Investcorp Group 2015 Annual Report

INVESTCORP 2015

Supported by strong levels of investment, placement and realization activities, net income grew by 13%, resulting in a significant return on equity of 16%. Realization proceeds and other distributions to Investcorp and its clients for the period exceeded $1.5 billion, taking total proceeds over the past three years to more than $5 billion. Despite challenging markets, this fiscal year marks six years of consecutive growth in returns for Investcorp and its shareholders, and the strongest position of the balance sheet since the global financial crisis. With this sturdy foundation, we believe our institution is poised to continue strong upward momentum.

MISSION

Investcorp's mission is to be our clients' preferred choice in meeting their needs for alternative investment products: corporate investment, hedge funds and real estate investment. In fulfilling this mission, our most important asset is our reputation. Investcorp has earned its distinction through reliability, transparency, business judgment, value creation, innovation and superior results.

The Investcorp brand is universally recognized for its excellent performance in global alternative investments. We are determined to maintain and build on this powerful reputation. To this end, we will ensure that all our lines of business generate top-quartile results in their respective sectors.

We will continue to set the standard for superior client service in our industry, focusing on our core market of institutional and high-net-worth clients in the Gulf region and growing our franchise with selected new clients. Investcorp will continue to be a management-driven organization, institutional in its practices and disciplines while preserving its entrepreneurial environment and partnership mindset. Our determination to develop, retain and attract talented people, and to provide a distinctive culture in which they can thrive and excel, will remain unchanged.

MESSAGE TO SHAREHOLDERS

The Board of Directors of Investcorp is pleased to submit the consolidated audited financial statements for Investcorp's 32nd fiscal year ended June 30, 2015.

Investcorp is pleased to report net income of $116.7 million, reflecting significant growth of 13% over the prior year (FY14: $103.1 million). Return on equity was 16% and fully diluted earnings per share grew by 70% year-on-year to $129 per ordinary share. This strong performance is a direct result of the momentum in the Firm's investment, placement and realization activities that were supported by continued demand from its Gulf-based clients for attractive, diversified global alternative investment opportunities.

Over the course of FY15, Investcorp continued its efforts to grow and strengthen its core business lines, while also introducing innovative product offerings with the aim of generating premium returns for its clients. These efforts, as well as significant investments in new leadership, key talent and infrastructure, culminated in the delivery of high quality and more predictable earnings against the backdrop of what has been a challenging market during recent years.

FY15 marks three years of consecutive growth in returns for Investcorp and its shareholders, with the balance sheet being in the strongest position since the global financial crisis. Since the end of FY09, Investcorp has seen its book value per ordinary share grow by 72%. Total realization proceeds over the six year period totaled $7.5 billion, with total fundraising of over $8.0 billion and deal-by-deal placements totaling over $3.5 billion. The total capital deployed in new and add-on investments over this period reached $4.3 billion. Despite market headwinds and the increasing focus on deleveraging and capital buffers, Investcorp's ability to consistently deliver strong returns to the shareholders over this period affirms the success and sustainability of its business model.

Total fee income for the period was $308.2 million and asset-based income was $73.0 million (FY14: $315.8 million and $47.6 million respectively), which included several successful investments and realizations in corporate investment ('CI') and real estate ('RE') and significant improvements in CI and RE asset-based income.

Gross operating income increased by 5% to $381.1 million and cash flow remains strong with $404.8 million of cash generated from operating activities.

Investcorp's ability to raise capital from investors continued to be strong. During the year the Firm raised more than $1.3 billion in new funds from clients, primarily from investors in the Gulf.

Total CI and RE placement was $1,095 million for the year, representing a 15% increase over FY14. An additional $251 million was raised from investors in the Hedge Fund business.

Both CI and RE experienced high levels of investment activity in the year. CI deployed $625 million, including $607 million of equity in five new deals across Europe, the US, Turkey and the GCC. Aggregate investment activity in CI over the past three years now totals $2 billion.

New CI investments included PRO Unlimited, a leading provider of software and services that enable large enterprises to more effectively manage their contingent workforce; Dainese, the most recognized and respected brand for safety and quality in the protective gear market for motorcycle and other dynamic sports; Arvento, Turkey's leading telematics company; Nobel Learning Communities, a leading provider of technologically-innovative private preschool through high school education in the US; and NDT Corrosion Control Services Co., the largest testing services company for the industrial sector in Saudi Arabia.

These investments reflect the Firm's strategy of investing in growing middle market businesses with strong cash flows that demonstrate the potential to establish themselves as industry leaders.

FY15 was another very active period for RE with $368 million deployed during the year, including $354 million deployed across four portfolios that were placed with clients and two properties that were warehoused for placement in FY16. Total investment in RE in FY15 represented an 18% increase on the $312 million deployed in FY14.

In keeping with the Firm's strategy of investing in core and core-plus real estate in large, mature and diversified US markets, these investments were primarily in commercial, office and residential properties in key US markets, including Washington D.C., Orlando, San Diego and Baltimore.

Within Hedge Funds, a strong second half of top quartile performance generated $19.5 million in asset-based income, resulting in total income for the year of $9.1 million. Hedge Funds also launched its new Alternative Beta product in June 2015.

The Firm's high levels of new investment activity in FY15 was balanced by a series of successful realizations, amounting to $1.5 billion in total proceeds, which generated premium returns for investors. Aggregate distributions and realization proceeds over the last three years now total $5 billion. Realizations in CI for the year included the completion of the sale of SourceMedia, a diversified business-to-business media company, to Observer Capital; the sale of Berlin Packaging to Oak Hill Capital Partners; the partial realization of FishNet Security through a merger with Accuvant, Inc.; and the partial realization through an IPO of Asiakastieto, the leader in the Finnish credit information market.

In the Firm's real estate division, significant realizations during the year include the sale of multifamily properties in Houston and Dallas; industrial property in Connecticut; office buildings in Petaluma, California; and hotels in Pittsburgh and Boston.

Balance sheet strength

Investcorp is pleased to report that its balance sheet is at its strongest since 2008, with capitalisation, leverage and liquidity all improving in FY15. Total balance sheet assets as of June 30, 2015 were $2.2 billion. Total accessible liquidity of $864 million covers all outstanding medium and long-term debt maturing through 2018. The Firm's diversified funding strategy means its co-investments are fully funded by permanent and long-term sources of capital.

The Firm's net leverage ratio, at 0.7x, and Basel III capital adequacy ratio of 28.7% remain comfortably above regulatory requirements and aligned with the Firm's long-term strategy.

During the period, Investcorp entered into an agreement for the sale of a 9.9% ownership stake to a new Gulf-based institutional shareholder. Proceeds due at closing of the share sale together with net earnings for the year were used to retire $166 million (42%) of outstanding preference shares.

The Board of Directors has proposed a dividend of $15 per ordinary share, along with a full dividend on the preference shares.

Leadership changes

At the end of 2014, Nemir Kirdar announced his decision to retire as Executive Chairman and CEO of Investcorp at the end of the current financial year. Mr. Kirdar plans to spend more time with his family and dedicate further efforts to his honorary faculty roles. Nemir suggested that Mohammed Al Ardhi be nominated as his successor to become Executive Chairman, and the Board approved Mr. Al Ardhi's appointment.

This move coincided with H.E. Abdul-Rahman Salim Al-Ateeqi's decision to retire as Chairman of the Board. Subsequently, the Board of Directors has elected Mr. Kirdar as H.E. Al-Ateeqi's successor.

Investcorp remains grateful to H.E. Al-Ateeqi for his valued contribution to Investcorp's track record of achievements over the last 33 years.

Mr. Kirdar and the Board of Directors, would like to extend their heartfelt appreciation to H.E. Abdul-Rahman Salim Al-Ateeqi for the instrumental role he has played in establishing Investcorp and furthering its growth. The Board of Directors also extends its appreciation to Mr Kirdar, the man behind the inception of Investcorp and the establishment of a robust management structure that has proven critical to the bank's continuity. Mr. Kirdar's appointment, as Chairman of the Board, is in recognition of his relentless efforts over the last three decades. During this journey he has demonstrated nothing short of continued dedication and commitment that has contributed to strengthening Investcorp's position as a leading investment institution across markets on both sides of the Atlantic and gaining the respect of investors in the GCC.

As part of the succession plan, Mohammed Al-Shroogi (formerly President, Gulf Business) and Rishi Kapoor (formerly Chief Financial Officer), both longstanding employees of Investcorp, become Co-Chief Executive Officers. These appointments bear testament to the Firm's ability to attract, develop and retain outstanding, talented professionals over the years.

Over this fiscal year, Investcorp made additional investments in its people and infrastructure intended to benefit both shareholders and clients now and in years to come. Additional strategic hires include Anthony L. Robinson as Chief Financial Officer, Dave Tayeh as Head of Corporate Investment – North America, and Jennifer Cahill and Jon Olstein as Managing Directors in the Hedge Funds business.

Investcorp also recognizes the importance of remaining accessible and close to its growing client base across the Gulf, as investors continue to seek attractive alternative investment opportunities both within and outside of the region. In response to this need, Investcorp has made considerable progress with its plans for regional expansion having received regulatory approval to open an office in Doha, Qatar in addition to its existing offices in Bahrain, Riyadh and Abu Dhabi.

Now, as ever, Investcorp's client relationships, shareholder support and the role of its strategic partners remain critically important to the Firm to deliver on its promises. We thank you for your continued contribution as the Firm enters its next phase of growth.

The Investcorp Board would also like to express its appreciation for the entire Investcorp family and to the Central Bank of Bahrain in particular for their loyalty and support over the Firm's history.

Nemir A. Kirdar	H. E. Mohammed bin Mahfoodh bin Saad Al Ardhi
Chairman of the Board of Directors	Executive Chairman

OUR BUSINESS

PLACEMENT & CLIENT RELATIONSHIP MANAGEMENT

Investcorp's performance in FY15 demonstrates ongoing momentum in the business, across all our business lines and markets, through which we continue to act as a bridge for our clients into attractive corporate, real estate and hedge fund investment opportunities in the US, Europe and the Gulf.

The fiscal year saw strong activity levels across Investcorp's investment, placement and realization activities as we see continued demand from the Firm's Gulf clients for attractive and diversified global alternative investment products.

Investcorp also continued to invest in its business, by building its presence across the Gulf region, in order to remain accessible and close to its growing Gulf client base, including plans to open the Firm's fourth Gulf office in Doha, Qatar, which has now been licensed. During the period, Investcorp continued with investment activity in new markets, such as Turkey and the Kingdom of Saudi Arabia, building on its existing portfolio in the region. This was balanced with a series of successful realizations in Europe and the US which have generated attractive returns for the Firm's investors.

In the Gulf, Investcorp raised $1,095 million, an increase from FY14 ($955 million), representing a continued interest from Investcorp's core client base.

Corporate investment placement activity totaled $789 million including an aggregate of $130 million raised from an institutional Gulf co-investor in two new corporate investments. Real estate placement reached $307 million across four new portfolios, representing the second most active period in the Firm's history.

Investcorp returned approximately $1.5 billion in proceeds from realizations and distributions in FY15 to Investcorp and clients. At the end of FY15, Investcorp has once again demonstrated continued momentum in the business, with a series of high quality investments, across several markets, while delivering attractive returns for shareholders and investors from exited investments.

CORPORATE INVESTMENT

Our corporate investment businesses were very active in FY15 across all geographies, North America, Europe and the Gulf region, both in terms of capital realizations and new investments.

Capitalizing on an environment of large amounts of uninvested capital ready for deployment and continued low interest rates, we completed six full or partial corporate investment realizations: (i) the sale of SourceMedia, a diversified business-to-business media company; (ii) the sale of Berlin Packaging for $1.43 billion; (iii) the partial realization of FishNet Security and subsequent dividend as a result of the merger with Accuvant creating a North American market leader in cyber security; (iv) the partial realization through an IPO of Asiakastieto, the leader in the Finnish credit information market; (v) a partial realization of preferred shares of Randall-Reilly, a leading diversified marketing services and data company; and (vi) the sale of the remaining ownership in Carvel, a retail ice-cream provider. In addition, we announced three realizations for the Investcorp technology funds: (i) the sale of online payment provider Skrill to Optimal Payments; (ii) the IPO of Sophos, a provider of security software; and (iii) the sale to Synopsys of Spyglass from Atrenta, a provider of electronic design automation software.

Total proceeds and other distributions to Investcorp and its clients was approximately $1.5 billion over the period.

Our clients continued to place their trust in Investcorp to deliver to them attractive alternative investment opportunities across North America, Europe and the Gulf in FY15. Investcorp invested a total of $625 million in corporate investments, of which $607 million was deployed in five new direct deals that included PRO Unlimited, a leading provider of software and services; Dainese, the most recognized and respected brand for safety and quality in the motorcycle and other dynamic sports market; Arvento, Turkey's leading telematics company; Nobel Learning, a leading operator of private for-profit schools in the United States; and NDT Corrosion Control Services Co., the largest testing services company for the industrial sector in Saudi Arabia. An additional equity investment was also made in Namet, the leading Turkish producer of fresh cut and packaged processed red meat products, in order to fund one add-on investment.

HEDGE FUNDS

Fiscal year 2015 was challenging for the hedge funds industry in the face of volatile global markets. The strong market sell-off in late September and early October 2014 and the ongoing debt crisis in Greece that flared up towards the end of the fiscal year resulted in subdued industry performance of +3.9%.

Despite these challenges, certain strategies performed strongly: macro systematic strategies in the first half and Hedge Equity strategies, Asia Pacific in particular, in the second half. Investor inflows remained steady with industry assets under management reaching $3 trillion as of June 2015.

During the fiscal year, the hedge funds co-investment portfolio delivered returns of 2.0%. The liquid funds of hedge funds portion of the hedge funds co-investment portfolio significantly outperformed its benchmark. Managers on our Single Manager platform experienced a drawdown in the first half, but recovered very strongly in the second half to end the year positively. Certain idiosyncratic illiquid positions detracted from performance.

The Firm's Special Opportunities Portfolios (SOP) are performing as per expectations. SOP I exited one of its remaining three positions and another executed a dividend recapitalization. SOP II successfully liquidated its underlying portfolio one year earlier than expected, whereas SOP III is currently being monetized. Both portfolios invested in commercial mortgage-backed securities. SOP IV, a portfolio of non-performing loan pools collateralized by US residential real estate, has completed its loan acquisitions.

Investcorp launched a suite of diversified risk premia products (Alternative Beta) that offers an uncorrelated source of return, better liquidity and full transparency. Investcorp seeded these products with its own initial capital. Market research confirms a rapidly growing interest by institutional investors in this class of investments.

REAL ESTATE INVESTMENT

A strong US economy continues to drive demand for US real estate. Transaction volume through June 30, 2015 indicates that US investment activity is off to a strong start, with a volume of $255.1 billion, representing a 35% increase in volume from the same period last year.

Long-term interest rates are expected to rise; however, a gradual increase in rates is not expected to have a significant impact on either property values or transaction volume.

In this environment, Investcorp saw a strong level of activity in real estate in FY15, deploying $368 million in new investments across four portfolios, representing one of the most active periods in the Firm's history. FY16 is off to a strong start, having already closed on three investments which are expected to be contributed to portfolios for placement in FY16. Given the significant equity capital and attractive rates and terms in the sector, Investcorp's real estate strategy remains the same as it continues to target properties that generate strong cash flow and those that are typically located in the top 30 largest markets in the US. In line with this strategy, the investments made were primarily in office and residential properties in key US growth markets, including ones in California, Florida, Georgia, Maryland, North Carolina, Washington and Virginia.

Successful portfolio realizations included Northern California Portfolio and the Texas Apartment Portfolio I. In addition, several individual assets were sold, including two within the Real Estate Credit Fund, as we move toward closing out this fund in the medium term.

FINANCIAL REVIEW

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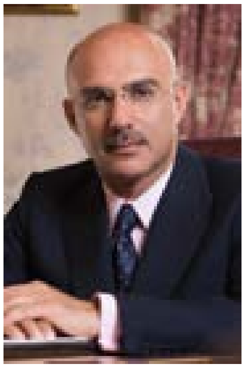
MESSAGE FROM THE EXECUTIVE CHAIRMAN



Mohammed Al Ardhi

We are pleased to see sustained growth across our core business lines, driven by our blue-chip brand and placement capability in the Gulf. Our clients continue to place their trust in Investcorp to identify and deliver attractive alternative investment opportunities across our three areas of expertise within our core markets in the Gulf, Europe and the United States. We continue to evolve and innovate in our product set to meet our clients' demands, and our efforts to get even closer to our clients are showing real results. We are particularly pleased to see enduring momentum in our financial performance where we're delivering high quality, less concentrated and more predictable earnings against the backdrop of what have been challenging markets in recent years.

BUSINESS HIGHLIGHTS

STRONG LEVELS OF BUSINESS ACTIVITY ON ALL FRONTS...

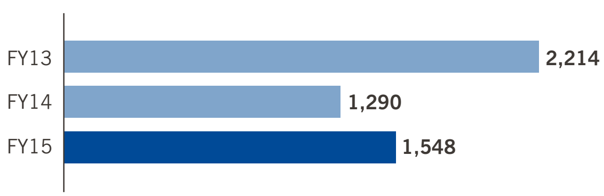
Capital deployed ($m)

Approximately **$3 billion of capital deployed** over the last three years in 16 new corporate investment deals and 92 new real estate property investments

Deal-by-deal placement ($m)

Approximately **$3 billion raised** from clients over the last three years in deal-by-deal placements

Realizations ($m)



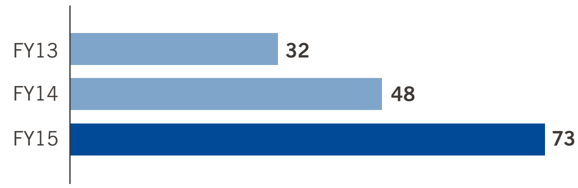
Returned over $5 billion from realizations, dividends and other distributions from the corporate investment, real estate and special opportunities investment portfolios

...RESULTING IN CONTINUED PERFORMANCE MOMENTUM AND TRAJECTORY[1] ($M)

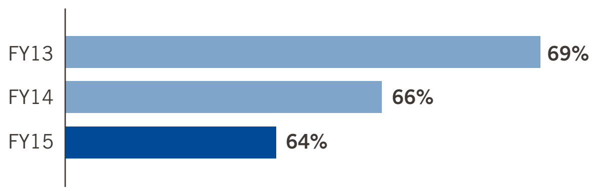
Net income ($m)

Fee income ($m)

Asset-based income ($m)



Cost-to-income



Continued growth in net income

High level trajectory of year-on-year fee income, driven by a **stable and growing client business**

Rising asset-based income on co-investment business with **improving yields**

Improving cost-to-income ratio reflecting a **scalable platform**

1 Restated for adoption of IFRS 15 for FY13 and FY14.

BUSINESS HIGHLIGHTS

NET INCOME ($M)

$117 — Net Income

$129 — Fully diluted earnings per ordinary share

16% — Return on equity

Strong earnings growth continues with net income for the year of **$116.7 million,** up 13 percent (FY14: $103.1 million)

Earnings per share momentum accelerated further, with a 71% year-on-year increase to $129 per ordinary share

SOLID BALANCE SHEET: STRENGTH ACROSS ALL KEY METRICS

FY14	FY15	
$747m	$864m	Accessible liquidity covers debt maturities through 2018
1.0x	0.7x	Further reduction in net leverage
27.5%*	28.7%	Basel III regulatory capital well above CBB minimum requirements
$738	$900	22% increase in book value per share
1.0x	0.8x	Long-term capital more than covers co-investment exposure

* Basel II

NET INCOME ($M)

- **$0.8** — **Corporate investment**
- **$0.3** — **Real estate**
- **$0.3** — **Hedge Funds**

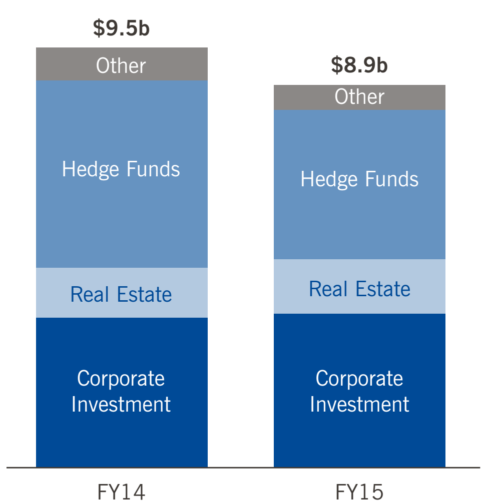
Total deal-by-deal fundraising in the Gulf was **$1,095 million** (FY14: $955 million)

$788 million in aggregate placed with clients across six corporate investment deals

$307 million placed with clients across four new real estate portfolios

$251 million of new subscriptions into hedge funds from institutional investors

CLIENT AUM ($B)



Hedge funds client AUM **decreased by 20%** due to one large redemption by a client that decided to bring the process in-house

Corporate investment client AUM **up 3%** on back of strong fundraising offset by significant realizations during the year

10% growth in real estate AUM reflects strong investor demand and growth in investment activity

INVESTMENT ACTIVITY

Pro Unlimited
Consumer services

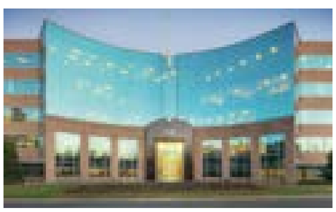
Dainese
Consumer products

Arvento Mobile Systems
Technology

Nobel Learning Communities
Consumer services

NDTCCS
Industrial services

$607 million, the aggregate capital deployed in **five new** CI investments; additional **$16 million** capital deployed for add-on acquisition; and **$3 million for additional fund** investment (total deployment of **$625 million**)



2014 Office & Industrial
Oregon, North Carolina and Florida

Canal Center
Virginia

2015 Residential
Maryland and Florida

$368 million, the aggregate capital deployed into four new portfolios, **two new properties** and a **recapitalization.**

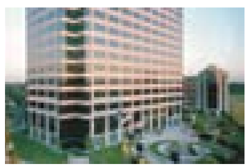
These investments were primarily in commercial, office and residential properties in key US markets

Altanta Multifamily
Atlanta

$1.5 billion, of **total distributions** included completion of the sale of SourceMedia; the sale of Berlin Packaging; the partial realization of FishNet Security through a merger; and the partial realization via an IPO of Asiakastieto

