-investments	512	39	56	(135)	147	619
ICM co-investments	–	48	–	(1)	18	65
RE co-investments	75	25	(2)	(22)	(2)	74
Total	587	112	54	(158)	163	758

* Includes $5.3 million fair value loss on FVOCI investments and unrealized fair value gain of $25.3 million on FVTPL investments.
** Other movements include add-on funding and foreign currency translation adjustments. For ICM Co-investments, it also includes investments amounting to $120.2 million which were transferred from amortized cost to FVOCI investments during the year.

	June 30, 2017					
$millions	At beginning	Net new acquisitions	Fair value movements*	Movements relating to realizations	Other movements**	At end
CI co-investments	565	54	27	(129)	(5)	512
RE co-investments	94	15	(28)	(13)	7	75
Total	659	69	(1)	(142)	2	587

* Includes $26.8 million fair value loss on FVOCI investments and unrealized fair value losses of $21.4 million on FVTPL investments.
** Other movements include add-on funding and foreign currency translation adjustments.

30. EMPLOYEE COMPENSATION

Investcorp has a clear and well-defined “pay for risk-adjusted long-term performance” philosophy that pervades its culture and motivates its employees to target delivery of consistent top-quartile performance. This philosophy is exhibited in Investcorp’s remuneration programs and it is reflected in its annual remuneration decisions.

The remuneration that is paid to Investcorp’s employees is divided into two fundamental components: (i) fixed remuneration, i.e., salary and benefits, and (ii) variable remuneration.

Variable remuneration, comprised of cash and awards under deferred remuneration programs, is remuneration that varies from year to year and the amount of which is dependent upon (i) the financial performance of Investcorp as a whole, (ii) the risk-adjusted performance of each employee’s respective line of business and (iii) the performance of the individual employee.

Investcorp extensively utilizes deferred remuneration programs as part of employees’ remuneration. These programs are comprised of investment carried interest and co-investment programs and share-linked programs as described briefly below.

Programs for Investment Profit Participation

The Group’s investment professionals in its corporate investment, real estate investment and placement and relationship management lines of business participate in investment carried interest programs, whereby a certain variable portion of exit proceeds due to investors from realization of their investments is shared with these professionals, provided certain pre-established minimum client return hurdles are satisfied. Netting mechanisms are used so that returns from investments that perform well are netted against other investments in which losses are sustained. Since this carry is awarded up front at the time of acquisition it has no significant value at the time of the award.

Programs for Investment Participation

Investment professionals and relationship managers also participate in a co-investment program pursuant to which they acquire an interest in the Investcorp Group’s investments that they manage at the Investcorp Group’s Consolidated

Statement of Financial Position carrying value, thereby resulting in no gain or loss to Investcorp except for any potential impairment losses on the financing provided.

Under certain legacy co-investment programs, the Group provided financing at market rates to or on behalf of eligible employees, to invest in these programs on a levered basis. The permissible levels of leverage varied on a product to product and program to program basis. The aggregate remaining amount of such financing provided to or on behalf of employees as of June 30, 2018 is $17.0 million (June 30, 2017: $17.0 million).

A portion of the deferred remuneration awarded to eligible employees is also in the form of co-investment exposures. These awards have different vesting conditions and are not transferable. An expense charge of $11.1 million (2017: $11.4 million) was taken by the Group based on management's best estimate of the likely vesting of the awards.

Employee Share-Linked Plans

SHL sponsors various employee share-linked plans under which a portion of the deferred remuneration awarded to eligible employees is in the form of SIPCO shares or phantom SIPCO shares or performance-linked SIPCO share based awards that represent a beneficial interest in the ordinary shares of the Bank. These SIPCO awards have different vesting periods and are not transferable.

SIPCO shares or phantom SIPCO shares or performance-linked SIPCO share based awards are granted to the employees at their fair value on the grant date. The fair value of SIPCO shares for purposes of the plans is estimated considering their non-transferability and the indirect nature of the underlying beneficial ownership. The value of SIPCO shares granted during the year is $22.9 million (2017: $19.0 million). The start and end date of the vesting period for each grant varies from plan to plan and is based on continued employment (unless employment is terminated due to death, disability or retirement) as well as satisfaction of certain performance conditions. The determination of the amount of expense to be recognized as compensation expense in any year is estimated based on a model that takes into account the probability weighted vesting of the shares at the fair value on the grant date using the historical pattern of employee tenure. These estimates are updated regularly based on actual information.

An expense charge of $12.5 million (2017: $13.3 million) was taken by the Group based on management's best estimate of the number of shares that are likely to vest. The grant date value of shares vested during the year amounted to $16.0 million (2017: $13.9 million). The details of shares granted, vested and forfeited during the year are as follows:

Number of shares	2018	2017
Granted during the year	**2,171,182**	1,970,781
Vested during the year	**1,806,674**	1,962,632
Forfeited during the year	**272,746**	33,309

31. RELATED PARTY TRANSACTIONS

For the Group, related parties include its investee companies, companies that hold clients' investments (investment holding companies), client fund companies associated with AIS, and SIPCO Limited.

It also includes major shareholders, directors and senior management of the Bank, their immediate families and entities controlled, jointly controlled or significantly influenced by such parties. Income is earned or expense is incurred in the Group's transactions with such related parties in the ordinary course of business. The Group's management approves the terms and conditions of all related party transactions.

Although these companies are classified as related parties, the Group administers and manages the companies that hold clients' investments on a fiduciary basis on behalf of its clients who are third parties and are the beneficiaries of a majority of the economic interest from the underlying investments of these companies. As a result, the true nature of the Group's transactions with these companies is effectively at commercial terms as specified under pre-determined management agreements.