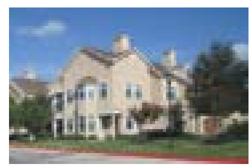
Other significant realizations included the sale of multifamily properties in Houston and Dallas; an industrial property in Connecticut; office buildings in Petaluma, California; and hotels in Pittsburgh and Boston

Northern California



Mezzanine Fund I

Texas Apt I

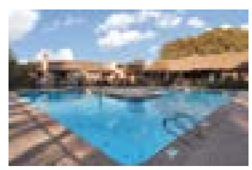


Texas Apt II

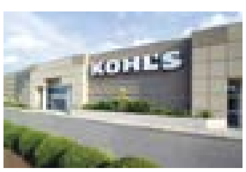
US Div VII

Northern California

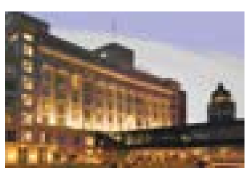
RE Credit Fund



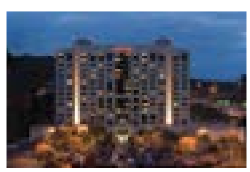
Texas Apt II



Retail III



US Div VII



RE Credit Fund

Texas Apt I

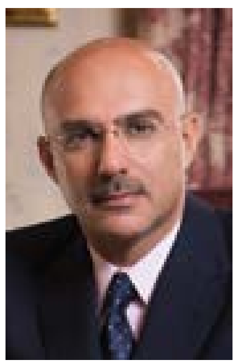
INVESTCORP'S 5 YEAR KEY PERFORMANCE**: FY11 TO FY15

	FY11	FY12	FY13	FY14	FY15	Five year view (FY11-FY15)	
Fee income ($m)	216	240	309	316	308	**1,389**	(cumulative)
Asset-based income ($m)	216	31	32	48	73	**400**	(cumulative)
Gross operating income ($m)	433	271	341	363	381	**1,789**	(cumulative)
Cost-to-income ratio	57%	68%	69%	66%	64%	**65%**	(average)
Return on average assets	5%	3%	3%	4%	5%	**4%**	(average)
Return on ordinary shareholders' equity	26%	2%	5%	11%	16%	**12%**	(average)
Diluted earnings per share ($)	159	16	36	76	129	**415**	(cumulative)
Book value per share ($)*	662	673	695	738	900	**36%**	(cumulative growth)
Dividend per ordinary share ($)	15	8	15	15	15	**68**	(cumulative)

* Fully diluted basis
** Restated for adoption of IFRS 15 for FY11 to FY14

INVESTCORP SENIOR MANAGEMENT

Nemir Kirdar



Mohammed Al Ardhi

Rishi Kapoor

Mohammed Al-Shroogi

Changes to Investcorp's senior management team:

Nemir Kirdar appointed as the Chairman of the Board of Directors

Mohammed Al Ardhi appointed as Executive Chairman

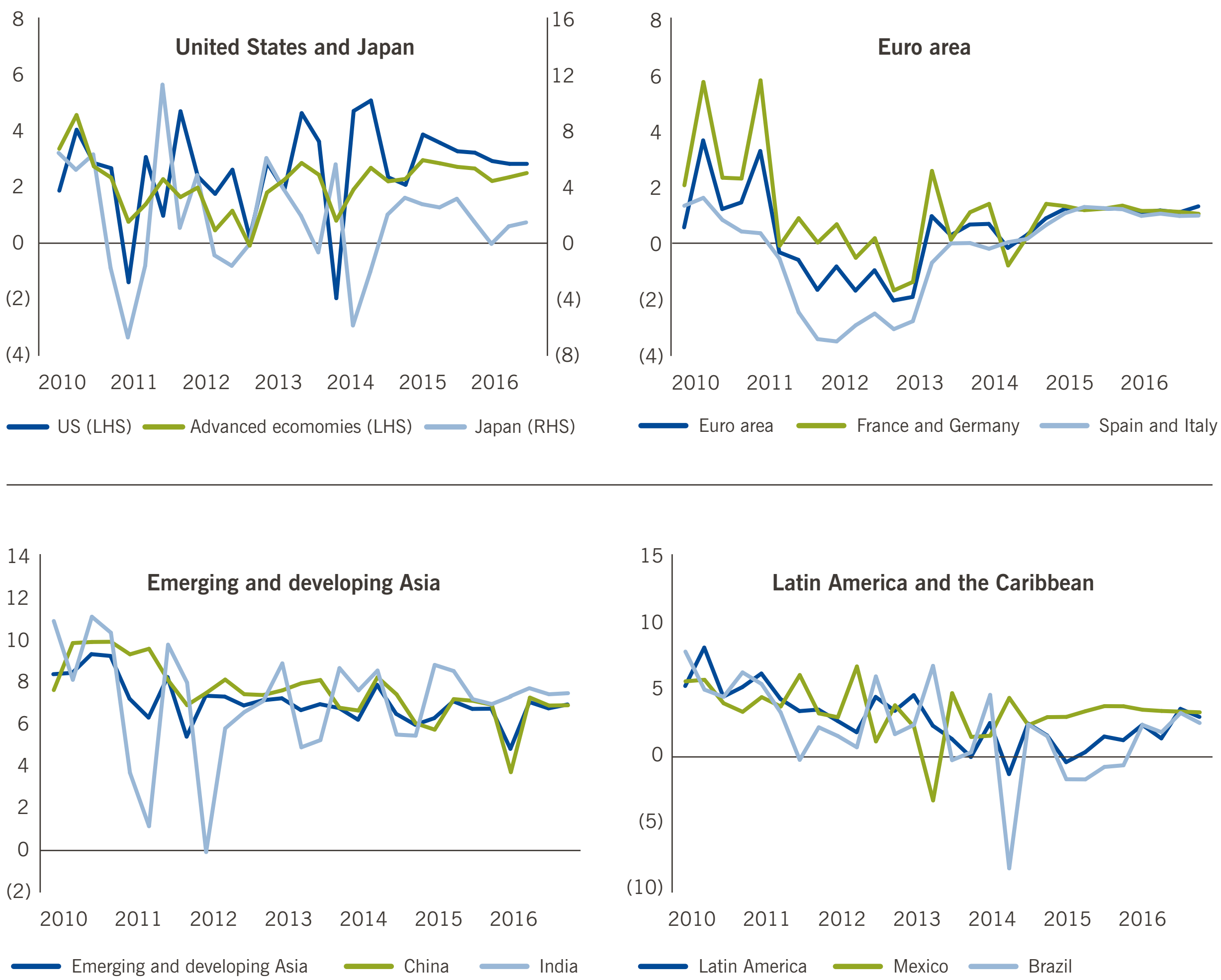
Rishi Kapoor and **Mohammed Al-Shroogi** appointed as co-CEOs

BUSINESS ENVIRONMENT[1]

As the global economy continues to strengthen and recover from the impact of the financial crisis, advanced economies continue to deal with aging populations, volatile oil prices and exchange rates, and lower-than-target inflation levels.

Global economic activity strengthened in the second half of 2014, broadly in line with expectations, rebounding from an unexpected trough during the first half of the year, particularly in the US. By the end of the year, global growth came in modestly above trend at 3.4%. The IMF expects it to be roughly the same in calendar year 2015 at 3.3% but then pick up to 3.8% in calendar year 2016[2]. Both projections were revised down in July reflecting dimming prospects for emerging market economies.

GDP growth forecasts %



Source: IMF World Economic Outlook (April 2015)
Note: Annualized quarterly percent change

1 Unless otherwise stated, all references to years are 'calendar year'

2 IMF World Economic Outlook Update July 2015

While US growth came in well above expectations in the second half of 2014, it in turn contracted by 0.2% in Q1 2015 (subsequently revised up to 0.6%) following a difficult winter and a prolonged dock workers' strike on the US West Coast. Despite the temporary Q1 disruptions, the underlying conditions for growth remained solid, notably a healing labor market, lower energy costs, and increasingly positive consumer sentiment. An improving housing market has also supported the recovery, aided by the completion of household deleveraging from the Global Financial Crisis ('GFC'), household wealth surpassing pre-GFC levels, and improvements in credit availability. The IMF projects US growth at 2.5% in 2015 and solidly above trend by 2016 at 3.0%[1].

On the policy front, the US Federal Reserve (the 'Fed') remains on track for a Q3 liftoff of the federal funds rate and has successfully reassured markets that rates will not rise more rapidly than growth. The Federal Open Market Committee's ('FOMC') willingness to go ahead with liftoff speaks to the strength of US fundamentals.

In Europe, growth also strengthened from late 2014 to mid-2015 spurred by lower oil prices, diminished fiscal drags, and ample liquidity provision through the European Central Bank's ('ECB') quantitative easing and targeted longer-term refinancing operations ('TLTRO'). Growth has remained uneven across regional economies. While some nations' economies, such as Spain's, are expected to post strong growth into 2016, others such as Greece's remain mired in weak and depressed states with limited growth potential. The Euro area is expected to grow 1.5% in 2015 and 1.7% in 2016. As the uncertainty regarding Greece's future role in the Euro area abates following the July 13th agreement, investment should pick up across the currency bloc.

In contrast with troubled peripheral economies, Turkey should end 2015 with a growth rate of 3.1% up solidly from 2.3% in 2014. This acceleration reflects the tailwind from lower energy prices despite the headwind, from the start of the year, of a weaker Lira. While political uncertainties and regional geopolitical tensions remain potential headwinds moving into FY16, Investcorp's view remains constructive on the macro outlook over the near-term.

GDP growth of GCC countries (%)

	2011	2012	2013	2014	2015p	2016p
Bahrain	2.1	3.4	5.3	4.7	2.7	2.4
Kuwait	9.6	6.6	1.5	1.3	1.7	1.8
Oman	4.1	5.8	4.7	2.9	4.6	3.1
Qatar	13.0	6.0	6.3	6.1	7.1	6.5
Saudi Arabia	10.0	5.4	2.7	3.6	3.0	2.7
UAE	4.9	4.7	5.2	3.6	3.2	3.2
GCC	**8.8**	**5.4**	**3.6**	**3.6**	**3.4**	**3.2**

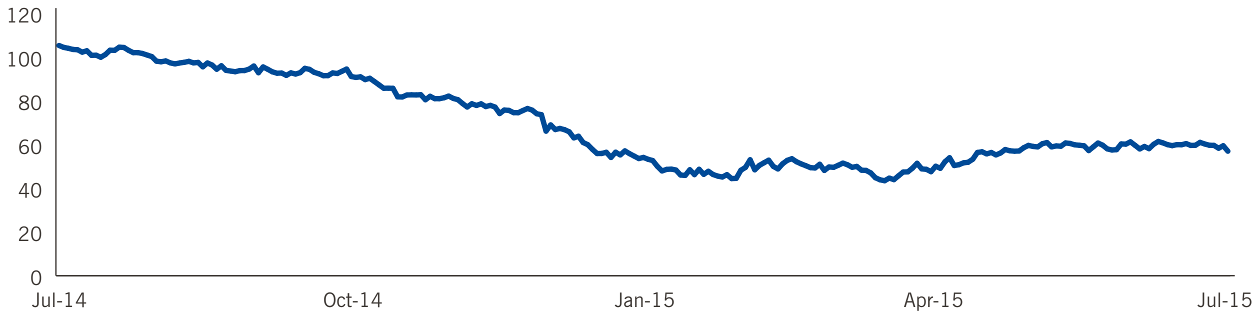
Source: IMF Regional Economic Outlook May 2015

In the Gulf Countries, growth has been held back by reduced export revenue from lower oil prices. Growth in the Middle East and North Africa ('MENA') is expected to be 2.7%, on average, in 2015. More specifically, for the oil exporting nations in the Gulf region, the IMF projects growth to be 3.0% in Saudi Arabia and 3.4% for all of the GCC for the calendar year 2015[2]. With oil prices persistently low and associated volatility at high levels, these nations are facing reduced surpluses and in some cases depleting reserve buffers.

1 IMF World Economic Outlook Update July 2015

2 IMF Regional Economic Outlook May 2015

WTI crude oil (NYMEX)



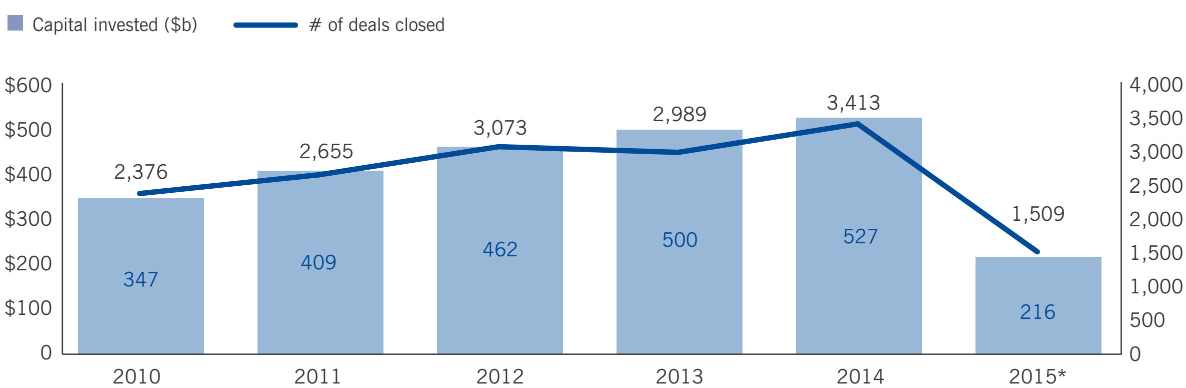
Source: Bloomberg

Following several years of negotiations, Iran and P5+1 have come to an agreement that will impact energy markets as well as influence geopolitical and economic sectors. It is estimated that 300-500kb/d of Iranian oil will be on the market 6-12 months after sanctions have been lifted. The exact date of implementation is dependent on many moving parts, and energy markets may not see its resulting inflows until late 2016/17. In the longer-term, investment in the world's fourth largest oil reserves may help to provide further stability in the Middle East.

CORPORATE INVESTMENT – NORTH AMERICA AND EUROPE

The US private equity market experienced an active year in 2014, both in number of deals and value of transactions, but showed initial signs of declining activity by end of the year that carried into 2015. Private equity-led deal activity within the US finished 2014 with 3,413 transactions and $527 billion of capital invested, which is the highest amount over the previous four years. The increased activity was facilitated by large amounts of uninvested capital, ready for deployment; continued low interest rates; and the ready availability of covenant-lite financing terms from lenders. The strong level of activity throughout most of 2014 showed signs of tapering off towards the fourth quarter and this trend carried over into the first half of 2015. The first half of 2015 produced 1,509 transactions and $216 billion of capital invested, approximately 15% and 22% less respectively compared to the first half of 2014. Although investors cannot specifically time a slowdown, expectations are that purchase price multiples cannot remain at their recent elevated levels and that the supply – demand equilibrium for quality mid-market investments shall adjust accordingly.

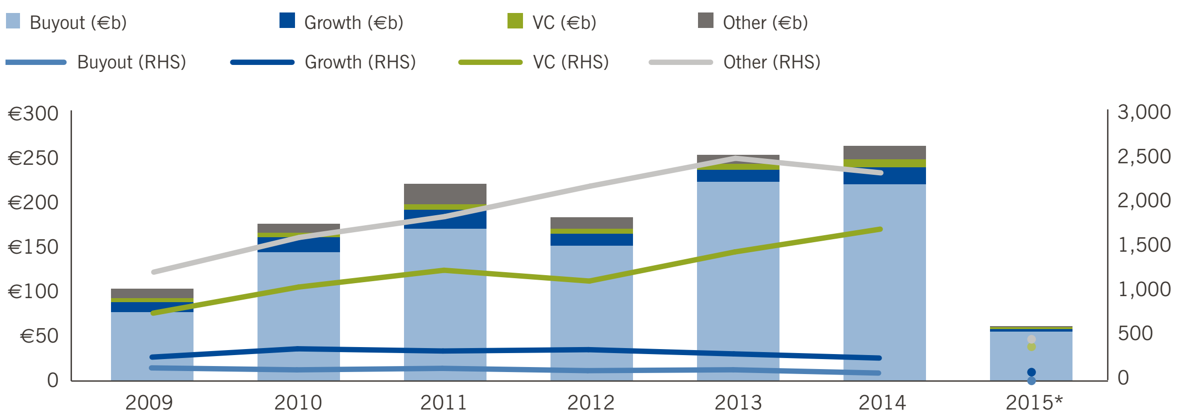
US PE deal flow by year



Source: Pitchbook 3Q 2015 U.S. Private Equity Breakdown Report
* As of H1 2015
Note: calendar years

The European private equity market also had an active year in 2014, but conversely to the US, carried some momentum into the first half of 2015. Despite the strong level of activity, investors in Europe are facing a challenging macro environment with continued uncertainty in some of the countries in the periphery such as Greece and Portugal. These headwinds should be tempered somewhat by the fact that European PE investors are armed with high levels of funds raised over the last two years with mandates to produce returns acceptable to their investors. Private equity-led deal activity within Europe finished 2014 with 4,412 transactions and €262 billion in capital invested. The projected first half of 2015 figures for Europe are at similar levels to the first half of 2014.

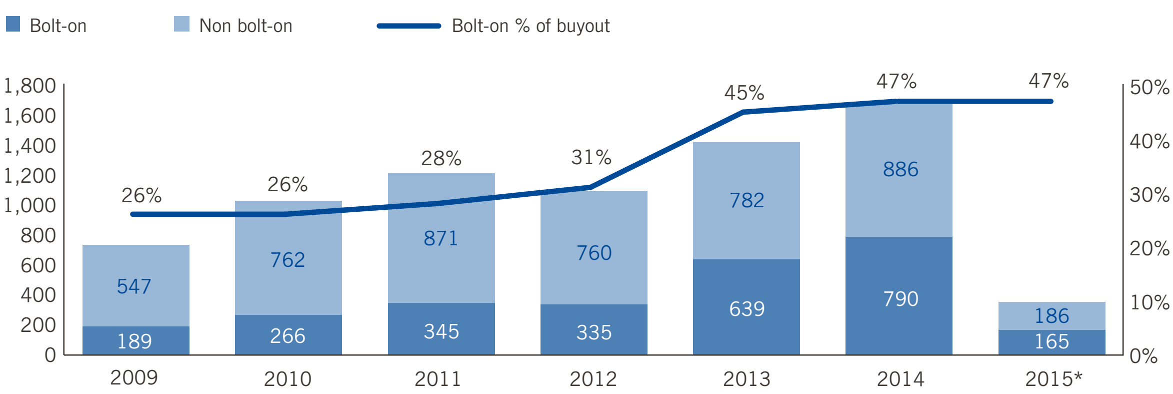
Europe PE deal flow by year



Source: Pitchbook 2Q 2015 European PE Breakdown
* As of March 31, 2015
Note: calendar years

A continued development in global deal activity is the growing shift away from new buyouts to add-on acquisitions. Investors are placing more capital to work through smaller add-on acquisitions that can increase the value of their existing portfolio rather than investing in new and unfamiliar businesses that typically command higher multiples. Add-on acquisitions, particularly in Europe, are highly-executable due to the plethora of financially constrained companies that exist as a result of the poor macro environment in recent years. In 2014 and Q1 2015, 47% of the completed transactions in Europe were add-on acquisitions compared to 28% in 2011 and 31% in 2012.

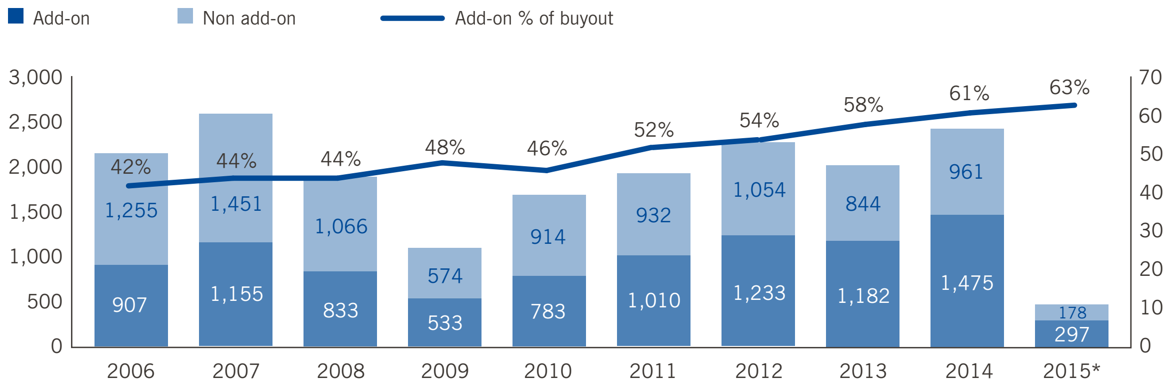
Europe buyouts vs. bolt-ons



Source: Pitchbook 2Q 2015 European Private Equity Breakdown Report
* As of March 31, 2015
Note: calendar years

Similar to Europe, add-on acquisitions continue to make up more transaction activity than historically has been the case in the US. Add-on acquisition levels have steadily increased from 46% in 2010 to 61% of US private equity transactions in 2014. The slowdown in the acquisition of larger mid-market businesses reflects a decline in supply following on from active deal activity years post the GFC. Add-on acquisitions and minority positions have gained in popularity due to their lower valuation multiples compared to larger buyouts. Owners of complementary businesses find add-on acquisitions to be accretive due to the benefits of revenue and expense synergies. The market has therefore produced more reasonably priced transactions with a particularly defined group of potential buyers.

Buy-outs: Add-ons vs. non add-ons



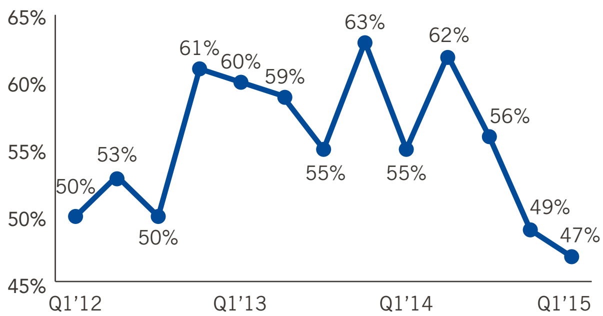
Source: Pitchbook 2Q 2015 U.S. Private Equity Breakdown Report
* As of March 31, 2015
Note: calendar years

Regulators have become increasingly wary of the increased levels of debt used to facilitate payment of record purchase price multiples for transactions in recent years. They have given strong recommendations to lenders not to offer excess leverage for the fear it may become rapidly onerous on companies if the macro environment reverses. Evidenced by the rapid decline of acquisition debt multiples in recent quarters, lenders have heeded these recommendations. If PE investors cannot continue to access similar amounts of leverage to achieve a targeted level of return, purchase price multiples should come down from their current elevated levels.

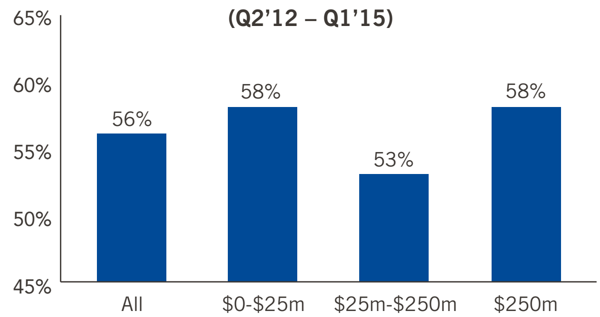
However, driven by the pressure to invest capital and a healthy supply of strong performing assets, valuation multiples have in fact gone up over the past two years. As these factors begin to wane, the lofty valuation expectations are becoming more challenging to justify.

Median PE debt levels

Median debt levels



Median debt levels by enterprise value (Q2'12 – Q1'15)



Source: Pitchbook 2Q 2015 Global PE Deal Multiples and Trends Report

Recent median EV/EBITDA multiples, that reached historic highs in 2012 and have shown recent signs of decline, still remain high particularly within the larger middle market space where many private equity firms are placing more focus. A strong reason for valuations remaining high is the vast sums of un-deployed capital chasing a declining supply of good mid-market investments. Nearly 1,000 active buyout firms started 2014 with $400 billion of undrawn commitments available for deployment. Over the course of the past year, buyout firms remained active in fundraising and held $450 billion of dry powder, increasing demand for an already declining supply. As a result of continued high multiples, investors in the mid-market are expected to become more selective in order to justify and generate appropriate risk-adjusted returns for investors.

CORPORATE INVESTMENT – MENA

The expansion of non-oil sectors over the last few years driven by relatively high levels of government expenditure will help buffer the GCC, to some extent, from pressures resulting from significantly lower oil prices. Oil prices, which had initially increased during early 2014 as a result of geopolitical tensions in Libya, Iraq and Syria, declined sharply during the second half of 2014, mainly on account of lower than expected demand for oil, particularly in China, coupled with supply growth in US shale production whilst OPEC maintained production quotas.

During the first half of 2015, oil prices witnessed a potential rebound bolstered by slowing US crude production, weakening crude inventories build-up and geopolitical concerns in the Middle East. Prices have averaged around $60/bbl during this period. However, the near-term fundamentals continue to point to a low oil price environment until demand-supply imbalances correct.

Oil price: January 2014 – June 2015 ($bbl)

Although the recent trend of falling oil prices in 2014 has created significant volatility in GCC capital markets, large public holdings of foreign assets coupled with low debt levels (8% in GCC vs. 106% in US and 96% in Europe) are expected to allow the GCC to avoid sharp cuts in government spending, limiting the impact on near-term growth and financial stability.

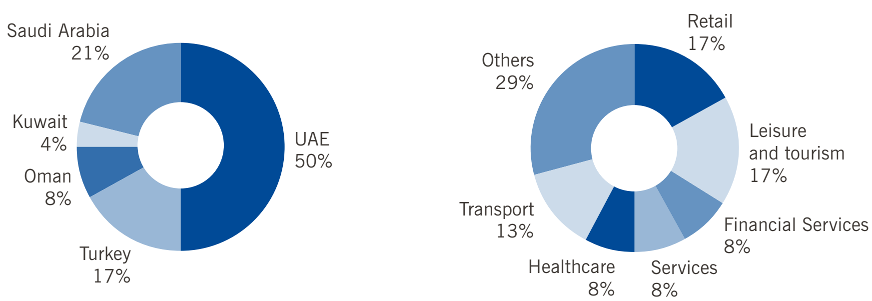
Despite the current oil price environment, most GCC countries have released expansionary budgets for 2015 in a bid to continue to diversify away their reliance on oil. Saudi Arabia, UAE, and Oman have increased their budgeted expenditure by 0.6%, 9.0% and 4.5% year-on-year respectively. Qatar has decided to extend its fiscal year until the end of 2015 versus March 31st, budgeting an expenditure of $15 billion and resulting in an estimated surplus of $1.5 billion. Other GCC economies such as Kuwait have taken a different approach by cutting spending but continuing to allocate its expenditure to social welfare and a range of major infrastructure projects.

The GCC equity markets stabilized somewhat in the first quarter of 2015 on the back of a rebound in oil prices. Markets, however, witnessed a volatile Q2 2015 due to external factors including geopolitical concerns surrounding Yemen, Greece's debt situation and a slight weakening of the US dollar. Recently the GCC financial markets have benefited from a number of positive catalysts including Qatar's increased weighting in the MSCI Emerging Markets Index, MSCI publishing a standalone index for Saudi Arabia and the widely anticipated opening of the Saudi Arabia stock market to foreign institutions.

Although the oil price decline has negatively impacted the GCC countries, oil importing countries such as Turkey are expected to benefit. The country continues to be held in high regard as a medium to long-term investment prospect with GDP growth for 2015 forecasted to be approximately 3.1% vs. 2.3% in 2014. Turkey's large current account deficit continues to improve on the back of a depreciating currency boosting exports, in addition to lower oil prices reducing imports. In June 2015, Turkey had general elections resulting in a hung parliament which contributed to a further depreciation in the currency. With (i) lower global oil prices; (ii) softer food prices; and (iii) a depreciating currency impact, the country's inflation stood at approximately 7.0% as of June 2015, above its targeted inflation of 5.0%, but below its 2014 levels. Furthermore, Fitch Ratings has reaffirmed Turkey's 'BBB-' investment grade rating, owing to its narrowing current-account deficit, healthy banking system and resilience to external shocks. The long-term outlook of the Turkish economy is positive, based on fundamentals such as its sizeable young population and its strategic location with growing regional trade. Such market dynamics coupled with the current cyclicality requires a patient and selective approach by investors.

Despite challenging market fundamentals, regional markets (GCC & Turkey) continue to attract the interest of investors, albeit at a slightly slower pace, as economies move to diversify away from oil. Private equity investments by regional players in these markets stood at 24 transactions in FY15, compared to 30 in FY14. A majority of these investments were in the UAE, Turkey, Saudi Arabia and Oman, and were primarily in the retail, leisure & tourism, services and transport sectors. The majority of investments in FY14 primarily occurred in the real estate and food & beverage sectors. Regional private equity investors continue to face increased competition for attractive assets, both from existing family groups and larger foreign private equity firms. While the impact of lower oil prices has not yet tempered valuations, the market may begin to correct itself in the future, thereby normalizing valuations and sellers' expectations.

Breakdown of private equity transactions in FY15



Source: Zawya Private Equity Monitor and Investcorp analysis

Private equity firms continue to plan for exits for their mature portfolio companies, so that investors can receive cash distributions and realize a return on their investments. However, with slightly challenging market fundamentals, private equity exits, both to private buyers and through IPOs, decreased from 19 in FY14 to 10 in FY15. The majority of these exits were in Saudi Arabia and UAE.

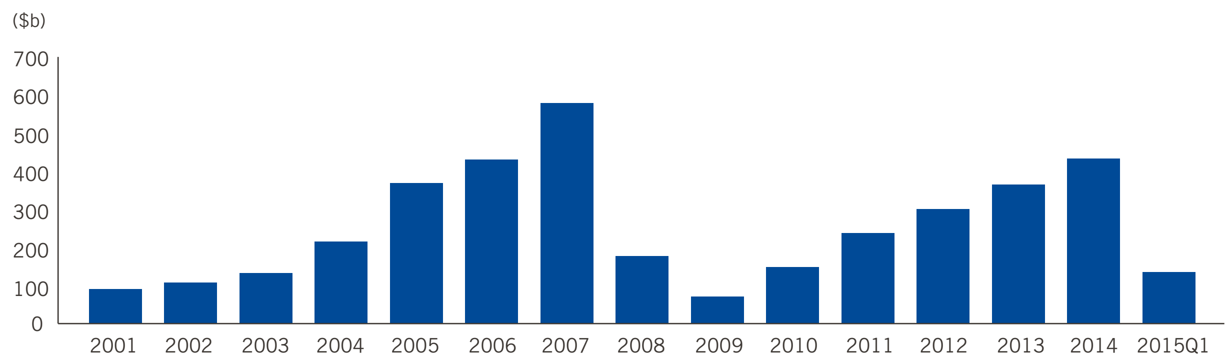
During FY15, IPO volumes were robust as companies listed on the exchanges with high valuations and oversubscriptions given the overall positive market sentiment. The latter part of the year witnessed lower IPO volumes as several companies delayed their listings due to the weakness and volatility of the markets. A total of 11 IPOs took place on GCC stock exchanges, raising $10.1 billion with an average oversubscription of 19.3x, down from 14 IPOs in FY14, which raised $2.6 billion at an average oversubscription of 9.9x.

REAL ESTATE INVESTMENT

Commercial real estate market fundamentals in the US continue to show steady improvement across most property classes in a majority of metropolitan areas. A strong US economy is driving demand for US property and an increase in leasing activity, market rents and values. The US has added over 3 million new jobs over the last 12 months, up from 2.3 million in 2013 and 2.9 million in 2014. This has resulted in a decline in the unemployment rate (down to 5.3% as of June 2015). In addition, US consumer spending is up 1% through June 2015, over the same period last year. These positive trends are having a favorable impact on the office, multifamily, retail, industrial and hospitality sectors.

Given the improving fundamentals and strengthening US economy, demand for US real estate remains robust. Significant equity capital is flowing into the sector and debt financing continues to be readily available at attractive rates and terms. 2014 commercial real estate sales volumes exceeded 2013 by 18.7% at $430 billion, but still well below the peak of $574 billion in 2007. First quarter transaction volumes indicate that investment activity in 2015 is off to a strong start. Q1 2015 volume was $133.8 billion, representing a 45% increase over the volume from the same period last year of $92 billion. The largest increase in activity has been in the retail and hospitality sectors. Both domestic and foreign investors continue to be attracted to US real estate assets, although there is strong competition between buyers. Long-term interest rates are expected to rise, but a gradual increase in rates is not expected to have a significant impact on property values or transaction volume.

Transaction volume



Source: Real Capital Analytics
Note: calendar years

The US office market continued to gain strength through the first quarter of 2015. According to CBRE Group, net absorption was positive and vacancy rates declined to 13.9%, the lowest level since 2008. Net absorption was strongest for suburban office space, with central business districts ('CBD') office space experiencing a more sluggish first quarter. The market remains resilient buoyed by increased office-using employment and modest levels of new construction. The tech industry and financial services accounted for the largest share of leasing demand in the US over the last two quarters. Development of new office space is on the rise. However, the level of new construction is expected to remain below the 20 year average and is largely concentrated in a few major markets, including larger cities in Texas, New York, the San Francisco Bay Area and Seattle.

US retail market fundamentals remained relatively flat through the first quarter of 2015. Vacancy has been stuck at 11.5% since Q3 2014 and rents grew only 0.9% from a year earlier, according to CBRE Group. But retail real estate performance varies widely by category. Class A properties in the most desirable locations, including high-end urban retail, have been thriving. Older centers in less favorable locations however are struggling and some have become obsolete and need to find new uses. Overall retail sales for the first quarter were down 1.2% from the previous quarter even though demand drivers, such as employment and personal income, remained strong. Economists attribute the low sales to an unusually harsh winter, adverse effects from the West Coast port strike, and lower exports from a strong US dollar. Market fundamentals should improve during the remainder of 2015 as the effects of the adverse factors diminish. Although new supply is expected to remain at historically low levels for 2015, completions are expected to increase somewhat in 2016.

Growth in the industrial market continued through the first quarter of 2015. The sector had its 20th consecutive quarter of net absorption, per CBRE Group. Demand, which was strong in core distribution and key secondary markets, outpaced supply nearly 2 to 1 and the vacancy rate declined to 10.1%. March industrial production slowed slightly but was still up 2% year-over-year, which is considered robust. Tracking industrial production is important because output helps drive demand across the supply chain. Development is on the rise and is tracking leasing demand. Much of the development coming online in 2015 is split between core distribution markets like Atlanta, Chicago, Inland Empire and Los Angeles, and key secondary markets such as Indianapolis, Minneapolis, Philadelphia and Phoenix.

The 'for rent' multifamily market continues to thrive. Americans' growing propensity to rent instead of buy has further increased demand for multifamily housing. The homeownership rate in the US is at 63.7%, a 23-year low. As a result, vacancy rates remain below 5% (for the fourth consecutive quarter) and rent growth posted its strongest year-over-year gain in Q1 2015, reaching 5.9%. Markets with the strongest demand continue to be concentrated in the south and west. New development is on the rise but is expected to peak in 2016. Most construction activity is in San Francisco, New York, the Texas metro areas, Boston and Washington, D.C., all markets where demand remains very strong.

US hospitality market fundamentals continue to improve. During Q1 2015, the US hospitality market had its fourth consecutive quarter of revenue per available room ('RevPAR') growth, up 8% compared to the previous year. According to PKF-HR, occupancy was up 3.1%, nearing the pre-recession peak of 65%. As hotels reach record occupancy levels, operators have had the leverage to increase room rates, resulting in an average daily rate ('ADR') increase of 4.7%. As demand continues to outpace supply, western cities like San Jose-Santa Cruz, San Francisco, Phoenix and Oakland are leading the way in ADR growth in 2015. New development is increasing in 2015, and some markets will experience supply growth above the long-term average of 1.9%. Markets that will see the biggest increase in supply this year include New York, Miami, Seattle and Austin.

HEDGE FUNDS

FY15 was challenging for the hedge funds industry with subdued performance of +3.9%, as measured by the HFRI Fund of Funds Composite Index, compared to the index's performance of +7.6% for FY14.

Global markets were reasonably strong over the fiscal year – albeit with some intermittent volatility, particularly through October 2014 – and broadly continued to reach new highs in the first half of 2015. The US led global equity markets in 2014 with the S&P 500 Total Return up +13.7%, driven by technology and healthcare names. Entering 2015, market leadership shifted, as European and Asian markets, which had lagged the US, gained momentum.

In January 2015, the ECB announced the launch of an open-ended quantitative easing scheme which provided a fillip to the European stock markets (Eurostoxx +17.5% over Q1 2015 and Germany's DAX index posted the strongest first quarter performance since its creation in 1988). Commensurately, the Euro declined against the US dollar from 1.36 in July 2014 towards 1.10 in March 2015. In Japan, Prime Minister Shinzo Abe's regulatory reform program to improve the country's corporate governance, combined with expectations of a significant strategic asset allocation shift into equities by the Government Pension Investment Fund ('GPIF'), the world's largest public sector investor, added positive sentiment to Japan equities. After lagging in 2014, the Nikkei rebounded strongly and was up +17.4% for the first half CY 2015.

As Investcorp's fiscal year ended, market exuberance was muted as the ongoing debt crisis in Greece reared its head again in May. In June, the Greek situation was compounded by an aggressive sell-off in Chinese equities (the CSI 300 index had climbed +145% from July 2014 to mid-June 2015 before falling -25% into June end) leaving investors anxious.

Despite these twists and turns in global markets and geopolitics, certain hedge fund strategies were able to produce solid performance.

FY15 was a strong environment for Event Driven strategies as US corporates were flush with excess cash of $2 trillion. This combined with peak cycle profit margins and slowing top-line growth pushed management teams to act. The increased corporate action led to high levels of event-driven activity and, with global M&A volumes at multi-year highs, other event activities including buy-backs, recapitalizations and high profile activist campaigns were also elevated. In spite of this positive backdrop, a series of failed deals – including the $55 billion AbbVie/Shire tax inversion – led to de-risking by many funds with similar positioning in September and October 2014 and flat performance for the fiscal year.

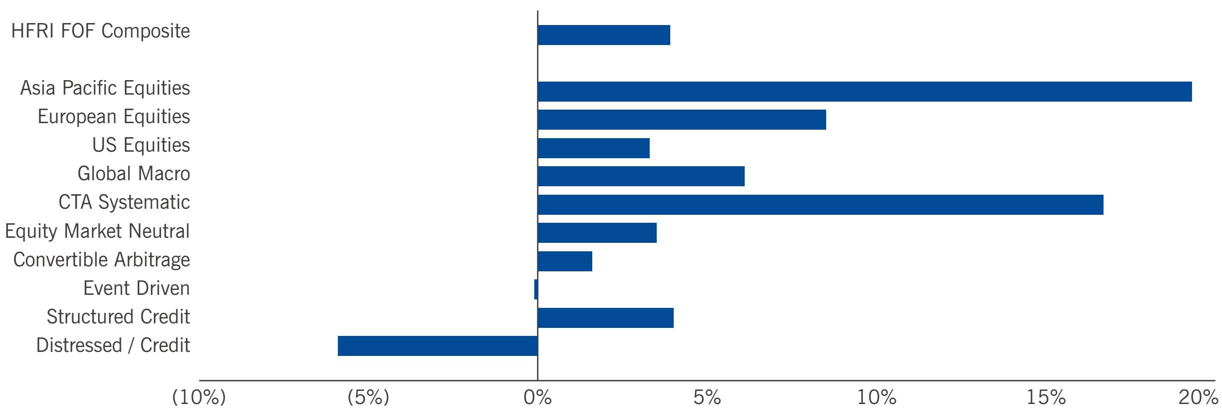
Hedge Equity strategies performed reasonably well over the fiscal year. There were opportunities to tactically time beta, and reasonable stock dispersion and falling stock correlations provided managers with an opportunity to add stock selection alpha. Global managers were also able to profit from the resurgence in European and Japanese markets, as well as sectoral themes such as healthcare.

Macro strategies – systematic in particular – saw resurgence through the end of 2014 and the start of 2015. After several years of tepid performance, falling cross-asset correlations driven by the divergence of country business cycles, led to several opportunities for macro players. Key themes for systematic players included the strengthening dollar (mainly against the euro and yen), long duration and equity beta combined with falling energy prices in Q4. This led to outsized returns in trend-oriented managers. Discretionary managers fared less well, particularly those that didn't time duration well through an aggressive sell-off into year end.

Performance for distressed credit strategies remained subdued as corporate defaults were very low. Most of the opportunity set over the past 12 months resided in more idiosyncratic areas including European bank deleveraging themes or opportunistic plays relating to the energy sector. US corporate credit also remained muted as yield levels for high yield securities continued to grind down.

Relative Value strategies were mixed during the fiscal year. The opportunity set for classic fixed income relative value strategies has improved somewhat over the last 12 months. One impact of financial regulation has been in the reduction of risk warehousing by banks which has led to less capital following arbitrage opportunities. This, combined with heightened volatility, has improved the opportunity set. Convertible arbitrage strategies have seen mediocre valuation levels offset by more positive issuance trends and potential idiosyncratic trades. Equity market neutral strategies have been relatively consistent, with diversified global players able to extract idiosyncratic opportunities.

Performance of hedge fund strategies* (July 2014 - June 2015)

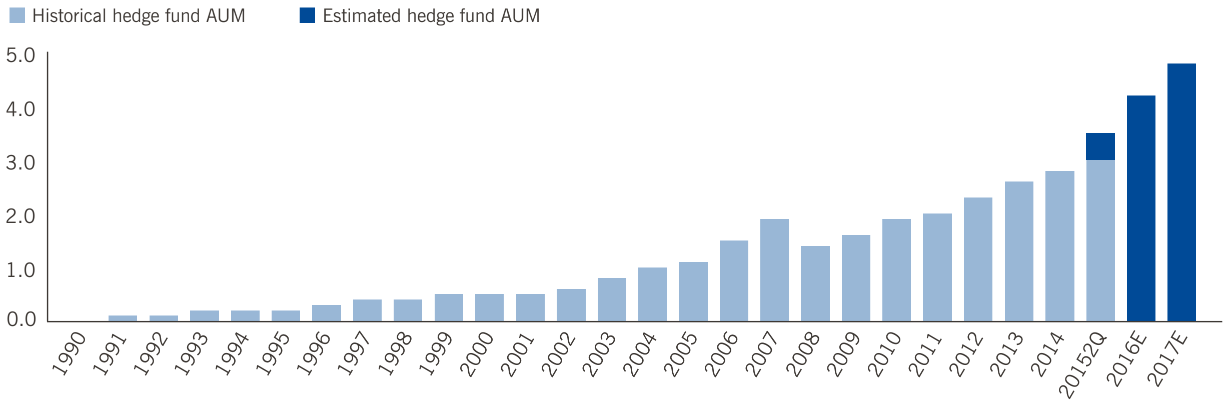


* Strategy benchmark returns are sourced from various external providers

The hedge funds industry continued to experience inflows and new fund launches during FY15. As of June 2015, total industry assets reached an estimated $3.0 trillion. While FY15 performance was moderate overall, it brought about further distinction between winners and losers, with wide dispersion of returns among hedge funds. Many top-quality hedge funds were able to deliver strong performance during periods of market volatility, underscoring the importance of a robust manager selection process.

Hedge fund industry assets under management

($ trillion)



Source: AUM data is up to 2Q 2015 from HFR Industry Reports © HRF, Inc. Second Quarter 2015 HFR Global Hedge Fund Industry Report, www.hedgefundresearch.com & AUM projections from 2014 Citi Prime Finance Publication, June 2014

Hedge funds as an asset class, and the ways in which investors invest in them, have continued to evolve. Following the 2008 financial crisis, investors were heavily focused on liquidity and generally shied away from illiquid investments. However, there now appears to be a divergence in that trend, resulting from a muted return environment for risk assets in general. There are many investors who are increasingly willing to sacrifice liquidity in favor of enhanced returns. As a result, two trends are emerging: one toward more liquid alternatives and one toward less liquid investments.