INVESTCORP BANK B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018

In addition to the compensation and benefits to employees disclosed in Note 30, the income earned and expenses incurred in connection with related party transactions included in these consolidated financial statements are as follows:

$millions		June 30, 2018	June 30, 2017
AUM fees	Investee and investment holding companies	**128**	86
Deal fees	Investee and investment holding companies	**100**	117
Asset based income	Investee companies	**33**	33
Provisions for impairment	Employee investment programs	**(0)**	(1)
Interest expense	Investment holding companies	**(3)**	(1)
Operating expenses	Directors' remuneration	**(2)**	(2)
Operating expenses	Professional fees	**(1)**	(2)

Of the staff compensation for the year set out in Note 30 and assets noted above, $71.8 million (2017: $70.1 million) is attributable to senior management. Of the above mentioned remuneration of senior management, $49.7 million (2017: $48.4 million) is in the form of salaries and other short term benefits.

In addition to the compensation and benefits to employees disclosed in Note 30, the balances with related parties included in these consolidated financial statements are as follows:

	June 30, 2018			June 30, 2017		
$millions	Assets	Liabilities	Off-balance sheet	Assets	Liabilities	Off-balance sheet
Outstanding balances						
Co-investments	**1,156**	**–**	**–**	1,106	–	–
Underwritten and warehoused investments	**446**	**–**	**–**	460	–	–
Strategic shareholders	**8**	**12**	**–**	1	6	–
Investee companies	**51**	**–**	**10**	50	1	10
Investment holding companies	**107**	**138**	**29**	112	167	41
Institutional accounts on call	**–**	**251**	**–**	–	167	–
Fund companies associated with the AIS	**34**	**–**	**–**	9	–	12
Directors and senior management	**–**	**10**	**–**	–	24	–
	1,802	**411**	**39**	1,738	365	63

32. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRS"), in conformity with the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB rule book (Volume 1 and applicable provisions of Volume 6 and CBB directives), the CBB Capital Markets regulations and the rules and procedures of the Bahrain Bourse.

The consolidated financial statements are prepared and presented in United States dollars, this being the functional currency of the Group, and rounded to the nearest millions ($millions) unless otherwise stated. Certain prior year balances have been reclassified to conform to the current year presentation.

The significant accounting policies adopted in the preparation of these consolidated financial statements are the same as those followed in the preparation of the audited consolidated financial statements for the year ended June 30, 2017, except for the following:

Adoption of the amendments to standards which became effective for accounting periods beginning on or after January 1, 2017:

- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses.
- Amendments to IAS 7 Statement of Cash Flows: Disclosure initiative.

Annual Improvements 2014-2016 cycle (Effective for periods beginning on or after January 1, 2017)

- Amendments to IFRS 12 – Disclosure of Interests in Other Entities.

(i) Accounting convention

The consolidated financial statements are prepared under the historical cost convention except for the re-measurement at fair value of financial instruments under IFRS 9 and revaluation of premises and equipment.

(ii) Going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that the Group has sufficient resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

(iii) Basis of consolidation

The consolidated financial statements are comprised of the financial statements of the Bank and its subsidiaries. A subsidiary is an entity which is controlled by the Group. Control is achieved when the Group is exposed to, or has rights to, variable returns through its involvement with the entity and has the ability to affect these returns through its power over the entity. The Group consolidates its subsidiaries excluding entities which meet the below criteria:

(a) Where there are contractual or other restrictions imposed on the Group's ability to appoint the majority of the Board of Directors, or

(b) Where a majority of the economic risk and reward accrues to third parties other than the Group, or

(c) Where the exception to consolidate subsidiaries of an Investment entity is applied, as defined in IFRS 10.

The Group qualifies as an investment entity as defined under IFRS 10, and as such, measures its investments in accordance with the requirements set out in the standard.

The results of all subsidiaries are included in the consolidated statement of profit or loss from the effective date of formation or acquisition. The financial statements of the Bank's subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies. All inter-company balances, income and expenses have been eliminated on consolidation.

(iv) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

(v) Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at the date of the financial statements. The use of estimates is principally limited to:

(a) The determination of the fair values of FVTPL co-investments in corporate investments and real estate investments (see Notes 10 and 13), the determination of performance fees on assets under management, impairment provisions for financial assets other than FVTPL investments and FVOCI equity investments (see Note 14) and allocation of placement fee to the performance obligations as described later.

(b) The determination of cash flows which is the basis for performing the assessment of solely payments of principal and interest test on CLO co-investments which are being carried as debt instruments at amortized cost (see Note 11).

In the process of applying the Group's accounting policies, management has made judgments covered in the following section, apart from those involving estimates, which have the most significant effect on the amounts recognized in the consolidated financial statements.

(vi) Trade date accounting

Purchases and sales of financial assets that require delivery of the assets within a timeframe generally established by regulation or convention in the market place are recognized using the "trade date" accounting basis (i.e. the date that the entity commits to purchase or sell the asset).

(vii) Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts and the Group intends to settle on a net basis.

(viii) Foreign currencies

A foreign currency transaction is recorded in the functional currency at the rate of exchange prevailing at the value date of the transaction. Monetary assets and liabilities in foreign currencies that are held at the Statement of Financial Position date are retranslated at market rates of exchange prevailing at that date. Gains and losses arising on retranslation are recognized in the consolidated statement of profit or loss under treasury and other asset based income.

Non-monetary assets that are measured in terms of historical cost in foreign currencies are recorded at rates of exchange prevailing at the value dates of the transactions. Non-monetary assets in foreign currencies that are stated at fair value are retranslated at exchange rates prevailing on the dates the fair values were determined. Gains and losses on fair valuation of FVTPL investments are taken to the consolidated statement of profit or loss.

Foreign currency differences arising from the translation of investments in respect of which an election has been made to present subsequent changes in FVOCI are recognized in the consolidated statement of other comprehensive income.

(ix) Income

Interest income is recognized using the effective yield of the asset and is recorded as asset based income. Asset based income from all FVTPL investments is recognized on the basis of realized and unrealized changes in fair value as at the end of the reporting period.

Fee income is recognized when services are rendered. Performance fees are recognized when earned. Performance fees are calculated based on the underlying agreements and assuming all investments will be sold at their fair values at the reporting date. The actual amount of performance fees received will depend on cash realizations of these investments and the valuations may change in the next financial year.

Realized capital gains or losses on FVOCI equity investments are taken to retained earnings at the time of derecognition of the investment.

Revenue from contracts with customers

Placement fees are charged when an underwritten investment is placed with investors. Following the early adoption of IFRS 15, the Group has identified the performance obligations arising from its contracts with investors with whom the investments are placed. The portion of the fee relating to such performance obligations is deferred and recognized over the investment period.

Investcorp has reviewed and analyzed the terms of the contracts that it has entered into with its investors arising from the placement of its investments. Based on this review, the Group has determined the following two types of performance obligations that Investcorp is expected to satisfy:

i. services provided by Investcorp during the period from purchase to the placement of the investment with investors, including deal identification, funding, underwriting, maintaining a placement infrastructure, preparing the marketing materials for each deal etc; and

ii. services provided over the period of the investment as agreed with the investor at the time of placement.

Investcorp has allocated the placement fee to each of the above performance obligations. The Group completes all of its performance obligations described in (i) above before placing an investment with its investors. Accordingly, the fee relating to this performance obligation is recognized upfront upon placement of the investment with investors. This portion of the placement fee is included as part of deal fees

A portion of the placement fee represents the amount received upfront for the performance obligation described in (ii) above. Accordingly, this component of the placement fee is deferred and recognized over time, as AUM fees, over the period of managing the investment.

(x) Expenses

Interest on borrowings represents funding cost and is calculated using the effective interest rate method, adjusted for gains or losses on related cash flow hedges.

(xi) Taxation of foreign operations

There is no tax on corporate income in the Kingdom of Bahrain. Taxation on income from foreign subsidiaries is provided for in accordance with the fiscal regulations of the countries in which the respective Group entities operate.

Deferred taxation is provided for using the liability method on all temporary differences calculated at the rate at which it is expected to be payable. Deferred tax assets are only recognized if recovery is probable.

(xii) Cash and cash equivalents

Cash and cash equivalents comprise cash and short term funds, cash in transit, other liquid funds and placements with financial institutions that are readily convertible into cash and are subject to insignificant risk of changes in value with an original maturity of three months or less.

(xiii) Receivables

Subscription receivables are recognized when the obligation is established, i.e., when a binding subscription agreement is signed. These are carried at cost less provision for impairment.

(xiv) Advances

Advances are stated at amortized cost, net of any impairment provisions.

(xv) Classification of financial assets

(a) Investments

The group classifies the financial assets into various categories as set out in Note 4(i).

On initial investment, a debt investment is measured at amortized cost if the financial asset is held to collect contractual cash flows over the life of the asset and if those cash flows comprise solely of principal repayments and interest on the principal amount outstanding.

The Group also classifies strategic investments, certain real estate legacy investment portfolios, certain credit management investments and AIS investments as FVOCI investments.

All other investments including those over which the Group has significant influence are classified as FVTPL.

(b) Other liquid assets

Other liquid assets, which form part of "placements with financial institutions and other liquid assets", are recorded at amortized cost less any impairment in value other than those assets which contain embedded derivatives requiring either separation of the embedded derivative or classification of the entire instrument as FVTPL assets. The management has designated such assets as FVTPL assets.

(xvi) Co-investments in corporate investment and real estate investment

The Group's co-investments in corporate investment and real estate investment are primarily classified as FVTPL investments. These investments are initially recorded at acquisition cost (being the initial fair value) and are re-measured to fair value at each reporting date, with resulting unrealized gains or losses being recorded as fair value changes in the consolidated statement of profit or loss. Consequently, there are no impairment provisions for such investments.

The Group's strategic and certain other equity investments are classified as FVOCI investments and are initially recorded at fair value. These investments are then re-measured to fair value at each reporting date and any resulting change in value of these investments is taken to the consolidated statement of other comprehensive income and recorded as a separate component of equity until they are derecognized at which time the cumulative gain or loss previously reported in equity is transferred to retained earnings.

Certain debt investments made in connection with the Group's co-investments in corporate investment and real estate investment are carried at amortized cost, less provision for impairment, if any.

(xvii) Co-investments in credit management investment

The Group's co-investments in credit management in US and any new exposure acquired during the year are classified as FVOCI debt investments. All other credit management co-investment exposures are carried at amortised cost less any impairment provision. Interest income on amortized cost instruments is recognized using the effective interest rate ("EIR").

FVOCI debt investments are initially recorded at fair value. Any subsequent fair value changes on such investments will be recognized directly in equity and any impairment in the carrying value will be recognized in the consolidated statement of profit or loss. At the time of derecognition, any cumulative gain or loss previously reported in equity is transferred to retained earnings through profit or loss.