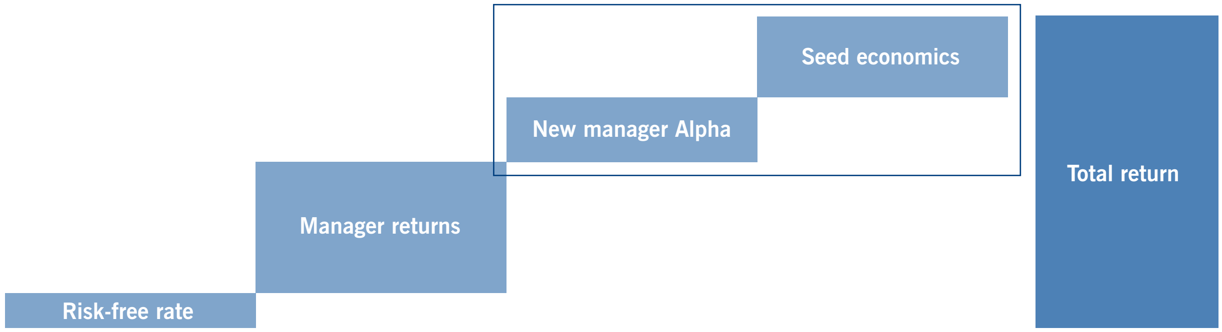
Some investors, who are seeking hedge fund-like returns with greater liquidity, are investing in 40 Act Funds (funds offering hedge fund strategies in mutual fund format with enhanced liquidity, no incentive fees and leverage limits) and UCITS funds that are popular with institutional investors in Europe.

Hedge fund structures on liquidity spectrum

Examples:		
40 ACT Funds/UCITS	Typical hedge funds	Co-investment portfolios
Attributes:		
Daily/weekly/liquidity	Monthly/quarterly/yearly	Locked for 2-3 years
No incentive fees	Management and incentive fees	Lower management fees; plus incentive fees

Other investors are increasingly willing to trade liquidity for potential outperformance by investing in co-investment portfolios that have typically longer-duration investments. Opportunistic portfolios typically seek to capture market opportunities such as asset class dislocations and deleveraging to generate higher returns for investors. Some investors are looking to enhance returns through early stage investments in emerging managers and/or seeding. The potential for higher alpha from emerging managers has been well documented. In addition, early-stage investors may have additional leverage to negotiate lower fees than they do with established managers. Founder share classes may also be offered to early investors, significantly reducing their fee burden. In certain instances, these early-stage investors are also able to secure future capacity if and when the fund grows. Sophisticated investors continue to be willing to provide seed capital or co-seed with other partners and lock up capital in exchange for a share of the economics that can result from the growth of the fund.

Alpha from seeding



Another important market development continues to be investors' steadily increasing appetite for risk factor-based investing. A number of European and US state pension plans have shifted significant portions of their assets to risk factor-based strategies ('risk premia' strategies).[1] Investors are continuing to explore the most appropriate role for these strategies within their overall portfolios. Some investors are evaluating these strategies as a (i) substitute for traditional beta; (ii) substitute for hedge fund/alternative allocation; (iii) way to access new sources of alpha; and (iv) overall portfolio diversifier. In a JP Morgan Survey of Institutional Investors, it indicated that pensions, insurers and asset managers are most likely to increase their allocations to risk premia strategies. The survey also indicates that most respondents believe assets in risk premia strategies will increase significantly over the next three years.

Investcorp expects the hedge funds industry to continue to evolve at an increasing pace as investors continue to evaluate their needs and seek more efficient methods for obtaining their objectives.

1 http://www.pionline.com/article/20150615/PRINT/306159978/pioneers-taking-different-paths-on-risk-factor-based-investing

DISCUSSION OF RESULTS

Following the publication of new International Financial Reporting Standards (‘IFRS’) guidelines for recognition of ‘Revenue from Contracts with Customers’, Investcorp has reviewed and revised its revenue recognition policies accordingly and early adopted the new requirements of IFRS 15. Consistent with IFRS guidelines for adoption of revised accounting standards, this has resulted in the restatement of certain line items on Investcorp’s historical financial statements presented as comparatives. For details please refer to Note 29 of the Consolidated Financial Statements for the period ended June 30, 2015. Income and balance sheet items as at June 30, 2014 referred to in this discussion for comparison have therefore been restated to reflect the new requirements under IFRS 15.

NET INCOME

Net income 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’), real estate (‘RE’) and hedge fund (‘HF’) products.

Fiscal year 2015 (‘FY15’) has been another year of strong performance and marks the third year in a row of double digit income growth. Net income has compounded at a cumulative annual growth rate (‘CAGR’) of 18% since FY12. Investcorp’s FY15 results represent a return on equity (‘ROE’) of 16% and a 71% increase in fully diluted earnings per share (‘EPS’) to $129 per ordinary share.

Income ($m)	**FY15**	FY14	% Change B/(W)
Fee income	**308.2**	315.8	(2%)
Asset-based income	**73.0**	47.6	53%
Gross operating income	**381.1**	363.4	5%
Provisions for impairment	**(2.8)**	(1.4)	>(100%)
Interest expense	**(58.0)**	(60.6)	4%
Operating expenses	**(203.6)**	(198.4)	(3%)
Net income	**116.7**	103.1	13%
Basic earnings per ordinary share ($)	**140**	87	61%
Fully diluted earnings per ordinary share ($)	**129**	76	71%

Net income of $116.7 million for FY15 was 13% higher than the comparative period last year (FY14: $103.1 million), driven by strong asset-based income.

Fee income decreased marginally to $308.2 million (FY14: $315.8 million) primarily driven by lower performance fees which was only partially offset by an increase in more predictable AUM fees and higher activity fees. Asset-based income increased by 53% to $73.0 million (FY14: $47.6 million), reflecting significantly higher returns on balance sheet co-investments in corporate investment and real estate. Interest expense declined by 4% reflecting lower average levels of debt and operating expenses increased by 3% to $203.6 million (FY14: $198.4 million) from higher compensation expense accruals resulting from higher net income.

FEE INCOME

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

Summary of fees ($m)	**FY15**	FY14	% Change B/(W)
Hedge fund fees	**21.4**	28.8	(25%)
CI & RE management fees	**90.1**	71.2	26%
AUM fees	**111.5**	100.0	12%
Activity fees	**158.9**	151.6	5%
CI & RE performance fees	**37.7**	64.2	(41%)
Deal fees	**196.6**	215.8	(9%)
Fee income	**308.2**	315.8	(2%)

Total fee income in FY15 was $308.2 million (FY14: $315.8 million). This is the third consecutive year of fee income exceeding $300 million reflecting the stability and growth profile of Investcorp's client franchise and fee-generating business. Higher management fees and deal activity fees were offset by a decrease in performance fees and hedge fund fees. AUM fees were $111.5 million in FY15, 12% higher than FY14. Hedge fund fees declined by $7.4 million, reflecting lower absolute returns compared to the previous period and a decreased level of client AUM. Management fees increased by 26% to $90.1 million primarily as a result of higher client AUM for corporate investment and real estate. The increase also reflects the strong placement activity over the last several years which translates into an increasing contribution to current year management fees from the prior years' placements under the revised IFRS 15.

Deal fees, in aggregate, declined in FY15 to $196.6 million. Although activity fees increased by 5% to $158.9 million, reflecting a higher level of acquisition and deal-by-deal placement volumes, this was offset by a decline in the more volatile component of performance fee accruals relative to FY14.

ASSET-BASED INCOME

Asset-based income is earned on Investcorp's corporate investment, real estate investment and hedge funds co-investments held on the balance sheet, including invested liquidity. Asset-based income includes unrealized changes in fair value of corporate and real estate co-investments.

Gross asset-based income increased by 53% in FY15 to $73.0 million from $47.6 million in FY14, as a result of significant increases in corporate investment and real estate investment returns. Total corporate investment and real estate investment asset-based income nearly quadrupled from $16.0 million in FY14 to $61.3 million in FY15. The improvement in corporate investment and real estate investment returns was partially offset by a decline in hedge fund asset-based income from $28.2 million in FY14 to $9.1 million in FY15. Hedge fund returns rebounded strongly from the challenging investment environment in the first half of the fiscal year to report income of $19.4 million in the second half and full year income of $9.1 million.

Asset-based income ($m)	**FY15**	FY14	% Change B/(W)
Corporate investment	**49.8**	23.8	>100%
Hedge funds	**9.1**	28.2	(68%)
Real estate investment	**11.5**	(7.8)	>100%
Treasury and other asset-based income	**2.6**	3.4	(25%)
Gross asset-based income	**73.0**	47.6	53%

The tables below summarize the primary drivers of asset-based income for corporate investment, hedge funds and real estate investment:

CI asset-based income KPIs ($m)	**FY15**	FY14	% Change B/(W)
Asset-based income	**49.8**	23.8	>100%
Average co-investments (excluding underwriting)	**734.1**	899.3	(18%)
Absolute yield	**6.8%**	2.6%	4.1%

HF asset-based income KPIs ($m)	**FY15**	FY14	% Change B/(W)
Asset-based income	**9.1**	28.2	(68%)
Average co-investments	**451.2**	390.1	16%
Absolute yield	**2.0%**	7.2%	(5.2%)

RE asset-based income KPIs ($m)	**FY15**	FY14	% Change B/(W)
Asset-based income	**11.5**	(7.8)	>100%
Average co-investments	**209.7**	216.4	(3%)
Absolute yield	**5.5%**	(3.6%)	9.1%

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 (annualized)	FY11	FY12	FY13	FY14	**FY15**	Average (FY11–FY15)
Corporate investment	13.1%	5.6%	0.0%	2.6%	**6.8%**	5.6%
Real estate investment	20.1%	7.9%	0.1%	(3.6%)	**5.5%**	6.0%
Hedge funds	6.5%	(8.4%)	6.6%	7.2%	**2.0%**	2.8%
Aggregate co-investment yield	11.6%	1.4%	1.6%	2.9%	**5.0%**	4.5%

Corporate investment returns have improved steadily over the last two years due to an improving macro-economic environment and growing profitability across the underlying portfolios companies. Returns over the five year period from FY11 have averaged 5.6%. Real estate returns over the same five year period have averaged 6.0% reflecting strong performance of the post-2009 real estate portfolio which continues to deliver targeted levels of on-going rental yields. Real estate returns in FY13 and FY14 were negatively impacted by valuation write downs on legacy (pre-FY09) investments. Investcorp's hedge fund co-investment performance of 2.0% in FY15 was lower than long-term averages. The underperformance was due to large drawdowns experienced by a couple of managers in the first half of the fiscal year particularly during the market turbulence of October 2014. With the exception of FY15 and FY12 when returns were negatively impacted by the European sovereign debt crisis, hedge fund co-investments have been delivering targeted absolute returns of 6-7% per annum.

INTEREST EXPENSE

Total interest expense, including commitment fees on undrawn revolving credit facilities, decreased by 4% to $58.0 million in FY15 from $60.6 million. The decline was principally due to lower average levels of interest-bearing debt outstanding in FY15 which decreased to $1,246 million (FY14: $1,407 million). The funding mix remained stable, with short-term liabilities representing one-third of the total.

The average cost of drawn funding was slightly lower year-on-year by 0.1% as shown in the table below.

Interest expense ($m)	**FY15**	FY14	Change H/(L)
Total interest expense	**58.0**	60.6	(2.5)
Average short-term interest-bearing liabilities	**422**	465	(43)
Average medium- and long-term interest-bearing liabilities	**824**	942	(118)
Average interest-bearing liabilities	**1,246**	1,407	(161)
Interest expense on funded liabilities*	**48.6**	56.7	(8.1)
Average cost of funding on funded liabilities	**4.0%**	4.1%	(0.1%)

* Does not include commitment fee and other facility costs on undrawn revolvers

OPERATING EXPENSES

Operating expenses increased by 3% to $203.6 million in FY15 from $198.4 million in FY14. Staff compensation, which includes fixed and variable components, increased by 12% due to higher headcount investments in several business areas to facilitate top-line growth and higher incentive compensation accruals in light of the higher net income. Total compensation per full time employee (‘FTE’) grew by 4% over last year, whilst other operating costs per FTE fell by 14%, reflecting the scalability and operating leverage of Investcorp’s business model. Other expenses, comprising professional fees, travel and business development, administration and infrastructure costs and non-compensation personnel costs such as training and recruitment decreased by 10%. Total expenses, as a percentage of net revenues, also decreased to 64% in FY15 from 66% in FY14.

Operating expenses ($m)	**FY15**	FY14	Change
Staff compensation	**129.1**	115.8	12%
Other personnel costs and charges	**8.1**	10.6	(23%)
Other operating expenses	**66.3**	72.0	(8%)
Total operating expenses	**203.6**	198.4	3%
Full time employees (FTEs) at end of period	**301**	281	20
Staff compensation per FTE (’000)	**429.0**	412.1	4%
Other operating expenses per FTE (’000)	**220.4**	256.3	(14%)
Total staff compensation/total operating expenses	**63%**	58%	5%
Operating expenses/Net revenue*	**64%**	60%	(2%)

*Net revenue represents net income before operating expenses

BALANCE SHEET

Key balance sheet metrics are shown in the table below.

Balance sheet metrics	**Jun-15**	Jun-14
Total assets	**$2.2 billion**	$2.3 billion
Leverage*	**1.3x**	1.2x
Net leverage ratio**	**0.7x**	0.9x
Shareholders' equity	**$0.9 billion**	$0.9 billion
Co-investments***/long-term capital****	**0.8x**	1.0x
Capital adequacy ratio	**28.7% (Basel III)**	27.5% (Basel II)
Residual maturity – medium- and long-term facilities	**75 months**	87 months

*Calculated in accordance with bond covenants

**Calculated in accordance with bank loan covenants which is net of liquidity, underwriting and deferred fees

***Excludes underwriting and is net of revolving facilities secured against hedge fund co-investments

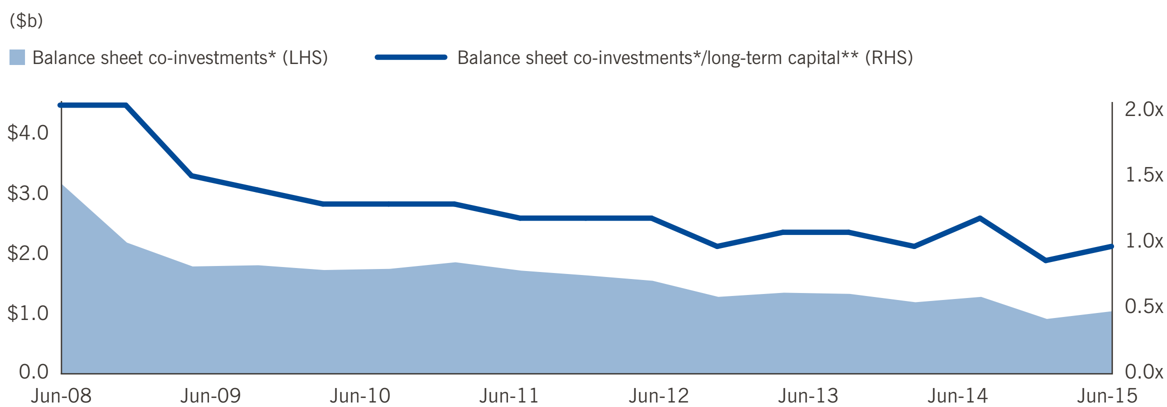
****JPY 37 billion debt maturing in 2030 and $50 million debt maturing in 2032, deferred fees and total equity

ASSETS

Assets ($m)	**Jun-15**	Jun-14	Change H/(L)
Cash & other liquid assets	**339**	227	112
CI & RE underwriting	**88**	112	(25)
HF co-investments	**421**	476	(55)
CI & RE co-investments (excluding underwriting)	**810**	1,041	(231)
Other (working capital & fixed assets)	**503**	447	56
Total assets	**2,161**	2,304	(143)
Co-investment assets (excluding underwriting)	**1,231**	1,517	(286)

At June 30, 2015, total assets were $2.2 billion, 6% lower than at June 30, 2014, primarily driven by a reduction in co-investments, which was partially offset by an increase in liquidity and other working capital. The lower amount of CI and RE co-investments reflects the sale of Berlin Packaging, previously the largest individual CI co-investment, as well as the partial realizations of Fishnet Security and Asiakestieto. The reduction in HF co-investment primarily relates to redemptions from two single managers. As at June 30, 2015, gross exposure in hedge funds was $421 million of which $50 million was utilized to secure amounts drawn under a bilateral $175 million revolving facility.

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



* Excludes underwriting and is net of total facilities which are secured against hedge funds when drawn

** Long-term capital consists of JPY 37 billion debt maturing in 2030, $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, 2015 the aggregate level of co-investments, net of a $175 million revolving facility which is secured against hedge funds when drawn, remained fully covered by permanent and long-term sources of capital.

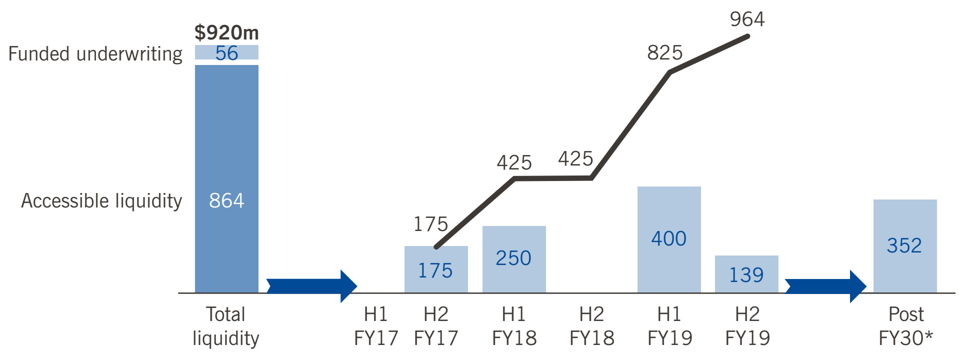
LIQUIDITY

Accessible liquidity, comprising balance sheet cash, other liquid assets and undrawn committed revolving facilities was $0.9 billion (June 30, 2014: $0.7 billion) and substantially covers all outstanding medium-term debt maturing over the next four years.

Hedge fund co-investments provide a further structural tier of liquidity but are now a less significant component. The monetization profile of Investcorp's $421 million hedge fund co-investments at June 30, 2015 was approximately 74% within three months, 77% within six months and 89% within 12 months. As at June 30, 2015, $50 million of hedge fund co-investments were provided as collateral against secured revolving financing facilities.

Liquidity cover

($m)



*JPY 37 billion ($302 million at current exchange rates) debt maturing in 2030 and $50 million maturing in 2032

LIABILITIES

Total liabilities fell by $106 million to $1.3 billion at June 30, 2015 from $1.4 billion in June 30, 2014.

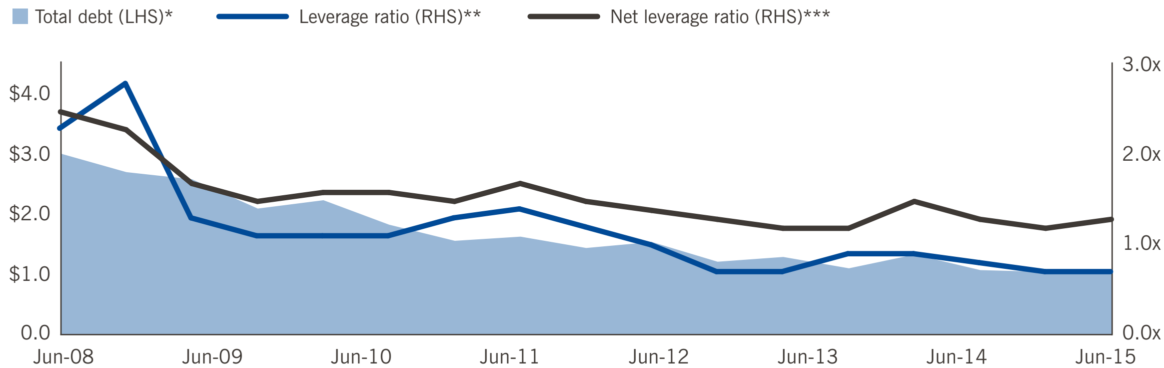
Liabilities ($m)	**Jun-15**	Jun-14	Change H/(L)
Term and institutional borrowings	**38**	136	(98)
Call accounts	**101**	96	5
Medium-term debt	**435**	497	(63)
Long-term debt	**348**	410	(62)
Total debt	**922**	1,139	(218)
Deferred fees	**100**	83	18
Other liabilities*	**258**	164	94
Total liabilities	**1,279**	1,386	(106)

*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 repayment of drawn revolvers which remain available for future drawdown as needed for funding new deal underwriting and working capital requirements. The reduction in long-term debt, the majority of which is denominated in Japanese Yen, was primarily due to the depreciation of the Yen against the US Dollar. Currency translation risks are fully hedged, and hence there is no material impact from this or other exchange rate variations.

Financial leverage

($b)



* Total debt is defined as call accounts, term and institutional borrowings, 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 and in line with Investcorp's medium-term objectives.

The net leverage covenant in the $400 million revolving credit facility due in July 2018 is calculated by deducting cash and underwriting balances from liabilities and excludes the impact of adoption of the revised IFRS 15.

CREDIT RATINGS

Investcorp held its annual rating review with both Moody's and Fitch in October. Moody's re-affirmed Investcorp's credit ratings at Ba2 in January 2015 and retained a stable outlook. Fitch Ratings re-affirmed Investcorp's credit ratings at BB in March 2015 and retained a stable outlook.

Agency	Rating grade	Comment
Moody's Investor Service	Ba2/Stable outlook	Rating affirmed in Jan 2015 Credit opinion published in Mar 2015
Fitch Ratings	BB/Stable outlook	Ratings Navigator published in Jan 2015 Rating and outlook confirmed in Mar 2015 Rating report published in Mar 2015

EQUITY

Equity ($m)	**Jun-15**	Jun-14	Change H/(L)
Ordinary shareholders' equity	**624**	463	161
Preference share capital	**225**	391	(166)
Proposed appropriations	**42**	63	(21)
Fair value & revaluation adjustments	**(9)**	1	(10)
Net book equity	**882**	918	(36)

Net equity at June 30, 2015 was $0.9 billion. The decrease in FY15 primarily relates to further retirement of preference shares and the payment of dividends in respect of FY14 offset by an increase in ordinary shareholders' capital reflecting the sale of treasury shares to a new Gulf-based institutional shareholder together with the net income for the year.