(xviii) Co-investments in alternative investment solutions

The Group's co-investments in alternative investment solutions are classified as FVTPL and FVOCI investments and are stated at fair value at the reporting date. The fair value changes in FVTPL investments are recorded in the consolidated statement of profit or loss.

The fair value changes in the FVOCI investments are taken to the consolidated statement of other comprehensive income and recorded as a separate component of equity until they are derecognized at which time the cumulative gain or loss previously reported is transferred to retained earnings.

(xix) Impairment and un-collectability of financial assets

The Group recognizes loss allowances in the consolidated statement of profit or loss for expected credit losses (ECL) on financial assets excluding investments classified as FVTPL and equity investments classified as FVOCI.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

1. debt investment securities that are determined to have low credit risk at the reporting date; and
2. other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

(xx) De-recognition of financial instruments

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, any cumulative gain/ loss recognized in the consolidated statement of other comprehensive income in respect of equity investments designated at FVOCI is transferred directly to retained earnings.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

(xxi) Derivative financial instruments

Derivatives are stated at fair value determined by using prevailing market rates or internal pricing models.

Derivatives that qualify for hedge accounting are classified into fair value hedges or cash flow hedges. Hedge accounting is discontinued when the hedging instrument expires, or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Accounting treatments for both types of hedges and in the case of discontinuance of hedges are disclosed in Note 25.

For derivatives that do not qualify for hedge accounting, any gain or loss arising from changes in their fair value is taken to the consolidated statement of profit or loss.

(xxii) Premises and equipment

Premises and equipment substantially comprise land, buildings and related leasehold improvements used by the Group as office premises.

The Bank carries its building on freehold land and certain operating assets at revalued amounts, being the fair value of the assets at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying value. Any revaluation surplus is credited to the asset revaluation reserve included in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit and loss, in which case the increase is recognized in profit or loss. A revaluation deficit is recognized directly in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve. A transfer from the asset revaluation reserve to retained earnings is made for any difference between the depreciation based on the revalued carrying amount of the asset and depreciation based on the original cost of the asset.

All other items are recorded at cost less accumulated depreciation.

Premises and equipment are depreciated on a straight line basis over their estimated useful lives which are as follows:

Buildings on freehold land	25 years
Leasehold and building improvements	10 - 15 years
Operating assets	3 - 23 years

The above useful lives of the assets and methods of depreciation are reviewed and adjusted, if appropriate, at least at each financial year end.

(xxiii) Intangible assets

Intangible assets comprise management contracts and goodwill recognized on the acquisition of the credit management business. Management contracts have a useful life of 5 years from the date of the acquisition and are amortized accordingly.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The Group tests goodwill for impairment annually. For other intangible assets, the Group reviews the carrying amounts to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss and if any, impairment loss is charged to the consolidated statement of profit or loss for the period.

(xxiv) Payables, accruals and provisions

Provision for employee benefit costs is made in accordance with contractual and statutory obligations and the terms of benefit plans approved by the Board of Directors (see Note 30).

Provisions are made when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(xxv) Unfunded deal acquisitions

Unfunded deal acquisitions represent amounts contractually payable by the Group in respect of investment acquisitions the agreements for which are signed, but have not been funded, as of the reporting date.

(xxvi) Borrowings

Borrowings, represented by medium-term revolvers, medium-term debt and long-term debt, are initially recognized at the fair value of consideration received and subsequently adjusted for the impact of effective fair value hedges.

Transaction costs relating to borrowings are initially capitalized and deducted from the borrowings and subsequently recognized as interest expense over the expected life of these borrowings.

(xxvii) Treasury shares

Treasury shares are stated at acquisition cost and are shown as a deduction to equity. Any surplus arising from the subsequent sale of treasury shares at a price greater than cost is treated as non-distributable and included in a share premium reserve under equity. Any deficit arising from the subsequent sale of treasury shares at a price lower than cost is charged first against any previously established reserve from past transactions in treasury shares, and where such reserve is insufficient, then any difference is charged to retained earnings.

(xxviii) Share awards

Share awards to employees are accounted and expense recognized over the vesting period. The determination of the amount to be recognized is estimated based on a model that takes into account the probability weighted vesting of the shares at the fair value on the grant date using the historical pattern of employee tenure. These estimates are updated regularly based on actual information.

(xxix) Dividends

Proposed dividends are disclosed as appropriations within equity until the time they are approved by the shareholders. On approval by shareholders, these are transferred to liabilities.

MANAGING DIRECTORS, SENIOR AND PROFESSIONAL STAFF

MANAGING DIRECTORS, SENIOR AND PROFESSIONAL STAFF

MANAGING DIRECTORS

Ramzi AbdelJaber
Chief Administrative Officer
Joined Investcorp: 2004
Prior experience: The Middle East North Africa Financial Network (4), McKinsey & Co. (2), Integrated Business Solutions (1), Andersen Consulting (1)

Mohammed Alardhi
Executive Chairman
Joined Investcorp: 2015
Prior experience: Investcorp Board Member (7), National Bank of Oman S.A.O.G. Board Member (4), National Bank of Oman Chairman S.A.O.G. (2), Rimal Investment Holding Company L.L.C. (10)

Tarek Al Mahjoub
Placement and Relationship Management
Joined Investcorp: 2008
Prior experience: Standard Chartered Bank (5), Al Ahli Bank of Kuwait (1), National Bank of Fujairah (1.5), Mashreqbank (5)

Mohammed E. Al-Shroogi
Co-Chief Executive Officer
Joined Investcorp: 2009
Prior experience: Citigroup (33)