During FY15, an aggregate of 166,222 preference shares were retired for a total aggregate price of $171.9 million including accrued dividends. Investcorp has now retired more than half of the preference shares raised in 2009, using a combination of retained earnings and capital released from the reduction of balance sheet co-investments. Also, during FY15, Investcorp sold a significant number of treasury shares to a new Gulf-based institution, resulting in an increase in the ordinary share capital of $161 million inclusive of the retained earnings for FY15. Book value per ordinary share as of June 30, 2015 was $900.03 per ordinary share (FY14: $737.77 per ordinary share).

At June 30, 2015, Investcorp remains a management controlled company, with management, in concert with strategic shareholders, controlling the voting of 67.1% of Investcorp's ordinary shares.

CAPITAL ADEQUACY

On the basis of the Capital Adequacy Rulebook Module published in early July 2014, Investcorp's Basel III CAR is not materially different to its capital adequacy reported under Basel II. As at June 30, 2015 the Basel III CAR was 28.7%.

In August 2014, the CBB confirmed Investcorp's designation as a Domestic Systemically Important Bank ('DSiB'). As a result of this designation, Investcorp will be subject to an increased frequency of prudential meetings and inspections by the CBB. Subject to a separate future assessment, the CBB may also require DSIBs to maintain a higher minimum level of regulatory capital.

SEGMENTAL ANALYSIS

NET INCOME BY OPERATING SEGMENT

Investcorp's activities are classified into two primary operating segments: a fee business and a co-investment business.

The fee business earns income generated from transactional activity and management of client AUM. The co-investment business earns asset-based income on balance sheet co-investments in Investcorp's corporate investment, real estate and hedge fund products. Asset-based income arising from treasury and other activities is attributed to the fee business.

This classification reflects a commonly used approach for a hybrid firm such as Investcorp, where the overall business can be considered a combination of fee income and investment income generating components, essentially the combination of an asset management business and a principal investment business. As the fee and co-investment businesses are clearly distinct, separate financial disclosure of the two segments should enhance stakeholders' understanding of Investcorp's business model. This is especially important as the fee business continues to evolve as the dominant contributor to, and driver of, Investcorp's overall financial performance.

A portion of the aggregate operating expenses are allocated to the co-investment business on an ex-ante basis using a proxy fixed fee that is levied on total balance sheet co-investments at the beginning and middle of the year. A portion of the variable compensation expenses are also allocated to the co-investment business based on the Firm's overall compensation ratio. All residual operating expenses, which are the bulk of the total operating expenses of the Firm, are attributable to the fee business.

Interest expense is allocated between the two operating segments based on the average balances of interest bearing liabilities utilized by each segment for its operations.

NET INCOME FROM FEE BUSINESS

A detailed analysis of the net income for the fee business is shown in the table below:

Net income: fee business ($m)	**FY15**	FY14	% Change B/(W)
AUM fees	**111.5**	100.0	12%
Deal fees	**196.6**	215.8	(9%)
Treasury and other asset-based income	**2.6**	3.4	(26%)
Gross revenue from fee business	**310.7**	319.3	(3%)
Provisions for impairment	**(2.8)**	(1.4)	>(100%)
Interest expense	**(30.0)**	(30.6)	2%
Net revenue from fee business	**277.9**	287.3	(3%)
Operating expenses	**(191.8)**	(187.9)	(2%)
Net income from fee business	**86.1**	99.4	(13%)

Although gross revenues from the fee business decreased by 3% from $319.3 million in FY14 to $310.7 million in FY15, the quality of earnings improved as recurring AUM fees increased by 12% and now represent 36% of the total, up from 33% in FY14. The decline in gross revenues was driven by the more volatile performance fee component of hedge fund fees and deal feels. Corporate investment performance fee accruals were the largest contributor to the 9% decline in deal fees. The increase in AUM fees, on the other hand, benefited from an increase in real estate and corporate investment placement volume in recent years and the associated growth in AUM.

Please refer to Discussion of Results – Fee income for more detail on the performance in FY15 compared to FY14.

Net income from the fee business declined by 13% to $86.1 million in FY15 from $99.4 million in FY14. This was primarily driven by the decrease in revenues described above as well as the overall increase in the Firm's operating expenses. This resulted in an increase in operating expenses for both the fee business and the co-investment business but had a greater absolute impact on the fee business, reflecting the relative sizes of the two operating segments.

NET INCOME FROM CO-INVESTMENT BUSINESS

A detailed analysis of the net income for the co-investment business is shown in the table below:

Net income: co-investment business ($m))	**FY15**	FY14	% Change B/(W)
Asset-based income from hedge funds co-investments	**9.1**	28.2	(68%)
Asset-based income from corporate co-investments	**49.8**	23.8	>100%
Asset-based income from real estate co-investments	**11.5**	(7.8)	>100%
Gross revenue from co-investment business	**70.4**	44.1	60%
Interest expense	**(28.1)**	(30.0)	6%
Net revenue from co-investment business	**42.3**	14.1	>100%
Operating expenses	**(11.7)**	(10.4)	(13%)
Net gain from co-investment business	**30.6**	3.7	>100%

Net income from the Group's co-investment business was a gain of $30.6 million in FY15 as compared to $3.7 million in FY14. Asset-based income from co-investments in corporate investments and real estate investments both increased significantly, offset by a decline in hedge funds asset-based income due to significant market turbulence and negative performance in the first six months of the fiscal year. This loss was more than reversed in the second half of the year.

Please refer to Discussion of Results – asset-based income for more detail on the performance in FY15 compared to FY14.

BALANCE SHEET BY OPERATING SEGMENT

The following methodology has been used for allocating assets, liabilities and equity to each of the fee and co-investment business segments:

Assets: All co-investments and related receivables, excluding underwriting, are allocated to the co-investment business. All other assets, including cash in transit associated with redemptions from hedge funds and realizations of corporate and real estate co-investments and associated advances are allocated to the fee business.

Liabilities: All long-term debt and a proportion of drawn medium-term debt, including secured loans, are allocated to the co-investment business. Client investment accounts, term and institutional borrowings and the residual amount of medium-term debt are allocated to the fee business.

Equity: 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 business segment on the basis of the asset or liability to which they relate.

At the beginning of each fiscal year, the amount of equity required for the fee business is re-assessed based on the next 12 months' planned investment and placement activity. As a result, any excess or shortfall in the assessed equity for the fee business will be moved either to, or from, the co-investment business.

As at June 30, 2015, the segmental balance sheets for the fee business and the co-investment business are shown in the table below:

	Fee business		Co-investment business		Total	
Balance sheet ($m)	**Jun-15**	Jun-14	**Jun-15**	Jun-14	**Jun-15**	Jun-14
Cash & other liquid assets	**339.3**	227.2	**–**	–	**339.3**	227.2
Advances & receivables	**377.8**	329.1	**8.7**	6.1	**386.4**	335.1
Co-investments (HF, CI, RE)	**–**	–	**1,231.2**	1,517.2	**1,231.2**	1,517.2
Underwriting	**87.5**	112.4	**–**	–	**87.5**	112.4
Other assets	**117.0**	112.2	**–**	–	**117.0**	112.2
Total assets	**921.6**	780.8	**1,239.8**	1,523.3	**2,161.4**	2,304.1
Call accounts	**101.0**	95.8	**–**	–	**101.0**	95.8
Term and institutional borrowings	**37.7**	135.7	**–**	–	**37.7**	135.7
Medium-term debt	**332.3**	203.1	**84.7**	271.1	**417.1**	474.2
Long-term debt	**–**	–	**346.2**	408.1	**346.2**	408.1
Deferred fees	**100.3**	82.7	**–**	–	**100.3**	82.7
Other liabilities	**271.3**	172.2	**5.8**	17.0	**277.1**	189.2
Total liabilities	**842.7**	689.6	**436.8**	696.2	**1,279.4**	1,385.8
Total equity	**78.9**	91.3	**803.1**	827.1	**882.0**	918.4
Total liabilities & equity	**921.6**	780.8	**1,239.8**	1,523.3	**2,161.4**	2,304.1

The total assets of the co-investment business decreased to $1.3 billion as compared to $1.5 billion at June 30, 2014, primarily due to the realization of Berlin Packaging in CI co-investments and lower CI Europe co-investment amounts, in dollar terms, due to the depreciation in the Euro and British Pound against the US Dollar.

The total assets of the fee business increased to $921.6 million, primarily driven by a higher level of liquidity carried on the balance sheet as at June 30, 2015.

Equity allocations to the business segments reduced slightly as a result of the overall reduction in the size and risk profile of each business's balance sheet.

INVESTMENT ACTIVITY

NEW ACQUISITIONS: CORPORATE INVESTMENTS

Investcorp targets the acquisition of corporate investment opportunities that it believes to be attractive in North America, Europe, the Gulf region and Turkey. In addition, it continues to actively support its existing portfolio companies to increase market share and expand their operational footprint through selected add-on acquisitions.

The Firm seeks corporate investments that it believes offer its investors an attractive return profile, driven by proactive value creation initiatives including revenue growth through expansion in new products and territories, business efficiency improvements and the strengthening of management teams.

The aggregate capital deployed in corporate investments during FY15 was $625 million. $607 million was deployed across five new corporate investments, $16 million was deployed to fund one add-on acquisition and $3 million was invested through the Investcorp Technology Partners III Fund into an existing portfolio company.

PRO Unlimited

PRO UNLIMITED

A leading provider of software and services that enable large enterprises to manage their contingent workforce

Date of investment: October 2014

Industry sector: Industrial services – business services

Headquarters: Florida, US

DAINESE

DAINESE

One of the leading global brands in the protective gear market for motorcycling and other dynamic sports

Date of investment: December 2014

Industry sector: Consumer products – retail

Headquarters: Vicenza, Italy

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arvento Mobile Systems

ARVENTO MOBILE SYSTEMS

Multiple award-winning telematics solution provider based in Turkey

Date of investment: February 2015

Industry sector: Business services

Headquarters: Ankara, Turkey

NOBEL LEARNING COMMUNITIES INC.

NOBEL LEARNING COMMUNITIES

Leading provider of private pre-school through high school education in the US

Date of investment: March 2015

Industry sector: Consumer services

Headquarters: Pennsylvania, US

NDT CORROSION CONTROL SERVICES CO. (NDTCCS)

Largest provider of non-destructive testing services in Saudi Arabia serving the industrial sector

Date of investment: May 2015

Industry sector: Business services

Headquarters: Dammam, Saudi Arabia

The amount of aggregate equity deployment in FY15 excludes the acquisition of SPGPrints below which was signed in late FY14 and closed in early FY15.

SPGPRINTS B.V.

A leading global provider of integrated systems for the textile and graphic industries

Date of investment: June 2014*

Industry sector: Industrial products

Headquarters: Boxmeer, The Netherlands

*Transaction closed in August 2014

OTHER INVESTMENT ACTIVITIES:

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

In August 2014, **Namet** acquired Marmara Besicilik ve Et Sanayi ve Ticaret A.S. ('Maret'), a 30 year old meat processing company as well as acquiring land owned by Maret. Established in 1984, Maret is considered to be the creator of sausage (frankfurter) in Turkey as well as one of the first advertisers in the delicatessen market. The Gulf Opportunity Fund I deployed $16 million to fund this add-on acquisition.

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

July 2014: **Icopal** acquired a 49% stake in STS, an installation service company based in northern Denmark.

September 2014: **GL Education** acquired The Test Factory, an assessment technology supplier based near Sunderland in the north-east of England. The Test Factory was a pioneer of digital assessment in schools a decade ago and their Testwise e-assessment platform is used in 7,000 UK schools and annually delivers two million digital tests globally.

Veritext made three add-on acquisitions in September. AcuScribe Court Reporters is a provider of top-tier litigation support services throughout the state of Texas and nationwide. Merit Court Reporters LLC, has over 45 years as a provider of top-tier litigation support services to the legal community throughout the state of Texas. McGuire's Reporting Service, based in Chicago is a premier court reporting firm that has been servicing the needs of litigators throughout the state of Illinois for the past 37 years.

November 2014: **Skrill Group** acquired Ukash, an online cash payment provider based in the UK. Ukash is regulated by the UK Financial Conduct Authority as an Electronic Money Institution ('EMI'). Together with Skrill's Paysafecard, Ukash will expand Skrill's existing online payment services into new regions.

January 2015: Fritta, the second largest Spanish company in the ceramic tiles coloring space, after **Grupo Esmalglass-Itaca**, was acquired by Esmalglass. Fritta was established in 1973 in Onda, Spain and produces all critical intermediate products in the manufacturing of ceramic tiles such as ceramic frits, glazes, ceramic colors and inkjet inks.

February 2015: **Gulf Cryo** completed an add-on acquisition of Yaliz Gas, positioning Gulf Cryo as the third largest industrial gas player in Turkey. Yaliz Gas is a leading industrial gas company with a well-established production and distribution network in the Marmara region of Turkey. The company has three filling plants, through which it serves a significant number of packaged gas customers with oxygen, nitrogen, argon, gas mixes, specialty gases and CO_2 cylinders, as well as bulk liquid gases.

March 2015: **Veritext** acquired Love Court Reporting Inc., based in Philadelphia providing services throughout Pennsylvania, New Jersey and Delaware as well as providing nationwide coverage. Later in March, Veritext made two further add-on acquisitions: Fredericks Reporting & Litigation Services, based in Austin, a premier court reporting firm that has been servicing the needs of litigators throughout the state of Texas for the past 30 years and Patti Blair Court Reporting, providers of exemplary court reporting services to the Chicago legal community since 1984.

May 2015: **Veritext** made one further add-on acquisition: Capital Reporting Company, headquartered in Washington D.C. Capital Reporting Company has provided top-tier litigation support over 12 years and was founded by trial lawyers specifically for trial lawyers.

NEW ACQUISITIONS: REAL ESTATE INVESTMENTS

Investcorp focuses on the acquisition of existing core and core-plus commercial real estate assets situated in the 30 largest and most diversified markets in the US. The Firm seeks properties that it believes 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 FY15 was $368 million across four portfolios, two new properties to form a new portfolio and a recapitalization of its investment in the Tryp by Wyndham (formerly Best Western President Hotel).

2014 OFFICE AND INDUSTRIAL PORTFOLIO

Shari'ah compliant equity ownership interests in a three property office/flex space campus in Seattle, Oregon (*Highland Tech Centre Campus**), a nine property office campus in Raleigh-Durham, North Carolina (*Meridian Corporate Center*) and a 12 property office campus in Jacksonville, Florida (*Flagler Center*)

Number of properties: 24

*Signed and closed in FY14

CANAL CENTER PORTFOLIO

Shari'ah compliant equity ownership interest in a four office building campus located on the Potomac River waterfront in Alexandria, Virginia

Number of properties: 4

2015 RESIDENTIAL PORTFOLIO

Shari'ah compliant equity ownership interest containing one 828-unit 'for rent' apartment complex located in Towson, Maryland (*Fairways at Towson*), two garden style 'for rent' apartment complexes totaling 888-units located in Silver Spring, Maryland and Vista, California (*Arcadian Silver Spring and Waterleaf Apartments*) and one 156-unit 624-bed student housing community located in Orlando, Florida (*Orion on Orpington*)

Number of properties: 4

ATLANTA MULTIFAMILY PORTFOLIO

Shari'ah compliant equity ownership interests containing 878-units, in aggregate, in a garden style 'for rent' apartment complex located in North DeKalb, Atlanta (*Chatsworth Apartment Homes*) and Roswell/Alpharetta, Atlanta (*Manchester at Mansell Apartment Homes*)

Number of properties: 2

Two new 'for rent' multifamily residential properties were acquired during May and July 2015; a 524-unit apartment property located in Las Vegas, Nevada and a 642-unit apartment property located in Hoffman Estates, Illinois. These properties will be part of a new portfolio to be placed during Q1 FY16.

REALIZATIONS & DISTRIBUTIONS

Total realization proceeds and other distributions to Investcorp and its clients was approximately $1.5 billion in FY15.

CORPORATE INVESTMENTS

Date of investment: November 2004

Investors: Deal-by-deal

Industry sector: Business services

SOURCEMEDIA

A leading B2B provider of multimedia information to professionals in the banking, financial services and related technology markets

In June 2014, an agreement was signed with Observer Capital to sell SourceMedia. The transaction closed in August 2014.

Date of investment: August 2007

Investors: Deal-by-deal and Investcorp Private Equity 2007 Fund

Industry sector: Distribution

BERLIN PACKAGING

A leading supplier of custom and stock rigid packaging and related packaging solutions to large and small customers nationwide in end-markets such as food and beverage, household/personal care, healthcare and chemicals

Berlin Packaging was sold to Oak Hill Capital Partners in October 2014.

Date of investment: November 2012

Investors: Deal-by-deal, Investcorp Technology Partners III Fund and Investcorp Private Equity 2007 Fund

Industry sector: Technology – IT services

FISHNET SECURITY

Largest pure-play IT security solutions provider in North America

In November 2014, an agreement was signed to merge Fishnet Security with Accuvant, Inc. The transaction closed in January 2015 and Investcorp and its investors continue to own a material residual interest in the merged entity. Subsequent to the merger Investcorp and its investors received a further distribution in June 2015 representing the release of an escrow related to the merger and the proceeds from a dividend recapitalization.

Date of investment: February 2008

Investors: Deal-by-deal and Investcorp Private Equity 2007 Fund

Industry sector: Business services

RANDALL-REILLY

A leading business-to-business media and data company focused on trucking, infrastructure-oriented construction and industrial end markets in the US

In March 2015, Randall-Reilly successfully refinanced and repaid its convertible preferred notes and accrued dividends thereon.

ASIAKASTIETO

A leader in the Finnish credit information market

Date of investment: May 2008

Investors: Deal-by-deal and Investcorp Private Equity 2007 Fund

Industry sector: Business services

In December 2014, Asiakastieto made a dividend distribution following a refinancing. In March 2015, Asiakastieto successfully priced its initial public offering ('IPO') on the Helsinki Stock Exchange at €14.75 per share. Investcorp and its investors will continue to retain a 12% stake in Asiakastieto, and this is subject to the customary 180-day lock-up period, post the IPO.

In addition to the realizations listed above, the remaining minority interest held by Investcorp in Focus Brand (Carvel Corporation) was sold to Roark Capital, in March 2015. Carvel is a leading ice cream merchandizing and distribution company in Connecticut.

These investments noted below have been partially realized in FY15 but proceeds were not received until after the end of FY15.

May 2015:	**Autodistribution** completed its €60 million bond issuance priced at €103.25 in May 2015. Proceeds are expected to be paid out during Q1 FY16. Autodistribution is a leading independent distributor of auto and truck spare parts in France and the largest independent auto parts distribution in Europe. This investment was acquired in March 2006.
June 2015:	A definitive agreement was signed with Synopsis to acquire Spyglass from Atrena. **Spyglass from Atrenta** is a leading provider of electronic design automation tools servicing the semiconductor and consumer electronic industries. This investment was acquired in June 2004 by Investcorp Technology Ventures I Fund.
June 2015:	**Sophos Group plc** (formerly Utimaco Safeware AG) successfully priced its IPO on the London Stock Exchange. Sophos is a leading international provider of endpoint security and network access control solutions. This investment was acquired in June 2008 by Investcorp Technology Partners III Fund.

REAL ESTATE INVESTMENTS

US HOTEL PORTFOLIO

A loan investment in the 2,828-room Procaccianti Hotel by the Mezzanine Fund

Date of realization: July and September 2014

Portfolio name: Investcorp Real Estate Mezzanine Fund I

CREDIT SUISSE 'IQ' CMBS

A CMBS bond investment in the Credit Suisse Commercial Mortgage Trust

Date of realization: July and September 2014

Portfolio name: Investcorp Real Estate Mezzanine Fund I

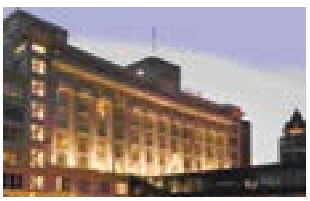
2200 – 2400 SOUTH MCDOWELL

A 185,841 square foot industrial property in the Northern California Portfolio located in San Francisco

Date of realization: August 2014

Portfolio name: Northern California Portfolio

Geographic location: California



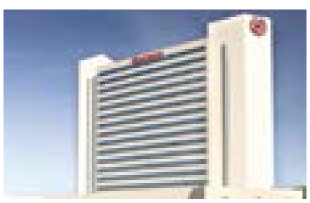
RESIDENCE INN IN MILWAUKEE

An eight-story 131-room hotel located in Milwaukee

Date of realization: September 2014

Portfolio name: US Diversified VII Portfolio

Geographic location: Wisconsin



SHERATON ARLINGTON

A 311-room hotel located in Arlington, Texas

Date of realization: October 2014

Portfolio name: Investcorp Real Estate Credit Fund

RETAIL III

Eight retail shopping center properties totaling 1,653,726 square feet

Date of realization: December 2014

Portfolio name: Retail III Portfolio

Geographic location: Ohio and Indiana

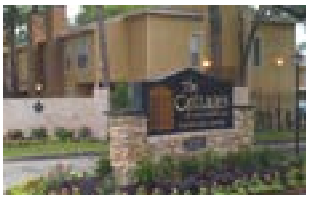
COPPERFIELD PORTFOLIO

1,076-units in four adjacent multifamily properties located in Houston

Date of realization: February 2015

Portfolio name: Texas Apartment I Portfolio

Geographic location: Texas



COTTAGES OF CHAMPIONS FOREST

A 300-unit 'for rent' apartment property located in Houston

Date of realization: February 2015

Portfolio name: Texas Apartment II Portfolio

Geographic location: Texas

WATERS PARK

A 168-unit 'for rent' apartment property located in Dallas

Date of realization: March 2015

Portfolio name: Texas Apartment II Portfolio

Geographic location: Texas

VILLAS AT EDGEWATER

A 414-unit multifamily property located in Houston

Date of realization: March 2015

Portfolio name: Texas Apartment II Portfolio

Geographic location: Texas

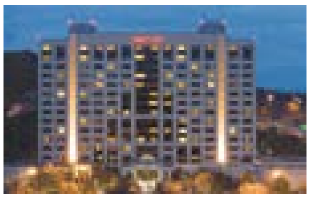
NORTH HAVEN CENTER (ALSO PART OF THE CONNECTICUT INDUSTRIAL PORTFOLIO)

A 838,384 square foot industrial property located in the Greater New Haven

Date of realization: March 2015

Portfolio name: US Diversified VII Portfolio

Geographic location: Connecticut



MARRIOTT PITTSBURGH HOTEL

A 318-room hotel situated between the Pittsburgh International Airport and downtown Pittsburgh

Date of realization: February 2015

Portfolio name: Investcorp Real Estate Credit Fund

NORTHERN CALIFORNIA PORTFOLIO*

A 568,722 square feet of office and flex buildings located in Petaluma

Date of realization: March 2015

Portfolio name: Northern California Portfolio

Geographic location: California

*This portfolio is fully realized as of 30 June 2015

SHEFFIELD SQUARE

A 400-unit multifamily residential property located in Dallas

Date of realization: June 2015

Portfolio name: Texas Apartment I Portfolio

Geographic location: Texas

DOUBLETREE WESTBOROUGH

A 223-room hotel located 26 miles west of downtown Boston

Date of realization: July 2015

Portfolio name: Investcorp Real Estate Credit Fund

OTHER ACTIVITIES:

During FY15, investments made by the Gulf Opportunity Fund I, namely **L'azurde, Leejam Sports Company JSC, Gulf Cryo** and **Theeb Rent a Car** made dividend distributions to the Fund.

Investcorp's **Special Opportunities Portfolios** ('SOP I, II, II and IV') are opportunistic and thematic investments in unique market situations that typically have a two to four year time horizon.

SOP I, a portfolio of investments in distressed credit and corporate restructurings in Europe and the US established in May 2011, successfully exited one of its remaining three positions in December 2014. Another core holding of SOP I executed a successful dividend recapitalization and paid a dividend to investors in June 2015. SOP II and SOP III were established in May and October 2013, respectively, and invested in Commercial Mortgage Backed Securities ('CMBS') issued before the 2008 financial crisis. In May 2015, SOP II realized the remainder of its underlying portfolio, approximately one year earlier than anticipated. SOP III is currently being monetized and this process is approximately 60% complete. SOP IV, a portfolio of non-performing loan ('NPL') pools collateralized by US residential real estate established in February 2014, has acquired loan pools and the portfolio's loan resolutions are proceeding according to plan. SOP IV began to monetize some of its portfolio during the fiscal year.

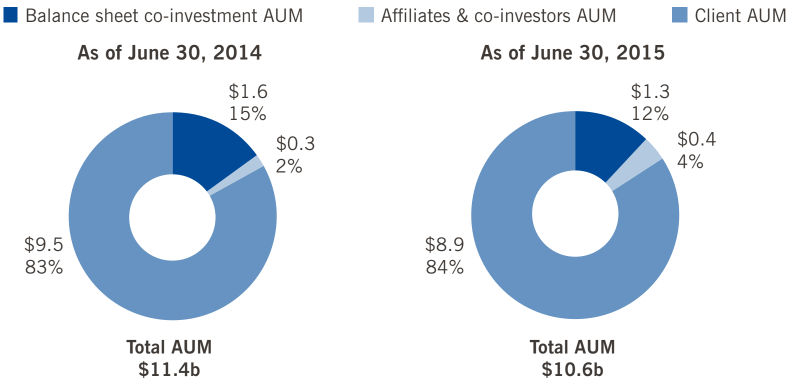
AUM & FUNDRAISING

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

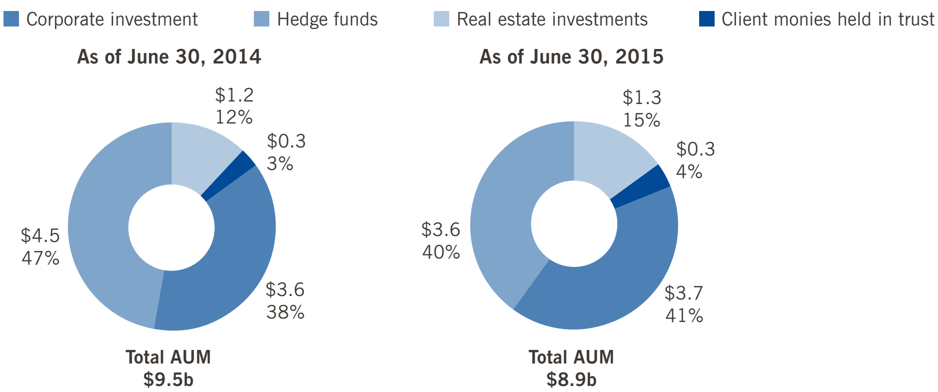
($b)



Total AUM decreased by 7% to $10.6 billion at June 30, 2015 from $11.4 billion at June 30, 2014 primarily due to a decrease in hedge funds client AUM.

Total client assets under management

($b)



Total client AUM decreased by 7% to $8.9 billion at June 30, 2015 from $9.5 billion at June 30, 2014 primarily due to a decrease in hedge funds AUM, partially offset by an increase in corporate investments AUM (3%) and real estate AUM (10%).

The two most dominant asset classes in client AUM continue to be corporate investment (41%) and hedge funds (40%). Corporate investment client AUM in deal-by-deal products increased by 11%, to $2.6 billion (June 30, 2014: $2.3 billion). This increase reflected strong new deal placement activity offset by distributions from the sale of Berlin Packaging and the partial realization of Asiakastieto and Fishnet Security. Client AUM in hedge funds decreased by 20% as redemptions outpaced new subscriptions during the year. A main contributor to this decrease was the decision to in-source hedge fund investment activities by one of the institutional clients in the customized fund of hedge funds space.

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1 Includes $2.4 billion (June 30, 2014: $2.5 billion) of single manager funds (including exposure through customized funds of hedge funds), managed by third party managers, where Investcorp receives fees calculated on the basis of AUM.

KEY AUM METRICS (BY ASSET CLASS)

Corporate investment ($m)	**Jun-15**	Jun-14	% Change B/(W)
Client AUM			
Deal-by-deal investments	**2,576**	2,328	11%
Closed-end invested funds	**1,098**	1,247	(12%)
Total client AUM – at period end	**3,674**	3,575	3%
Average client AUM	**3,625**	3,530	3%

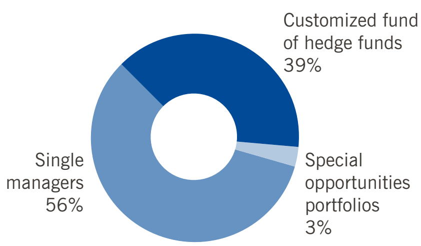
Real estate investment ($m)	**Jun-15**	Jun-14	% Change B/(W)
Client AUM			
Closed-end funds (Mezzanine/debt)	**97**	173	(44%)
Deal-by-deal investments	**1,190**	994	20%
Total client AUM – at period end	**1,288**	1,167	10%
Average client AUM	**1,227**	1,156	6%

Hedge funds ($m)	**Jun-15**	Jun-14	% Change B/(W)
Client AUM			
Customized fund of hedge funds	**1,389**	2,316	(40%)
Single managers	**2,094**	1,993	5%
Special opportunities portfolios	**109**	203	(46%)
Total client AUM – at period end	**3,593**	4,513	(20%)
Average total client AUM	**4,053**	4,102	(1%)

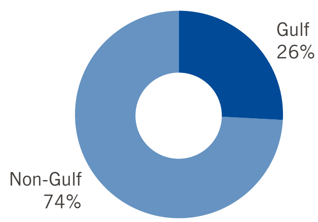
At June 30, 2015, hedge fund AUM was $4.0 billion, of which $3.6 billion represented client assets and $0.4 billion represented Investcorp's balance sheet co-investment.

Hedge fund assets

By product type



By geography



As at June 30, 2015, approximately three-quarters of client assets in hedge funds were from US institutional investors with the balance held by Gulf private and institutional investors. During the fiscal year, single managers experienced capital inflows, whereas customized funds of hedge funds experienced outflows. As of June 30, 2015, single managers accounted for 58% of the total hedge fund client AUM and customized funds of hedge funds represent 39% of the total. Special opportunities portfolios, placed on a deal-by-deal basis, account for 3% of hedge funds client AUM.

At June 30, 2015, more than 90% of hedge funds client AUM were managed for a range of institutional clients including pension funds, insurance companies, endowments and foundations, and funds of hedge funds.

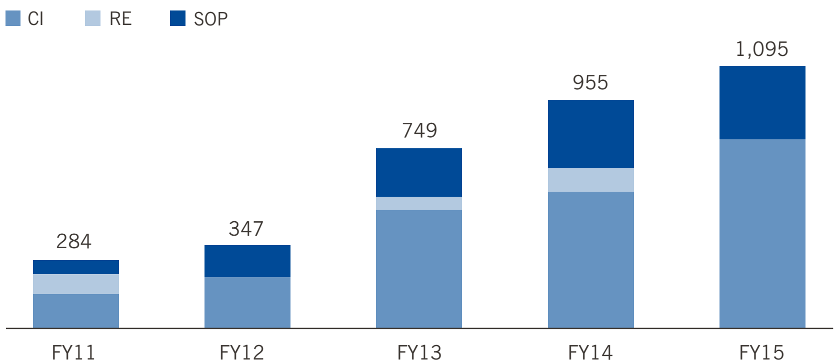
FUNDRAISING

Investcorp provides alternative investment solutions to private and institutional investors in the six GCC countries and also to international institutions. 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 FY15, strong levels of fundraising continued in Investcorp's core Gulf markets, driven by ongoing client appetite for alternative investments that provide attractive levels of return, appropriate risk-reward and that help them diversify their investment portfolios. Total deal-by-deal fundraising in the Gulf was $1,095 million compared to $955 million in FY14.

Total deal by deal placement*

($m)



* Excludes monies raised via capital calls for Gulf Opportunity Fund I and Investcorp Real Esate Credit Fund III

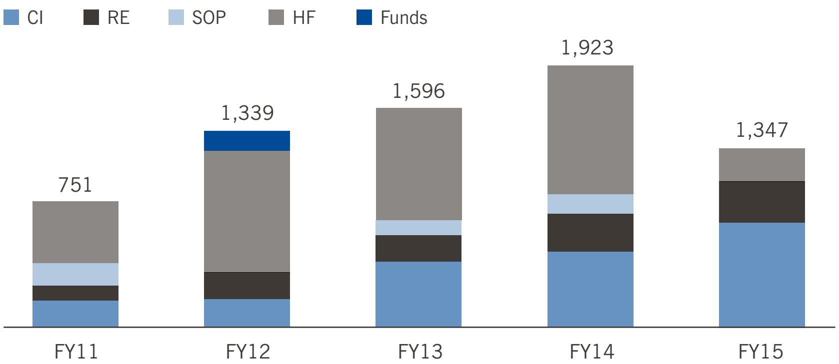
Corporate investment placement was $788 million which represented a 38% increase over the $571 million placed in FY14. This included placement of the residual amount of Totes, a deal acquired in the last quarter of FY14, and the full placement of SPGPrints, PRO Unlimited, Dainese, and Arvento Mobile Systems. The placement of Nobel Learning Communities and NDT Corrosion Control Services Co. acquired in April and June 2015 respectively commenced in Q4 FY15 and is expected to be completed during Q1 FY16.

Real estate placement, across four new portfolios comprising 2014 Office and Industrial Portfolio, Canal Center Portfolio, 2015 Residential Portfolio and Atlanta Multifamily Portfolio, was $307 million, an 8% increase over $285 million placed in FY14.

New subscriptions into hedge funds from institutional investors were $251 million. The pace of new fundraising activity slowed due to a more challenging and volatile investment environment for hedge funds in the first half of the fiscal year.

Total fundraising – by product

($m)

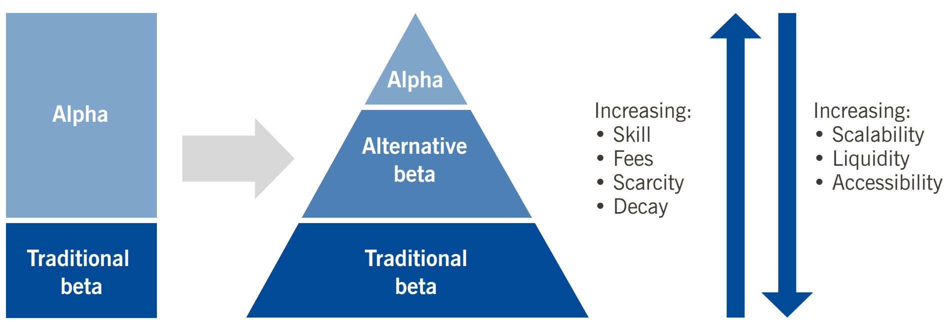


New hedge fund product launch – Alternative Beta

In June 2015, Investcorp's hedge funds business launched the first of a suite of diversified risk premia products designed to harvest the benefits of this new class of investments and to provide a total return above a cash benchmark. Investcorp's balance sheet has also provided initial capital for the launch, in H1 FY16, of a second fund.

Alternative Beta is considered a very attractive investment opportunity as it offers an uncorrelated source of returns, better liquidity, full transparency and lower fees compared to traditional hedge fund investments. These characteristics enable the construction of more resilient and reliable portfolios, while offering the potential to create a wide range of products and solutions for institutional investors, due to the diversity and breadth of return sources that are available.

Alternative beta



Traditional beta
A portion of returns associated with long-only exposure to traditional asset classes/indices

- S&P 500 Index
- Lehman Aggregate

Alternative beta
A portion of returns associated with systematic long-short exposures embedded within broad market assets

- Carry
- Momentum
- Value
- Volatility
- Event
- Liquidity
- Structural

Alpha
A portion of returns associated with manager skill, driven by:

- Proprietary Information
- Speed
- Timing

In addition to committing balance sheet capital, Investcorp has recruited and hired dedicated resources and undertaken significant infrastructure and process development to support the long-term growth of this product line. Investcorp recognizes and is committed to meeting the needs of investors as their portfolio construction practices continue to evolve and move toward risk-aligned, dynamically managed portfolios. Investcorp's research has confirmed that major institutional investors across North America and the GCC have significant and rapidly growing interest in the Alternative Beta product segment and a pressing need for a fiduciary to offer guidance in this space. Recent industry surveys have also shown that investors are increasingly shifting from a product to a solutions mindset due to increasing institutional portfolio complexity.

Investcorp believes it is uniquely qualified to meet investors' needs in this evolving landscape through its:

- Open architecture: products/factors sourced externally and internally to deliver best-in-class portfolios
- Established fiduciary: experienced and dedicated team, institutional processes, robust infrastructure
- Due diligence capabilities:
  - Comprehensive qualitative and quantitative due diligence framework to identify very attractive risk premia and select best-in-class articulation
  - Fee and cost minimization through granular due diligence of factor providers and market levels
  - Operational due diligence ('ODD') on factor providers
- Strategic portfolio construction and dynamic allocation:
  - Strategic portfolio construction approach with long-term horizon
  - Leverage cross-asset research to formulate 'cycle-aware' views
  - Tilt portfolio based on fundamental, valuation, technical and flow-based signals
- Alignment of interests
  - Long-term principal investor
  - Balance sheet co-investment in hedge funds

The Investcorp Alternative Beta team aims to deliver actively managed funds and solutions that provide uncorrelated returns and well-constructed portfolios that offer strong diversification to institutional client portfolios. Investcorp is committed to leveraging its unique expertise in the space to strive to deliver strong risk-adjusted performance to its clients.

Investcorp continued to provide its hallmark high touch service to its Gulf clients by providing broad coverage and ongoing communication across the markets in the Gulf.

In October 2014, an investor's conference was hosted by Investcorp in Bahrain, attended by approximately 150 clients and prospective clients. The conference examined the theme of entrepreneurship, a quality core to the development of Investcorp's business and those of its portfolio companies. Peter Hiscocks, CEO, Executive Education, Cambridge Judge Business School, shared his insights on entrepreneurship in a speech to attendees. Investcorp's senior investment team provided in-depth updates on the corporate investment business from a MENA, North American and European perspective, as well as presentations on the real estate and hedge funds businesses. CEOs from Investcorp's portfolio companies in the US, Europe, MENA and Turkey were also invited to provide their insights into current investment trends and opportunities within their industry segments. The special guests of honor were H.E. Rasheed Mohammed Al Maraj, Governor of the Central Bank of Bahrain, and H.E. Mohammed Al Shaibani, CEO and Executive Director of Investment Corporation of Dubai.

Between March 10 and 13, 2015, Investcorp hosted the Investcorp Leadership Program, an academic and practitioner led executive program that has been exclusively designed for young Arab professionals and future leaders. This initiative comes as part of Investcorp's on-going commitment to further develop human capital in the Gulf by providing a platform to foster knowledge sharing and promote understanding of critical issues influencing the world. The Program, which was held at the Cambridge Judge Business School, a world-leading center of rigorous thinking and high-impact transformative education, offered the participants key insights and learning into leadership, trust, innovation and sustainability. The Program was attended by 32 young Arab professionals from across Bahrain, Saudi Arabia, the United Arab Emirates, Qatar, Kuwait, and Oman.

In June 2015, Investcorp's Qatar subsidiary was licensed by the Qatar Financial Centre Regulatory Authority to engage in advising and arranging activities. The subsidiary will begin operating from its office in the Qatar Financial Centre in September 2015.

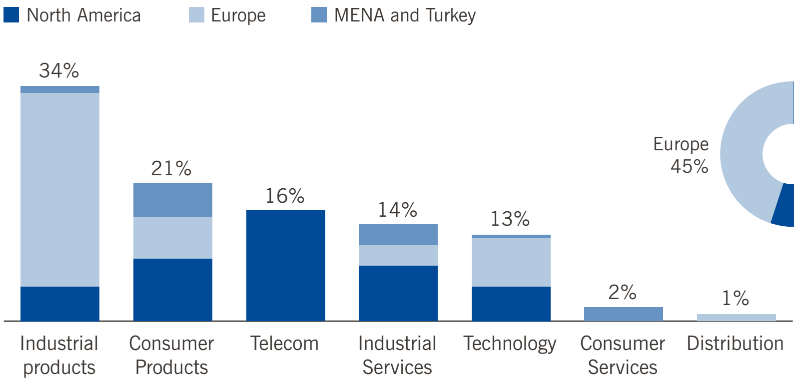
In July 2015, Investcorp's shareholders along with various representatives of the Ministry of Industry and Commerce, Central Bank of Bahrain and the Bahrain Bourse were invited to attend an Extraordinary General Meeting held at Investcorp's Bahrain office for the purpose of approving the Investcorp Group Remuneration Policies and amendments to Investcorp's Articles of Association to align them with amendments to the Bahrain Commercial Companies Law.

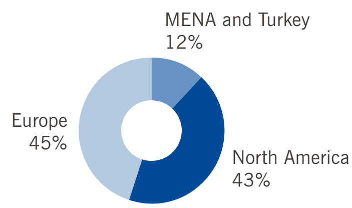
PORTFOLIO PERFORMANCE

CORPORATE INVESTMENTS

At June 30, 2015, the carrying value of Investcorp's balance sheet co-investment in corporate investments, excluding strategic investments and underwriting, was $618.3 million (42 companies) compared with $831.1 million at June 30, 2014 (39 companies). This represents 50% of total balance sheet co-investments at June 30, 2015 (FY14: 55% at June 30, 2014). Changes in the carrying value of co-investments reflects a combination of: the balance sheet retention of new investments; realizations during the year; changes in fair value; and the change in the carrying values of non-USD denominated co-investments resulting from movements in foreign exchange rates that are hedged in terms of income impact through forward foreign exchange contracts. Corporate investment underwriting at June 30, 2015 was $34.9 million (FY14: $85.8 million at June 30, 2014).

The corporate investment portfolio is diversified by sector and is predominantly located in North America and Europe.





Please refer to the table in Note 9 (A) of the Consolidated Financial Statements of Investcorp Bank B.S.C., which summarizes the June 30, 2015 and June 30, 2014 carrying values by region and investment sector.

At June 30, 2015, Investcorp's aggregate CI North America co-investments were $267.5 million with 16 active portfolio companies (FY14: $385.6 million across 16 portfolio companies). Aggregate CI Europe co-investments were $278.0 million with 14 active portfolio companies (FY14: $385.4 across 13 portfolio companies). Aggregate CI MENA co-investments (including Turkey) were $72.9 million with 12 active portfolio companies (FY14: $60.1 million across ten portfolio companies). The single largest exposure in the corporate investment portfolio was TelePacific, at 11% of total shareholders' equity as of June 30, 2015.

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 three technology funds to date.

For corporate investments in MENA, 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 Investments Portfolio Review section which describes each of the CI North America, CI Europe and CI MENA portfolio companies. Please refer to the Investment, realizations and distributions section in the Business Review for portfolio company activities during FY15.

Portfolio companies have performed well overall, reflecting Investcorp's value enhancement driven post-acquisition approach. On average, Investcorp's direct investments in 26 mid-market companies in the US, Europe and MENA increased their aggregate EBITDA by approximately 10.3% year-on-year, benefitting from the steady improvement in the overall economic environment as well as from Investcorp's post-acquisition efforts to grow value. Aggregate EBITDA for these companies was approximately $1.2 billion and the average debt across the portfolio is relatively modest at 3.2x aggregate EBITDA.

The realizations in FY15, discussed below are all examples of the success of Investcorp's value enhancement focus during its period of ownership.

Berlin Packaging was acquired in August 2007 and under Investcorp's management, the company was able to grow organically through the Great Recession, expanding its specialty divisions as well as enhancing management talent. The company's organic growth was supplemented by four strategic add-on acquisitions that helped almost quadruple EBITDA under Investcorp's ownership. Importantly, Investcorp supported the company's management team by raising an additional $50 million in equity investment to fund the acquisition of All-Pak, a Pittsburgh, Pennsylvania-based supplier of rigid packaging solutions, hazardous materials packaging and laboratory packaging supplies primarily in the US. This acquisition in early 2010 allowed Berlin Packaging to gain significant scale with suppliers and enter higher profitability end markets such as pharmaceuticals. In 2013, Investcorp completed a dividend recap of Berlin Packaging in partnership with the company's founders and management team. In September 2014, Investcorp concluded the sale of Berlin Packaging to Oak Hill Capital Partners at an enterprise value of $1.43 billion. In aggregate, $954 million has been distributed to Investcorp and its clients in proceeds from the recapitalization and the final sale.

Since its acquisition by Investcorp in 2012, **FishNet Security** has delivered strong organic growth and improved its profitability while continuously innovating its offerings to anticipate and address the complex challenges associated with cyber security. The transformative merger with Accuvant, which was completed early in 2015, was a unique opportunity to take advantage of the attractive IT security market by bringing together the complementary strengths of two market leading organizations to accelerate growth and financial performance. The transaction allows the new combined entity to provide a broader suite of services, more innovative solutions, greater expertise and expanded reach to innovate and meet customers' complex and rapidly expanding global information security needs. Investcorp and its clients maintained a material significant equity interest in the new, combined company.