Yasser Bajsair
Placement and Relationship Management
Joined Investcorp: 2010
Prior experience: Global Investment House (1), Al Kabeer Merchant Finance Corporation (1), Arab National Bank (3)

Hazem Ben-Gacem
Corporate Investment – Europe
Joined Investcorp: 1994
Prior experience: Credit Suisse First Boston (2)

Tristan de Boysson
Corporate Investment – MENA
Joined Investcorp: 1998
Prior experience: McKinsey & Co. (7), Rhone-Poulenc (6)

Maud Brown
Corporate Investment – North America
Joined Investcorp: 2001
Prior experience: Merrill Lynch (1.8), Salomon Smith Barney (2)

Jennifer Cahill
Alternative Investment Solutions
Joined Investcorp: 2015
Prior experience: Atlantic Investment Management (2), Protégé (8), Goldman Sachs (3)

Numbers in brackets indicate years of experience.
List reflects staff employed at June 30, 2018.

Andrea Davis
Corporate Investment – Europe
Joined Investcorp: 2014
Previous experience: TDX Group (2), Fellowes Inc. (9), Willet (6)

F. Jonathan Dracos
Real Estate Investment
Joined Investcorp: 1995
Prior experience: George Soros Realty Fund (1), Jones Lang Wootton Realty Advisors (5), Chemical Bank (3)

Ebrahim H. Ebrahim
Corporate Accounting and Internal Controls
Joined Investcorp: 1985
Prior experience: Banque Paribas (3)

Firas El-Amine
Corporate Communications
Joined Investcorp: 2007
Prior experience: Dubai Holding (3), Alsalam Holding (2), Impact & Echo (2)

Dominic Elias
Human Resources and Compensation Administration
Joined Investcorp: 2010
Prior experience: The Blackstone Group (0.5), Towers Perrin (1.5), Morgan Stanley (11)

Lionel Erdely
Alternative Investment Solutions
Joined Investcorp: 2013
Prior experience: Lyxor Inc. (11)

Jonathan Feeney
Alternative Investment Solutions
Joined Investcorp: 2003
Prior experience: Cazenove Fund Management (3), Mummert & Partner (2), The Kuwait Investment Office (3)

John Franklin
Alternative Investment Solutions
Joined Investcorp: 1997
Prior experience: Citicorp (4)

John Fraser
Investcorp Credit Management
Joined Investcorp: 2017
Prior experience: 3i (4), Fraser Sullivan Investment Management (7), Angelo, Gordon & Co. (8), Merrill Lynch Asset Management (6), Continental Bank (3), Chase Manhattan Bank (5)

Jeremy Ghose
Investcorp Credit Management
Joined Investcorp: 2017
Prior experience: 3i (6), Mizuho (23)

Peter Goody
Investcorp Credit Management
Joined Investcorp: 2017
Prior experience: 3i (6), Mizuho (2.5), Royal Bank of Scotland (22)

MANAGING DIRECTORS, SENIOR AND PROFESSIONAL STAFF

MANAGING DIRECTORS (continued)

Neil Hasson
Real Estate Investment
Joined Investcorp: 2016
Prior Experience: Macquarie (2), Citi (7), Donaldson, Lufkin & Jenrette (4)

Mark Horncastle
Legal and Compliance
Joined Investcorp: 2017
Prior experience: General Electric/ GE Capital (17), Nomura International (1), Freshfields (8)

Grahame Ivey
Finance Business Support and Investment Administration
Joined Investcorp: 1988
Prior experience: Touche Ross (7), John Laing Developments (2)

Gilbert Kamieniecky
Corporate Investment – Europe
Joined Investcorp: 2005
Previous experience: Morgan Stanley (2)

Rishi Kapoor
Co-Chief Executive Officer
Joined Investcorp: 1992
Prior experience: Citicorp (4)

Brian Kelley
Real Estate Investment
Joined Investcorp: 2001
Previous experience: JP Morgan (4)

Kevin Keough
Private Equity – North America
Joined Investcorp: 2017
Prior experience: Arcapita (11), FirstEnergy Corp (7), McKinsey & Co. (10), US Army (5)

Rabih Khouri
Corporate Investment – MENA
Joined Investcorp: 2007
Prior experience: Nord Est Industrial Fund (2), McKinsey & Company (5), Arthur Andersen (3)

Richard Kramer
Risk Management
Joined Investcorp: 2011
Prior experience: Credit Suisse (14), Robert Fleming (2)

Daniel Lopez-Cruz
Corporate Investment – Europe
Joined Investcorp: 2005
Prior experience: Morgan Stanley (7), UBS (3), The Prudential Insurance Company of America (3), Arthur Andersen (1)

Walid Majdalani
Corporate Investment – MENA
Joined Investcorp: 2007
Prior experience: ABN AMRO Bank (10), Oracle Corporation (5)

Timothy A. Mattar
Placement and Relationship Management
Joined Investcorp: 1995
Prior experience: Banque Indosuez (5), Arthur Andersen (2), Grant Thornton (5)

Steve Miller
Corporate Investment – North America
Joined Investcorp: 2007
Prior experience: Credit Suisse (2)

Fahad H. Murad
Placement and Relationship Management
Joined Investcorp: 1996
Prior experience: Chase Manhattan Private Bank (2), Chase Manhattan Bank (10)

H. Herbert Myers
Real Estate Investment
Joined Investcorp: 2000
Prior experience: JPMorgan Asset Management (4), Peter R Freidman (4)

Kevin Nickelberry
Corporate Investment – North America
Joined Investcorp: 2003
Prior experience: JPMorgan (4.5), Goldman Sachs (3)