Asiakastieto successfully priced its initial public offering ('IPO') in late March on the Helsinki Stock Exchange at €14.75 per share in a successful offering. This was the first IPO of an Investcorp portfolio company on a European stock exchange since the flotation of Leica Geosystems on the Swiss Stock Exchange in 2000. Asiakastieto is a leading provider of business and consumer credit information services in Finland with approximately 13,000 contract customers. Investcorp acquired Asiakastieto in May 2008 from GMT Communications and has since strengthened various critical functions of the company as well as reinforcing the leadership of the firm by bringing on board top-notch professionals. Under Investcorp's stewardship, Asiakastieto's net sales increased by 55% from €26.7 million to €41.4 million and its EBITDA increased by 65% from €12.5 million to €20.6 million. The strong cash generation of the business enabled it to reduce the net debt from €85 million at the time of Investcorp's acquisition to near-zero by the end of 2014. Investcorp and its investors retained a 12% stake in Asiakastieto, which is subject to the customary 180-day lock-up period, post the IPO.

A definitive agreement was signed in March 2015 to sell **Skrill** Group, in which Investcorp had retained a substantial minority ownership position, to AIM listed Optimal Payments PLC for an enterprise value of approximately €1.1 billion. The purchase price is a combination of cash and Optimal shares and the sale is expected to be completed during the first quarter of FY16. The combined entity creates a large online payment company with over $175 million of EBITDA. Investcorp, through its technology fund, initially invested $25 million in Skrill (then named Moneybookers) in 2007 for a majority stake. Under Investcorp's stewardship, Skrill's EBITDA grew from €2 million in 2007, to over €60 million at the time of the sale of a majority stake to CVC Capital Partners in 2013. Separately, Investcorp's acquisition of Skrill was recently selected as a case study for a Venture Capital & Private Equity course at Harvard Business School as an example of a successful private equity transaction.

On June 26, 2015, **Sophos Group plc** (formerly known as Utimaco Safeware AG) successfully listed on the London Stock Exchange ('LSE') and priced at a market capitalization of £1.0 billion ($1.6 billion). The Sophos IPO is the largest software IPO completed in the LSE's history as well as being the first IPO in the UK by an Investcorp portfolio company. Sophos is the leading global provider of cloud-enabled network security solutions, offering organizations end-to-end protection products against known and unknown IT security threats. Sophos today protects over 200,000 corporates and over 100 million end-users in 150 countries. Investcorp Technology Fund III initially invested in Utimaco Software AG, a German-based global leader of data security solutions, in June 2008 which was shortly afterwards acquired by Sophos in July 2008. Fund III subsequently rolled its investment during buy-out of Sophos by Apax in 2010.

The Investcorp Technology Fund III was raised in 2008 and $290 million was invested into nine companies (seven remaining at the end of FY15). Following the IPO of Sophos and full realization of Skrill (expected to occur by H1 FY16), the fund will have returned over $600 million on the invested capital to Investcorp's investors with approximately an additional $200 million of value in the remaining investments. This performance positions the Investcorp Technology Fund III amongst the top vintage 2008 funds in the US and Europe for private equity and technology.

OTHER NOTABLE PORTFOLIO ACTIVITIES

In early March 2015, L'azurde distributed $16.7 million in dividends to its shareholders following a strong performance in 2014. Gulf Opportunity Fund I acquired a majority stake in L'azurde in 2009 alongside Eastgate Capital and The National Investor, its consortium partners. After the gold price shock in 2010, a new strategy for the business was developed with the objectives of strengthening its operations and ensuring it was positioned to maximize its growth potential, while being insulated from difficult market conditions and gold price volatility. Since that time, L'azurde has been steadily increasing its earnings, achieving double digit year-on-year growth.

HEDGE FUNDS

At June 30, 2015, the balance sheet carrying value of Investcorp's co-investment in hedge funds was $421.1 million compared with $476.4 million at June 30, 2014. The amount represents 34% of total balance sheet co-investments at June 30, 2015. Please refer to the table in Note 10 of the Consolidated Financial Statements of Investcorp Bank B.S.C., which summarizes the June 30, 2015 and June 30, 2014 carrying values.

PERFORMANCE

During FY15, Investcorp's hedge funds co-investment portfolio delivered returns of 2.0%. During the same period, the industry benchmark, HFRI Fund of Funds Composite Index, returned +3.9%.

Investcorp's exposure in hedge funds consists primarily of the seed investments in managers on its single manager platform and investments in external hedge fund managers. There is also a relatively low exposure to illiquid side pocket investments resulting from certain legacy managers. The external liquid hedge fund exposure significantly outperformed the benchmark, generating a positive return of approximately +8.1% over the full fiscal year. While the single manager exposure performed poorly during H1 FY15, it recovered strongly during H2 FY15 ending the year with approximately +1.8%. Two single managers, in particular, had challenging performance in H1 FY15 that was partially offset by very strong performance from Kortright Capital Partners, which returned +26% for the full fiscal year. In the illiquid portfolio, certain idiosyncratic positions performed poorly in FY15 and hence detracted from performance. During the course of the year, Investcorp added some opportunistic but diversifying hedge fund balance sheet co-investments, while keeping the overall equity beta low.

LIQUIDITY

Investcorp's hedge funds co-investment portfolio is constructed so that a significant part of it is available for monetization within a three to six-month window. As of June 30, 2015, approximately 74% of Investcorp's hedge fund co-investment was contractually available for monetization within a three-month window, 77% was available within a six-month window and 89% was available within a 12-month window. The liquidity profile within the three-month window improved due to the introduction of Alternative Beta investments which have daily and weekly liquidity and the expiry of lock-ups on most of the single managers.

EXPOSURE PROFILE

Investcorp has consistently maintained a co-investment in the hedge funds business, in line with its philosophy of co-investing alongside its clients.

Total balance sheet hedge fund co-investment gross exposure was $421.1 million at June 30, 2015, reflecting a reduction relative to the previous fiscal year end when Investcorp had a gross exposure of $476.4 million at June 30, 2014.

A portion of the exposure is due to the seeding of managers on Investcorp's Single Manager business platform that typically provide a higher return on capital through a combination of investment returns and a share of underlying manager revenues. As of June 30, 2015, Investcorp's balance sheet co-investment in single managers was temporarily reduced to $96.7 million, compared to $231.8 million as of June 30, 2014 due to a redemption from one manager and decreased exposure to some others based on Investcorp's outlook for specific strategies. Investcorp allocated $40 million to its newly launched Alternative Beta product line, a suite of diversified risk premia products that are liquid, transparent, cost effective and uncorrelated with markets.

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

STRATEGY OUTLOOK

The highest allocation within Investcorp's hedge funds co-investment portfolio is to the Event Driven strategy. This is consistent with the investment team's positive view on the strategy and reflects allocations to two managers on the single manager platform within this strategy. The allocations to the Long/Short Hedge Equity strategies represent the next highest exposure, followed by the Credit and Macro strategies. The portfolio's smallest allocation is to Relative Value strategies.

Strategy	Very positive	Positive	Modestly positive	Neutral	Modestly negative
Special Situations/Event Driven	■				
Hedge Equities		■			
Macro		■			
Fixed Income Relative Value		■			
Equity Market Neutral			■		
CTA			■		
Structured Credit			■		
Convertible Arbitrage			■		
Corporate Credit				■	
Corporate Distressed					■

Investcorp has a 'very positive' rating on **Special Situations/Event Driven** strategies predicated on strong corporate balance sheets in the US that are flush with cash in excess of $2.0 trillion. Average earnings per share growth for companies in the S&P 500 is near 10%. Investcorp believes that shareholder pressure (or activism) will lead to a period of sustained high levels of event-driven activities including buybacks, mergers and recapitalizations.

Investcorp maintains a 'positive' rating on **Hedge Equities**. While the US had been the region with the most momentum in 2014, expansionary ECB monetary policy coupled with the continued Euro depreciation should support profit growth in the Eurozone with reduced downside risks from deflationary dynamics in the periphery. In addition, Japanese equities should benefit from the depreciation of the yen as well as the pickup in domestic inflows with the Government Pension Investment Fund's commitment to allocate into equities.

Investcorp is also 'positive' on **Macro Discretionary** strategies as it believes that the macro opportunity set will richen with growing policy divergences across the globe, which should manifest itself in reduced asset correlations and the formation of time-series trends.

Fixed Income Relative Value has been upgraded to 'positive'. Investcorp structurally prefers Relative Value strategies as hedge funds step into the void left behind by the exit of bank proprietary trading desks. The current environment has started to provide FIRV managers with greater opportunities to trade volatility and to profit from banks reducing dealer inventory.

Investcorp is 'modestly positive' on **Equity Market Neutral** even as the strategy continues to see commoditized factor models delivering sub-optimal alphas in developed markets. However, returns to non-market factors are attractive in other parts of the world, especially the Asia-Pacific region.

Investcorp remains 'modestly positive' on **Systematic Macro** strategies. The extraordinary year in 2014 for trend-following strategies is unlikely to be repeated in the near-term, but the return stream remains in play, if a bit more modest than before.

Investcorp upgraded **Structured Credit** to 'modestly positive' as it expects Europe to outperform the US on the back of the proposed purchases of asset-backed paper by the European Central Bank. As liftoff approaches, the floating rate will be more attractive, in addition to improved fundamentals.

The ‘modestly positive’ rating on **Convertible Arbitrage** is an upgrade that follows the recent energy-related sell-off and reflects more attractive valuations. Investcorp’s outlook for convertible bonds as an equity substitute is modestly positive because of the overweight in energy composition of the convert universe.

Investcorp has downgraded its view on **Corporate Credit** to ‘neutral’, as valuations fully reflect the low default-rate environment and further re-leveraging of corporate balance sheets in the US. Although the micro environment in Europe may remain credit friendly, US net leverage ratios now compare less favorably in relation to past numbers.

Investcorp maintains a ‘modestly negative’ rating on **Corporate Distressed**. A low distressed ratio of just 3% in bonds currently provides very little opportunity to earn an outsized systematic risk premium from this strategy. We do have a more favorable view on European distressed versus US distressed basically for reasons of supply from deleveraging European banks.

ALTERNATIVE BETA

Investcorp’s outlook for Alternative Beta strategies favors Carry across major asset classes, particularly commodity and rates strategies constructed using a relative value approach. Carry strategies seek to harvest uncorrelated returns from futures and forward markets by investing in baskets of high-yielding currency pairs, bonds, or commodities either outright or in a hedged pair trade relative to lower-yielding instruments. One of the attractive features of multi-asset Carry risk premiums is that their yields spreads are fairly slow moving and so are decent leading indicators of future returns.

Trend-Following has also seen positive returns across asset classes, a reflection of the persistence in several underlying macro trends. While Trend-Following strategies were mixed in Q2 2015, Investcorp believes further strengthening of the USD currency as investors anticipate hikes in US interest rates, sustained demand for fixed-income instruments from new regulatory requirements, and reflationary monetary policy in developed markets (with the exception of the US) should benefit Trend-Following strategies. Investcorp’s view is that Equity Value and Low Beta will not fare well in the current environment and will underperform Equity Momentum in the near-term.

REAL ESTATE INVESTMENT

At June 30, 2015, Investcorp’s real estate balance sheet co-investments excluding underwriting totaled $142.9 million compared with $130.0 million at June 30, 2014. The amount represents 12% of total balance sheet co-investments at June 30, 2015. Please refer to the table in Note 11 of the Consolidated Financial Statements of Investcorp Bank B.S.C., which summarizes the June 30, 2015 and June 30, 2014 carrying values by portfolio type. For details on real estate underwriting, please refer to the table in Note 8 of the Consolidated Financial Statements of Investcorp Bank B.S.C.

Real estate co-investments comprised $119.5 million of marked-to-market equity investments and $23.4 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 some reduction in value for legacy pre-2009 investments together with the impact of exits, and new acquisitions and placements during the period.

Investcorp currently has 27 active real estate investment portfolios, including its two debt funds. At June 30, 2015, 23 of these were on or ahead of plan. The remaining four, which are pre-2009 portfolios that have been written down significantly in value already and are rated behind plan, are generally those holding hotels, 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 requirements.

Investcorp co-investment by year ($m)	Properties # vs. current	Sector	Geographic location	Carrying value end of **Jun-15**	Jun-14
Commercial IV	12/2	Office	E		
Vintage FY05				0.1	0.1
Retail IV	29/22	Retail	SW		
Vintage FY06				**2.5**	3.6
Diversified VI	3/1	Retail/Hotel	SE/SW/MW		
Diversified VII	4/2	Industrial/Office	E		
Hotel	9/4	Hotel	SE/SW/MW		
Vintage FY07				**15.1**	20.5
Diversified VIII	5/3	Office/Hotel	W/SW/MW		
Weststate	1/1	Opportunistic	W		
Vintage FY08				**8.8**	12.2
Commercial VI	3/3	Retail & Office	E/SE/SW		
Diversified IX	2/2	Office/Hotel	W		
Vintage FY11				**14.0**	11.8
Diversified X	3/1	Office	W		
Northern California	14/0	Diversified	W		
Southland & Arundel Mill Mezz	n.a.*	Retail/Hotel	SE/E		
Texas Apartment	5/0	Residential	SW		
Vintage FY12				**0.6**	1.3
2012 Office	4/4	Office	SW/SE/W		
Texas Apartment II	5/2	Residential	SW		
2013 Office	16/16	Office	SW/MW		
2013 Office II	5/5	Office	SE/W/SW		
Vintage FY13				**4.6**	6.2
2013 US Residential	6/6	Residential	SW/W/MW		
2013 US Commercial/2014 Office	9/9	Office/Retail/Medical	W/MW/E		
Southeast Multifamily	4/4	Residential	SE/E		
2014 Diversified	4/4	Office/Retail/Residential	SW/SE		
Houston Multifamily	3/3	Residential	SW		
Vintage FY14				**18.7**	18.0
Tryp by Wyndham	1/1	Hotel	E		
Canal Center	4/4	Office	E		
2014 Office and Industrial	24/24	Office/Industrial	E/SE/W		
2015 Residential Portfolio	4/4	Residential	SE/W/E		
Atlanta Multifamily Portfolio	2/2	Residential	SE		
Vintage FY15				**40.7**	4.9
Others				**37.5**	47.7
Sub-total	181/129			**142.6**	130.0
New portfolio under construction				**0.3**	N.A.
Total including new portfolio under construction				**142.9**	N.A.

* Mezzanine investments
W=West, E=East, SW=Southwest, SE=Southeast, MW=Midwest

Investcorp targets existing office, retail, industrial, multifamily and hospitality properties located in the largest 30 US metropolitan areas. The emphasis is on properties in proven locations with some opportunity for value enhancement over the investment term. Acquisitions tend to have strong cash flows, a proven operating history and high initial occupancy. While the majority of investments are in the form of common equity, they may also be structured as preferred equity and high-yield mortgage and mezzanine debt.

Post-acquisition, Investcorp actively manages its real estate investments with a dedicated team of asset managers and real estate financial controls specialists. Local knowledge is essential in any real estate investment. Investcorp's real estate team employs the skills of regional and national property management firms which may also have minority co-investments in each property. Investcorp builds value in its portfolio through hands-on expense management, revenue enhancement, modest capital improvement and/or property repositioning and creative capital structuring.

In addition to the deal-by-deal offering of equity and debt investments in US commercial real estate, Investcorp's clients have had the opportunity to make debt investments through a fund format. The $176 million Investcorp Real Estate Credit Fund I, created in FY08, is fully deployed. The $100 million Investcorp Real Estate Credit Fund III, created in FY13, closed its investment period in May 2014. Another fund, the $108 million US Mezzanine Fund I, created in FY07, sold its last two investments in H1 FY15.

Investcorp's real estate co-investment portfolio remains well diversified across sectors and geography. The single largest exposure in the real estate investment portfolio was the Tryp by Wyndham (formerly known as Best Western President Hotel) at $33.1 million.

CORPORATE INVESTMENT PORTFOLIO

As of June 30, 2015, Investcorp's aggregate balance sheet co-investment was $618 million across 42 companies. The sections below provide a detailed overview of our 42 current portfolio companies. Investments have been acquired and underwritten for placement on a deal-by-deal ('DBD') format basis and/or invested through the Investcorp Private Equity 2007 Fund ('IPE 2007') and/or Investcorp's Technology Funds I – III ('IT') or the Gulf Opportunity Fund I ('GOF I').

CI NORTH AMERICA

As of June 30, 2015, Investcorp's aggregate balance sheet co-investment in North America was $268 million across 16 companies.

Portfolio company name	Acquired	Industry sector	Location
Nobel Learning Communities	**Jan 2015**	**Consumer services – business services**	**Pennsylvania, US**

NOBEL LEARNING COMMUNITIES INC.

Founded in 1984, Nobel Learning operates a network of 176 schools across 18 states with a commitment to outstanding education. The company also has an accredited online private school that offers college preparatory programs to students from over 55 countries worldwide. With approximately 5,000 teachers and staff and 25,000 students, Nobel Learning is one of the largest private operators in the US.

www.nobellearning.com

Portfolio company name	Acquired	Industry sector	Location
PRO Unlimited	**Oct 2014**	**Industrial services – business services**	**Florida, US**

PRO Unlimited

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, temps 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.

www.prounlimited.com

Portfolio company name	Acquired	Industry sector	Location
Totes»ISOTONER	**Apr 2014**	**Consumer products – retail**	**Ohio, US**

totes»ISOTONER®

Founded in 1923 and headquartered in Cincinnati, Ohio, totes»ISOTONER is the world's leading 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

Portfolio company name	Acquired	Industry sector	Location
Paper Source	**Sep 2013**	**Consumer products – specialty retail**	**Illinois, US**

PAPER SOURCE
DO SOMETHING CREATIVE EVERY DAY

Paper Source is a multi-channel retailer offering a premium selection of uniquely designed and curated gifts, stationery and crafting supplies. The company operates 97 stores, which average 2,800 square feet of selling space. The company goes to market through retail stores, direct-to-consumer and wholesale channels. Paper Source offers over 8,300 Stock Keeping Units ('SKUs') across five main categories: gifts and toys, stationery, crafting, fine paper and gift wrap, and single greeting cards.

www.paper-source.com

Portfolio company name	Acquired	Industry sector	Location
Sur La Table	**Jul 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 over 122 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 cooking class locations, offering classes in over 57 stores serving well over 100,000 customers annually. Sur La Table has built a multi-channel business in which each channel is profitable on a standalone basis.

www.surlatable.com

T3 Media	**Mar 2011**	**Technology – digital content**	**Colorado, US**

T3 Media (formerly Thought Equity Motion) 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. In the Licensing business, T3 Media represents major video content rights owners and employs an active sales force to license footage in exchange for a percentage of the royalty payments received. In the Platform Services business, T3 Media ingests, digitizes and hosts video content on behalf of content rights owners. T3 Media provides content rights owners with virtual access and distribution capabilities in exchange for an annual subscription fee. The two business lines are complimentary with many customers utilizing both offerings.

www.t3media.com

Veritext	**Jul 2010**	**Industrial services – business services**	**New Jersey, US**

Veritext is a leading national provider of deposition and litigation support services to law firms, Fortune 500 corporations and regulatory agencies in the US. The company's core product is the conversion of a witness's or expert's spoken testimony under oath into a certified written transcript. The company also provides other value-added services that capture additional information during the deposition and allow clients to manage the information more efficiently. Since the original acquisition transaction, Veritext has completed several add-on acquisitions in the court reporting space. These acquisitions have increased the company's geographic reach, added scale and created equity value through synergies.

www.veritext.com

Opsec	**Mar 2010**	**Technology – enterprise software**	**Colorado, US**

OpSec Security Group is the global leader in providing anti-counterfeiting technologies, as well as solutions and services for physical and online brand protection, to over 300 brand owners and over 50 governments 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

Portfolio company name	Acquired	Industry sector	Location
CSIdentity	**Dec 2009**	**Technology – enterprise software**	**Texas, US**

CSIdentity is the technology leader in providing identity theft and fraud protection services to businesses and consumers. Founded in 2005, the company offers a comprehensive suite of business and personal security solutions targeting all aspects of identity theft. CSIdentity's solutions are used by Fortune 100 financial institutions, public pension funds, telecommunications companies and businesses that offer direct-to-consumer identity theft protection services.

www.csidentity.com

Randall-Reilly	**Feb 2008**	**Industrial services**	**Alabama, US**

Randall-Reilly is a leading diversified business-to-business media and data company focused on the trucking, infrastructure-oriented construction and industrial end markets in the US. Its products include B2B trade publications, live events and trade shows, recruitment products and indoor advertising displays. In addition, its Equipment Data Associates ('EDA') business is an industry-leading collector and aggregator of industrial equipment purchase data that provides subscription-based sales lead generation and market intelligence products to the industrial equipment markets.

www.randallreilly.com

kgb	**Apr 2006**	**Technology – enterprise software**	**New York, US**

kgb (formerly InfoNXX) is the world's largest 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

Polyconcept	**Jun 2005**	**Industrial products**	**Pennsylvania, US**

Polyconcept is the world's largest supplier of promotional products, created by the combination of Polyconcept, Europe's leading generalist supplier of wearable and non-wearable promotional products, and Global Promo Group Inc., the number two non-wearable promotional product supplier in the US. In April 2011, Polyconcept North America acquired Trimark Sportswear Group, a leading Canadian apparel supplier, marking the fourth acquisition since the acquisition of Polyconcept in 2005 and its first move into the promotional apparel category. With the addition of Trimark, Polyconcept became Canada's largest supplier of both apparel and hard promotional goods under four industry leading brands (Leed's, Bullet Line, JournalBooks, and Trimark).

www.polyconcept.com

Portfolio company name	Acquired	Industry sector	Location
Magnum	**Jun 2005**	**Technology – digital content**	**California, US**

Magnum Semiconductor is a leading provider of silicon, modules, software and IP for the professional broadcast infrastructure market. Magnum provides top of the line products, tools and technologies for the entire video content creation and distribution chain, from contribution and production through distribution over cable, satellite and IPTV to Over-the-Top video streaming. Magnum Semiconductor is headquartered in Milpitas, California, with sales and engineering offices in Canada, Europe, China and Korea.

www.magnumsemi.com

Portfolio company name	Acquired	Industry sector	Location
Spyglass by Atrenta	**Jun 2004**	**Technology – enterprise software**	**California, US**

Atrenta is a provider of Electronic Design Automation (EDA) software, supplying software tools used by the semiconductor industry for the verification of the design of integrated circuits. Atrenta offers a predictive approach to chip design by delivering automated analysis and verification solutions that find complex design problems and address downstream implementation and verification issues early in the design cycle.