Michael O'Brien
Real Estate Investment
Joined Investcorp: 2007
Prior experience: ING Clarion Partners (12), Reichmann International/Quantum Realty Fund (1), Equitable Real Estate (2)

Anand Radhakrishnan
Corporate Investment – North America
Joined Investcorp: 2002
The Carlyle Group (2), Robertson Stephens (2),

Mufeed Rajab
Administration
Joined Investcorp: 2003
Prior experience: JPMorgan Chase Bank (24)

Heinrich Riehl
Investcorp Credit Management
Joined Investcorp: 2018
Prior experience: TCW (7), Societe Generale (5), REFCO Securities (1), Exane (3), JP Morgan (1), CA Cheuvreux (6), Commerzbank (3)

Anthony L. Robinson
Chief Financial Officer
Joined Investcorp: 2015
Prior Experience: Mumtalakat (4), RAC Insurance (2), Investcorp (14)

Harsh Shethia
Placement and Relationship Management
Joined Investcorp: 2002
Prior experience: Goldman Sachs (2), Deloitte Consulting (4), Tata Consulting Services (2)

Numbers in brackets indicate years of experience.
List reflects staff employed at June 30, 2018.

MANAGING DIRECTORS, SENIOR AND PROFESSIONAL STAFF

MANAGING DIRECTORS (continued)

David Tayeh
Corporate Investment – North America
Joined Investcorp: 2015
Previous experience: CVC Capital Partners (4),
Investcorp International Inc. (11),
Donaldson Lufkin & Jenrette. (4)

Savio Tung
Senior Management Adviser
Joined Investcorp: 1984
Prior experience: Chase Manhattan Bank (9)

Nick Vamvakas
Alternative Investment Solutions
Joined Investcorp: 2010
Prior experience: Société Générale (6),
Lyxor Asset Management (5),
BAREP Asset Management (6),
Société Générale Alternative Investment (5),
Rodman & Renshaw (2)

Daniele Vecchi
Financial Management
Joined Investcorp: 2016
Previous experience:
Transmed S.A.L. (1), Majid Al Futtaim Group (7),
Panalpina World Transport (5), Nestle (9)

Philip Yeates
Investcorp Credit Management
Joined Investcorp: 2018
Prior experience: N M Rothschild & Sons (24), NatWest Markets (4), Hill Samuel Merchant Bank (3), National Westminster Bank (6)

Yusef Al Yusef
Placement and Relationship Management
Joined Investcorp: 2005
Prior experience: Arcapita Bank (4),
Ahli United Bank (0.5),
National Bank of Bahrain (4), Unilever (2)

Numbers in brackets indicate years of experience.
List reflects staff employed at June 30, 2018.

SENIOR AND PROFESSIONAL STAFF

Mohamed Aamer
Placement & Relationship Management

Ghassan Abdulaal
Placement & Relationship Management

Habib Abdur-Rahman
Administration & Corporate Development

Edmond AbiSaleh
Corporate Investment – MENA

Omar Abu Khadra
Placement & Relationship Management

Shrooq Abualif
Placement & Relationship Management

Nabil AbuAyshe
Data Center

Mike Adler
Investcorp Credit Management

Ankit Agrawal
Alternative Investment Solutions (AIS)

Affan Ahmed
Real Estate (RE)

Muna Ahmed
Legal & Compliance

David Ahn
Alternative Investment Solutions (AIS)

Naweed Akram
Applications

Khalifa Al Jalahma
Corporate Investment – MENA

Ayman Al-Arrayed
Operations & Internal Controls

Manal AlAlaiwat
Local Administration-Bahrain

Ahmed AlAlawi
Operations & Internal Controls

Khaled Alalawi
Placement & Relationship Management

Loai Alarayedh
Placement & Relationship Management

Ashraf Alaydi
Legal & Compliance

Abdulla AlBastaki
Human Resources

Yousef Alhozaimy
Placement & Relationship Management

Yasser Alkhaja
Placement & Relationship Management

Hasan AlNajjar
Placement & Relationship Management

Ali AlRahma
Placement & Relationship Management

Mohammed AlSada
Placement & Relationship Management

MANAGING DIRECTORS, SENIOR AND PROFESSIONAL STAFF

SENIOR AND PROFESSIONAL STAFF (continued)

Jehan Alsairafi
Placement & Relationship Management

Aala AlSaleh
Corporate Investment – MENA

Naser Alshakhoori
Operations & Internal Controls

Hasan AlShuwaikh
Corporate Investment – MENA

Ahmed AlZayani
Placement & Relationship Management

Ameer Ameeri
Placement & Relationship Management

Mohammed Aminuddin
Data Center

Russell Arco
Real Estate (RE)

Talha Azhar
Financial Management

Sarah Aziz
Corporate Communications

Gaurav Babbar
Investcorp Credit Management

Gene Basov
Investcorp Credit Management

Ryan Bassett
Real Estate (RE)

Julian Bennet
Corporate Investment – Technology

Alexander Bennett
Real Estate (RE)

Greg Berman
Alternative Investment Solutions (AIS)

Vincent Berthelemy
Alternative Investment Solutions (AIS)

Thomas Best
Investment Administration

Sunil Bhilotra
Corporate Investment – MENA

Robert Bostock
Corporate Investment - Europe

Vitali Bourchtein
Corporate Investment – North America

Hugh Boyle
Alternative Investments Solutions (AIS)

James Brailey
Investcorp Credit Management

Rebecca Bronk
Investcorp Credit Management

Jesse Brundige
Real Estate (RE)

Michael Busacco
Data Center

Melissa Butler
Investcorp Credit Management

Kelly Byun
Real Estate (RE)

Camilla Campion-Awwad
Investcorp Credit Management

Kieran Carmody
Investcorp Credit Management

Chris Carolan
Alternative Investment Solutions (AIS)

Francis Chang
Investcorp Credit Management

Brenda Chen
Business Support - NYLON

Mikaela Chronopoulou
Investcorp Credit Management

Dean Clinton
Alternative Investment Solutions (AIS)

Ed Coatman
Alternative Investment Solutions (AIS)

Matthew Coleman
Investcorp Credit Management

Anthony Colon
Investcorp Credit Management

Brian Cook
Investcorp Credit Management

Dominic Courtman
Investcorp Credit Management

Khaled Daair
Business Analysis and Planning

Suzanne Dagher
Corporate Communications

Pierre De La Rochefoucauld
Real Estate Europe

Mikael De Pedro Nejjai
Investcorp Credit Management

Ilyas Degia
End-User Computing

Dale Didulo
Data Center

Alptekin Diler
Corporate Investment – MENA

Darryl D’Souza
Business support – NYLON

Merime Durakovic
Legal & Compliance

Khulood Ebrahim
Placement & Relationship Management

Daryl Ee
Placement & Relationship Management Asia

Sean Elliott
Human Resources

List reflects staff employed at June 30, 2018.

MANAGING DIRECTORS, SENIOR AND PROFESSIONAL STAFF

SENIOR AND PROFESSIONAL STAFF (continued)

Maximilian Elliott-Taylor
Investcorp Credit Management

Michael Emmet
Corporate Investment – North America

David Endler
Investcorp Credit Management

William Estes
Corporate Investment – North America

Shirin Faqihi
Human Resources

Nicola Ferraris
Corporate Investment – Europe

Sean Ferris
Investcorp Credit Management

David Fewtrell
Investcorp Credit Management

Lyn Fiel
Office Of Chief Executive

Melanie Figgener
Corporate Investment – Europe

Kirk Fleischer
Corporate Investment – North America

Christopher Fraser
Real Estate (RE)

Masaaki Fudeuchi
Investcorp Credit Management

Sunil Gaglani
Alternative Investment Solutions (AIS)

Amit Gaind
Corporate Investment – North America

Ben Gilman
Real Estate (RE)

Johannes Glas
Placement & Relationship Management

Luis Gonzalez
Corporate Investment – Europe

Fredrik Guster
Alternative Investment Solutions (AIS)

Rira Ha
Investcorp Credit Management

Sadeq Habib
Compensation Programs Administration

Wassim Hammoude
Corporate Investment – MENA

Ian Hansford
Human Resources

Mansoor Hasan
End-User Computing

Juergen Heilmann
Corporate Investment - Europe

Luis Hernaiz
Data Center

Shaun Hill
Internal Audit and Controls

Celia Ho
Business support – RE

William Hoffmann
Investcorp Credit Management

Nahar Houthan
Placement & Relationship Management

Abdulnabi Hussain
Treasury

Sebastian Inger
Corporate Investment – Europe

Ahmed Isa
Operations & Internal Controls

Bahija Ismail
Operations & Internal Controls

Ayman Jaafar
Investment Admin.

Milos Janicic
Alternative Investment Solutions (AIS)

Kevin Jay
Corporate Investment – North America

Jay Jena
Applications

Lisa Johnson
Placement & Relationship Management - Asia

Raewyn Johnston
Legal & Compliance

Rosanne Johnston
Legal & Compliance

Jonathan Joyce
Alternative Investment Solutions (AIS)

Rahim Kandanuru
Data Center

Narendra Karki
Data Center

James Keary
Real Estate (RE)

Richard Keast
Investcorp Credit Management

Timothy Kelly
Real Estate (RE)

Asif Khaja
Investcorp Credit Management

Shahbaz Khan
Legal & Compliance

Sean Kiernan
Investcorp Credit Management

Nathalie Klein
Alternative Investment Solutions (AIS)

List reflects staff employed at June 30, 2018.

MANAGING DIRECTORS, SENIOR AND PROFESSIONAL STAFF

SENIOR AND PROFESSIONAL STAFF (continued)

Warren Knapp
Corporate Investment – North America

Georg Knoflach
Corporate Investment – Technology

Alexander Koeppen
Corporate Investment - Europe

Sanjay Kohli
Investcorp Credit Management

Mihir Kothari
Placement & Relationship Management

Murali Krishna
Alternative Investment Solutions (AIS)

Fahad Kurdi
Placement & Relationship Management

Nilesh Ladha
Alternative Investment Solutions (AIS)

Pak Lam
Financial Management

Barry Lane
Investcorp Credit Management

Jonathan Lay
Legal & Compliance

Sarunas Leimontas
Investcorp Credit Management

Angela Leson
Alternative Investment Solutions (AIS)

Sweeny Lewis
Corporate Investment – MENA

Owen Li
Corporate Investment – Europe

Hrishi Lonkar
Business Analysis and Planning

Sehar Mahmood
Investcorp Credit Management

Gabriel Mairzadeh
Alternative Investment Solutions (AIS)

Amin Majed
Operations & Internal Controls

Patrick Maloney
Investcorp Credit Management

Michael Malvarosa
Alternative Investment Solutions (AIS)

Chinmoy Mandal
Applications

Robin Mansour
Corporate Investment – MENA

Ali Marhoon
Operations & Internal Controls

Benjamin Marino
Corporate Investment – Europe

Tom Martin
Real Estate Europe

Chris Mason
Alternative Investment Solutions (AIS)

Jakob Mattsson
Investcorp Credit Management

Matt McCann
Alternative Investment Solutions (AIS)

Rajat Mehrotra
Business Analysis and Planning

Ishaque Memon
Financial Management

Bill Mihas
Data Center

Masooma Mohammed
Placement & Relationship Management

Michael Moriarty
Real Estate (RE)

Vijender Mucha
Data Center

Brian Murphy
Legal & Compliance

Heather Mutterperl
Real Estate (RE)

David Nadeau
Investcorp Credit Management

Amberine Nagree
Investcorp Credit Management

Rupesh Naik
Risk Management

Rohit Nanda
Investment Administration

Mark Newman
Investcorp Credit Management

Timothy Ng
Corporate Investment – North America

Natsumi Okamoto
Investcorp Credit Management

Yongky Oktavianto
Placement & Relationship Management Asia

Jeanie Olson
Human Resources

Oguz Oner
Corporate Investment – MENA

Thomas Page
Investcorp Credit Management

Maria Patrao
Corporate Investment – Technology

Vicente Perez Camara
Placement & Relationship Management

Jose Pfeifer
Corporate Investment – Europe

List reflects staff employed at June 30, 2018.

SENIOR AND PROFESSIONAL STAFF (continued)

Sami Qasimi
Legal & Compliance

Shaima Radhi
Placement & Relationship Management

Najib Rahal
Data Center

Zahra Rajab
Operations & Internal Controls

Vats Rajagopalan
Risk Management

Elena Ranguelova
Alternative Investment Solutions (AIS)

Vinod Rathi
Alternative Investment Solutions (AIS)

Dwight Richardson
Real Estate (RE)

Neil Rickard
Investcorp Credit Management

Abbas Rizvi
Financial Management

Marina Rodrigues
Alternative Investment Solutions (AIS)

Pete Rommeney
Human Resources

Joanne Roulson
Compensation Programs Administration

Abdulrahim Saad
Placement & Relationship Management

Rasha Sabkar
Legal & Compliance

V Saju
Applications

Biman Sarma
Applications

Alan Sawyer
Investcorp Credit Management

Pierre Schaeffer
Corporate Investment – Europe

Gaurav Sharma
Corporate Investment – North America

Rajiv Sheth
Corporate Investment – North America

Craig Sinfield-Hain
Business Analysis and Planning

Venkat Singam
Applications

Khalid Soufi
Placement & Relationship Management

David Stanbrook
Investcorp Credit Management

Andrew Strong
Investcorp Credit Management

Babak Sultani
Placement & Relationship Management

James Sweeting
Internal Audit and Controls

Aya Taha
Placement & Relationship Management

Murat Tasci
Corporate Investment – MENA

Christopher Teixeira
Alternative Investment Solutions (AIS)

Lilia Teplova
Business support – NYLON

Devindra Thakur
Risk Management

Ned Tomic
Corporate Investment - North America

Dina Treanor
Corporate Investment – North America

Arne Uekotter
Corporate Investment – Europe

Larisa Vandenko
Business support – NYLON

Davide Vassena
Corporate Investment – Europe

Roberta Vezzoli
Corporate Investment – Europe

Robert Vida
Investcorp Credit Management

Eric Vorchheimer
Corporate Investment – North America

Lisa Wagemann
Investcorp Credit Management

Richard Weiss
Real Estate (RE)

Julie Welinsky
Corporate Investment - North America

Andrew Weymann
Alternative Investment Solutions (AIS)

Gayan Wijesinha
Alternative Investment Solutions (AIS)

Jason Wu
Data Center

JC Xiang
Corporate Investment - North America

Venkatesh Yadav
Applications

Ali Zainal
Placement & Relationship Management

Megan Zheng
Corporate Investment - Europe

Kevin Zhu
Data Center

List reflects staff employed at June 30, 2018.

OFFICES

Bahrain
Investcorp Bank B.S.C.
Investcorp House
P.O. Box 5340
Manama
Kingdom of Bahrain
T: +973 17 532 000
F: +973 17 530 816

London
Investcorp International Ltd.
Investcorp House
48 Grosvenor Street
London W1K 3HW
United Kingdom
T: +44 (0)20 7629 6600
F: +44 (0)20 7499 0371

New York
Investcorp International Inc.
280 Park Avenue
New York, NY 10017
United States of America
T: +1 212 599 4700
F: +1 212 983 7073

Riyadh
Investcorp Saudi Arabia
Financial Investments Co.
Al Faisaliah Tower, 29th Floor
P.O. Box 61992, Riyadh 11575
Kingdom of Saudi Arabia
T: +966 11 484 7600
F: +966 11 273 0771

Abu Dhabi
Investcorp Bank B.S.C. – Abu Dhabi
Al Sila Tower, 8th Floor
Abu Dhabi Global Market Square
Al Maryah Island, P.O. Box 36961
Abu Dhabi, United Arab Emirates
T: +971 2 501 8900
F: +971 2 644 1566

Doha
Investcorp Investments LLC
Suite 701
Qatar Financial Centre – Tower 1
West Bay Area
P.O. Box 24995
Doha, State of Qatar
T: +974 4496 7966
F: +974 4496 7960

Singapore
Investcorp Asia Services Pte. Ltd.
Level 24-01, CapitaGreen
138 Market Street
Singapore 048946
T: +65 6679 6032
F: +65 6697 6097

Design: Sequel, New York

www.twitter.com/investcorp
www.linkedin.com/company/investcorp
www.instagram.com/investcorp

www.investcorp.com

INVESTCORP

Bahrain | London | New York | Riyadh | Abu Dhabi | Doha | Singapore

www.investcorp.com