A definitive agreement was signed to sell Atrenta to Synopsis in June 2015.

www.atrenta.com

Portfolio company name	Acquired	Industry sector	Location
TelePacific	**Apr 2000**	**Telecom**	**California, US**

TelePacific is a leading provider of network and communications services headquartered in Los Angeles. In business since 1998, the company provides services on TelePacific 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. Since its acquisition of TelWest, the company has continued its growth plan for the Texas business through implementation of its product suite and operating practices.

www.telepacific.com

CI EUROPE

As of June 30, 2015, Investcorp's aggregate balance sheet co-investment in Europe was $278 million across 14 companies.

Portfolio company name	Acquired	Industry sector	Location
Dainese	**Dec 2014**	**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 Center (D-Tec), an R&D technical center for the study of protective technology and the development of innovative products, the company strives to ensure it remains at the forefront of innovation.

www.dainese.com

SPG Prints	**Jun 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.

www.spgprints.com

Tyrrells	**Aug 2013**	**Consumer products – retail**	**Herefordshire, UK**

Founded in 2002, Tyrrells has established itself as a leading crisps brand in the UK. The company offers high quality products and a distinctive brand, quintessentially English and entertaining, distinguishing it from the competition. Through continued innovation, new product launches, strong penetration of the retail channel and geographic expansion, Tyrrells has achieved market leading positions in the UK but also has expanded internationally in France, Germany, the Netherlands, Switzerland, Australia and the US. Moreover, Tyrrells is one of the very few large scale European producers of vegetable crisps. The key drivers of growth and resilience of the premium hand-cooked crisps market are convenience, 'premiumization' and health consciousness. Going forward, the company's target market is expected to continue to enjoy growth rates exceeding that of the broader crisps market.

www.tyrrellscrisps.co.uk

Georg Jensen	**Nov 2012**	**Consumer products – specialty retail**	**Copenhagen, Denmark**

Georg Jensen designs, manufactures and distributes luxury products ranging from high-end silverware to jewelry, watches and high-end home ware. The company, headquartered in Copenhagen, Denmark, and founded in 1904, has expanded internationally and now derives the majority of its revenue outside of Scandinavia. With a history that spans 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

Portfolio company name	Acquired	Industry sector	Location
Esmalglass	**Jul 2012**	**Industrial products**	**Villarreal, Spain**

Esmalglass Itaca ('Esmalglass') is one of the leading global producers serving the global ceramics intermediate products industry. Established in 1978 in Villarreal, Spain, Esmalglass produces ceramic glazes, ceramic colors and inkjet inks (an innovative and rapidly growing technology to decorate tile surfaces). The company has a strong market position in all segments of its target markets and services more than 1,000 customers in 50 countries worldwide. The company generates more than half of its sales from emerging market economies including Brazil, the Middle East, and China. Its global activities are supported by three manufacturing plants in Spain and Brazil and mixing plants in Portugal, Italy, Russia and Indonesia.

www.esmalglass-itaca.com

GL Education Group	**Mar 2012**	**Industrial services – education**	**London, UK**

Established more than 30 years ago, GL Education Group ('GLE') is the UK's leading independent provider of pupil assessments and school improvement solutions. GLE's 'high stakes' assessments are used by teachers as a key determinant for making significant decisions about the direction and nature of pupils' learning paths. GLE delivers to more than 16,000 schools the tools they require to raise standards in children's education. GLE focuses on: (i) measuring a pupil's potential and abilities; (ii) measuring a pupil's performance in core skill development areas; and (iii) identifying any potential learning impediments (such as dyslexia and dyscalculia). This is achieved via GLE's full suite of cognitive ability, subject/curriculum based and psychological assessment products. GLE's assessments are complemented by supporting schools in their performance management through the provision of resources such as school self-evaluation and stakeholder surveys, data interpretation and analysis services and professional development support (teacher training).

www.gl-education.com

eviivo	**Mar 2011**	**Technology – enterprise software**	**London, UK**

eviivo is the UK's leading software provider for small and medium-sized accommodation businesses to manage their online and offline bookings, allocate rooms, and allow for flexible pricing, invoice and process payments. The company partners with approximately 6,000 independent businesses in the UK and the Mediterranean region (France, Italy, Spain, Greece, Tunisia and Turkey), and includes B&Bs, guest accommodation, inns, farmhouses, cottages, restaurants with rooms and smaller boutique hotels.

www.eviivo.com

N&W	**Nov 2008**	**Industrial products**	**Valbrembo, Italy**

Headquartered in Valbrembo, Italy, N&W is the leading manufacturer of food and beverage vending machines used for selling items for immediate consumption. N&W is the market leader and only pan-European manufacturer offering a full suite of products in a market otherwise composed of smaller, regional players. The company manufactures (i) hot & cold serving vending machines that automatically prepare coffee, hot chocolate, tea and other drinks; (ii) snack & food vending machines; (iii) can & bottle vending machines; (iv) fully-automatic coffee machines for hotels, restaurants and cafeterias; and (v) coffee machines for use in offices.

www.nwglobalvending.com

Portfolio company name	Acquired	Industry sector	Location
CEME	**Jul 2008**	**Industrial products**	**Milan, Italy**

CEME is a leading manufacturer of fluid control components for consumer applications such as espresso machines and steam ironing systems. CEME's product range includes solenoid pumps and valves, as well as electromechanical pumps for a broad range of industrial applications. The company's primary client base consists of well-established western European manufacturers including Nespresso, Saeco, De'Longhi, Philips and SEB. At the same time, CEME is diversifying its customer base by focusing on developing its distribution network in China and the Far East. CEME products are the global industry 'reference' in coffee machines (solenoid pumps) and steam ironing systems (solenoid valves).

www.ceme.com

Sophos	**Jun 2008**	**Technology – enterprise software**	**Abingdon, UK**

Sophos (formerly Utimaco Safeware AG) is a leading international provider of endpoint security and network access control solutions. Through an integrated architecture, its security solutions protect against intrusion and malicious software. Sophos' endpoint security solution provides a single set of policies to support a variety of operating systems, such as Windows, MAC OS, and Linux. Furthermore, Sophos has a network access control solution which extends its platform to the enforcement of security policies and aims to restrict network access to endpoints that comply with pre-defined IT policies. The company focuses on serving the enterprise market.

Sophos successfully completed its initial public offering and listed its shares on the premium segment at the London Stock Exchange in June 2015.

www.sophos.com

Asiakastieto	**May 2008**	**Industrial services**	**Helsinki, Finland**

Asiakastieto is a leading Finnish provider of business and consumer information services. The company's products and services are primarily used for risk management, decision-making and sales and marketing purposes. The company believes that it is the market leader by revenue in credit information services in Finland. The company also operates in the market for business and consumer information, as well as the market for sales and marketing information services in Finland. The company has approximately 13,000 contract customers and its largest customers include financial institutions, insurance companies, telecommunication operators and wholesale and retail companies.

Asiakastieto priced its IPO on the Helsinki Stock Exchange in December 2014. Investcorp and its investors will continue to retain a portion of their stakes in Asiakastieto.

www.asiakastieto.fi/en

Icopal	**Jul 2007**	**Industrial products**	**Herlev, Denmark**

Established in 1876 as a manufacturer of roofing material, Icopal is today the world's leading producer of roofing and waterproofing membranes and the market leader in the Nordic countries in the area of roof installation services. The company's product portfolio also includes construction materials for the protection of buildings and other structures and maintenance products. Icopal's products are primarily used for non-residential construction applications across Europe, with an increasing focus on the higher growth markets of Central and Eastern Europe. Icopal currently has 37 manufacturing sites and 90 offices throughout Europe and North America and employs approximately 3,400 people.

www.icopal.com

Portfolio company name	Acquired	Industry sector	Location
Skrill	**Mar 2007**	**Technology – digital content**	**London, UK**

Skrill (formerly Moneybookers) is a leading independent online payments and Digital Wallets service. Skrill's offering includes an e-wallet, Payment Gateway, pre-paid vouchers, pre-paid debit cards, Person2Person money transfer, online bank transfer, invoice & installment, and mobile payment today. Skrill has grown the number of users from 2.6 million at the time of initial investment to over 36 million today. Skrill is available in 200 countries and territories, offering 100 local payment options and 40 currencies. 36 million account holders and 156,000 merchants already choose Skrill to pay and get paid globally.

A definitive agreement was signed in March 2015 to sell Skrill Group to Optimal Payments PLC. The sale is subject to regulatory approvals and expected to close in Q1 FY16.

www.skrill.com

Portfolio company name	Acquired	Industry sector	Location
Autodistribution	**Mar 2006**	**Distribution**	**Paris, France**

Autodistribution is the leading independent distributor of car and heavy goods vehicle parts in France. With more than 5,500 employees in France and 1,000 in Poland, the Group's customers benefit from its experience and knowledge of multi-brand car and HGV parts, which it has acquired since its founding in 1962. In order to supplement its own distribution network, the Group has pioneered the creation of a consortium of Autodistribution independent distributors, comprised of distributors of light and heavy goods vehicle parts. The Group provides its customers with a range of more than one million different car part listings from 350 suppliers and the distribution network is made up of over 355 sales outlets in France.

www.autodistribution.com

CI MENA

As of June 30, 2015, Investcorp's aggregate balance sheet co-investment in MENA was $73 million across 12 companies.

Portfolio company name	Acquired	Industry sector	Location
NDT Corrosion Control Services Company LLC (NDTCCS)	**May 2015**	**Industrial services**	**Dammam, Saudi Arabia**

Established in 1975, NDT Corrosion Control Services Co. ('NDTCCS') is the largest non-destructive testing ('NDT') service provider in Saudi Arabia. NDTCCS 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, which also has operations in the UAE, provides conventional and advanced NDT services for a range of industrial sectors including oil and gas, petrochemicals, mining, nuclear and utilities.

www.ndtcorrosion.com

Arvento Mobile Systems (Arvento)	**Mar 2015**	**Technology – infrastructure and others**	**Istanbul, Turkey**

Established in 2005, 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 has established itself as the 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. According to an independent research published by ABI Research, Arvento is recognized as the world's fifth biggest telematics business.

www.arvento.com

Namet Gida Sanayi ve Ticaret A.Ş. (Namet)	**Dec 2013**	**Consumer products**	**Istanbul, Turkey**

Established in 1998 and acquired in 2005 by the Kayar family, Namet is the largest integrated producer of fresh cut and packaged processed red meat products in Turkey. The company processes and sells unpacked and packed fresh cut meat (e.g. cut, diced and minced meat), delicatessen products (e.g. sujuk, pastrami, salami, sausages), frozen products (e.g. burger patties) and further processed products (e.g. meatballs, burgers, doner/shawarma and other marinated 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

Portfolio company name	Acquired	Industry sector	Location
AYTB Al Yusr Industrial Contracting Company W.L.L. (AYTB)	**Oct 2013**	**Industrial services**	**Jubail, Saudi Arabia**

AYTB was founded in 1979 in Jubail and over its 36 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, catering and accommodation services. AYTB's clients include many of the region's leading petrochemical and oil and gas companies, including SABIC and Saudi Aramco. The company employs over 6,000 people across its operations in Saudi Arabia and Qatar.

www.aytb.com

Leejam	**Jul 2013**	**Consumer services**	**Riyadh, Saudi Arabia**

Leejam is the leading fitness club chain operator in Saudi Arabia and the region, operating under the "Fitness Time" brand. Established in 2007, Leejam is a family owned business founded by CEO Abdulmohsen Al Haqbani. Leejam operates a rapidly growing nationwide network with 82 clubs and over 100,000 members targeting various customer segments (e.g. FT Plus, FT Regular, FT Pro, etc.). Its service offering extends beyond a typical gym to include swimming pool, basketball, volleyball and football facilities. The fitness market in Saudi Arabia is highly fragmented and expected to grow at double digit rates over the next five years, mainly driven by strong demographics and macro fundamentals, growing health awareness and lack of entertainment substitutes. Leejam is the number one player in Saudi Arabia and Investcorp believes that it is uniquely positioned to capture strong market growth and further increase its market share.

www.fitnesstime.com.sa

Theeb Rent a Car Company	**Jun 2013**	**Consumer services**	**Riyadh, Saudi Arabia**

Theeb, a leading car rental company in Saudi Arabia, is a family owned business established in 1991 by the Al Theeb family in Riyadh. Theeb operates a fleet size of more than 13,000 vehicles with a wide network of 49 locations including 15 international and regional airports in Saudi Arabia. Theeb primarily serves the 'Individual' segment with short-term rental services. Theeb has built over the years a strong local brand and membership program with over 104,000 members. The car rental market in Saudi Arabia is highly fragmented and expected to grow at double digit rates over the next five years, driven by strong demographics and macro fundamentals, growth in airports and domestic travelers and an increasing number of business enterprises.

www.theeb.com.sa

Portfolio company name	Acquired	Industry sector	Location
Hydrasun Group Holdings Ltd.	**Mar 2013**	**Industrial services**	**Aberdeen, Scotland**

Founded in 1976 in Aberdeen, Scotland, Hydrasun has international operational bases in the UK, the Middle East, the Netherlands, the Caspian Sea, Brazil, 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 600 personnel and has state-of-the-art engineering, production, manufacturing, training and warehousing facilities. Clients include British Petroleum, Emerson Group, General Electric and Hyundai.

www.hydrasun.com

Automak Automotive Company	**Oct 2012**	**Industrial services**	**Kuwait**

Founded in 2002 by Al Kharafi Projects Co. W.L.L. and Mr. Ghazi Omar, Automak is one of the few major players in the vehicles rental and fleet leasing business in Kuwait. Automak operates a fleet of in excess of 6,800 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

ORKA Group	**Sep 2012**	**Consumer products – specialty retail**	**Istanbul, Turkey**

ORKA Holding is one of the largest menswear retailers in Turkey with 174 directly operated stores (158 in Turkey and 16 around the world). Founded in 1986 by Süleyman Orakçıoglu, Orka Group has become a respected provider of menswear in Turkey and in the region through its brands Damat, Tween and D'S Damat. All three of the ORKA brands operate in menswear, presenting a sophisticated fit range – suited to a broad customer base. The strength of each brand lies in its ability to meet the needs of its particular market, with differences in their offerings. Orka targets the Classic/High End segment with the Damat brand as well as the contemporary/mid to high-end segment with the Tween brand. Orka also has a more affordable brand (D'S Damat) targeting the Classic and Contemporary mid-segment. Damat is the #1 apparel brand in Turkey with an estimated 97% brand awareness.

www.orkagroup.com

Tiryaki Group	**Sep 2010**	**Consumer products – trading and logistics**	**Istanbul, Turkey**

Tiryaki Agro is the 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 Agro's business is in the sourcing, processing, storage and trading of conventional and organic grains (wheat, corn and barley), pulses (lentils, chickpeas, peas, beans, rice and bulgur), oil seeds (sunflower, sesame, canola and soybean), feed stuff and nuts (pistachios, almonds, walnuts and peanuts) across Europe, Africa, the Middle East, the CIS, America and Asia. The company has a team of approximately 700 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.net

Portfolio company name	Acquired	Industry sector	Location
Gulf Cryo	**Nov 2009**	**Industrial products**	**Kuwait and UAE**

Established in 1953, Gulf Cryo is a manufacturer, distributor and service provider of industrial gases in the Middle East. The company was founded and is majority-owned by the Al Huneidi family. 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, CO_2, etc. 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, Qatar, Oman, Jordan, Egypt, Turkey and Iraq.

www.gulfcryo.com

Portfolio company name	Acquired	Industry sector	Location
L'azurde	**Mar 2009**	**Consumer products**	**Riyadh, Saudi Arabia**

L'azurde is a family owned business established in 1980 in Saudi Arabia and currently has two large state-of-the-art industrial plants in Riyadh and Cairo. L'azurde is the Arab world's leading designer, manufacturer and distributor of gold jewelry for the premium mass market, and one of the largest gold jewelry manufacturers globally. The company has high quality products and designs, 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. The MENA region is one of the largest jewelry markets in the world, in part due to a strong cultural attraction to gold jewelry.

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 has two subsidiaries, the principal subsidiary being 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, 2015, Investcorp Bank is owned by public shareholders, management and strategic shareholders. Public shareholders own approximately 32.0% of the Ordinary Shares of Investcorp Bank which are tradable on the Bahrain Bourse and are held predominantly by Gulf-based nationals and institutions. International shareholders hold 0.9% of the Ordinary Shares, represented by unlisted Global Depositary Receipts. SIPCO Limited ('SIPCO') directly and indirectly owns 28.5% of Investcorp Bank's ordinary shares. Investcorp Funding Limited ('IFL'), a subsidiary of Investcorp Bank, holds 0.1% of Investcorp Bank's Ordinary Shares.

The 28.6% of Investcorp Bank's ordinary shares owned directly and indirectly by SIPCO and Investcorp Funding Limited represents:

- management and other current and former Investcorp Group employees' (87 current and former employees in the aggregate) ownership of beneficial interests in 15.2% of Investcorp Bank's Ordinary Shares through Investcorp Employee Share Ownership Plans (each such plan an 'ISOP'), which includes 4.2% acquired but unvested shares under an ISOP;
- treasury shares, amounting to 1.8% of Investcorp Bank's Ordinary Shares that are held for potential grant to an ISOP; and
- treasury shares, amounting to 11.6% of Investcorp Bank's Ordinary Shares, available for future sale to strategic shareholders or for Investcorp Group employees to acquire beneficial interests in Investcorp Bank's Ordinary Shares through 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, 2015, assets comprising 97.7% of the book value of the Investcorp Group's consolidated assets were owned directly or indirectly by ISA, which is wholly-owned by IHL.

In order to separate voting control from economic ownership, IHL has issued both voting shares and non-voting shares. As at June 30, 2015, Investcorp Bank holds 23.1% 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). IFL owns 0.1% of the voting shares of IHL. The IHL Series A Preference Shares owned by Investcorp Bank give it 100% of the economic ownership of IHL and, therefore, 100% ownership of the 97.7% 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 an adverse change in the business or political climate in Bahrain that is reasonably likely to materially impair Investcorp Bank's ability to perform its obligations, prevent it from continuing normal business activities or result in a change of control, 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 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, 2015, Ownership Holdings Limited ('OHL'), a Cayman Islands company, has control of 65.6% of Investcorp Bank's Ordinary Shares directly and through CP Holdings Limited ('CPHL'), a Cayman Islands company. CPHL is majority owned by OHL which, in turn, is majority owned by SIPCO. Strategic shareholders own the balance of CPHL and OHL. SIPCO also holds 1.4% of Investcorp Bank's Ordinary Shares directly.

As a result of Investcorp Bank's ownership structure, the directors of SIPCO, comprised of certain Investcorp Bank Directors and senior executive officers, has the ability to control the voting of 67.0%[1] 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 senior management of Investcorp directly holds Investcorp Ordinary Shares. Mr. Nemir A. Kirdar, who served as the Executive Chairman and Chief Executive Officer of Investcorp Bank until his retirement effective on June 30, 2015 after decades of distinguished service to Investcorp, holds 107 Ordinary Shares of Investcorp Bank in his capacity as a Director of Investcorp Bank. 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 2015 Corporate Governance Report ('Fiscal Year 2015 Corporate Governance Report') which is a supplement to this Annual Report. The Fiscal Year 2015 Corporate Governance Report also is available on Investcorp's website (www.investcorp.com).

1 Numbers may not add up due to rounding

As reported above, an aggregate of 67.1%[1] of Investcorp Bank's Ordinary Shares are held by SIPCO, OHL, CPHL and IFL, each of which is a Cayman Islands company.

The table below shows the distribution by nationality of the holders of the 32.0% of Investcorp Bank's Ordinary Shares that are held by public shareholders and tradable on the Bahrain Bourse.

Nationality	Number of Shares	Ownership
American	8,404	1.0%
Bahamian	250	0.0%
Bahraini	117,279	14.7%
Belgian	100	0.0%
British	2,116	0.3%
Cayman Islander	8,512	1.1%
Channel Islander	1,238	0.2%
Emirati	18,000	2.2%
French	207	0.0%
Greek	600	0.1%
Kuwaiti	18,385	2.3%
Lebanese	300	0.0%
Omani	4,395	0.5%
Pakistani	100	0.0%
Qatari	14,912	1.9%
Saudi	58,927	7.4%
Spaniard	100	0.0%
Swazi	1,000	0.1%
Swiss	640	0.1%
Virgin Islands, British	654	0.1%
Total	**256,119**	**32.0%**

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

Nationality	Number of Shares	Ownership
Bahraini	22,934	10.2%
British	1,550	0.7%
Canadian	664	0.3%
Cayman Islander (includes SIPCO Preferred Limited)	89,880	40.0%
Emirati	3,231	1.4%
French	646	0.3%
Indian	322	0.1%
Jordanian	520	0.2%
Kuwaiti	78,735	35.0%
Lebanese	323	0.1%
New Zealander	97	0.0%
Omani	11,722	5.2%
Qatari	2,228	1.0%
Saudi Arabian	8,213	3.7%
Swiss	3,935	1.8%
Total	**225,000**	**100.0%**

1 Numbers may not add up due to rounding.

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

	June 30, 2015		
Ordinary shares	**No. of shares**	**No. of shareholders**	**% of total outstanding shares**
Less than <1%	176,021	300	22.0%
1% up to less than 5%	19,495	2	2.4%
5% up to less than 10%	79,900	1	10.0%
10% up to less than 20%	138,402	1	17.3%
More than 20%	386,182	1	48.3%
	800,000	305	100%

	June 30, 2015		
Preference shares	**No. of shares**	**No. of shareholders**	**% of total outstanding shares**
Less than 1%	29,169	46	13.0%
1% up to less than 5%	29,836	6	13.2%
5% up to less than 10%	16,155	1	7.2%
10% up to less than 20%	36,459	1	16.2%
More than 20%	113,381	2	50.4%
	225,000	56	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 33 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;

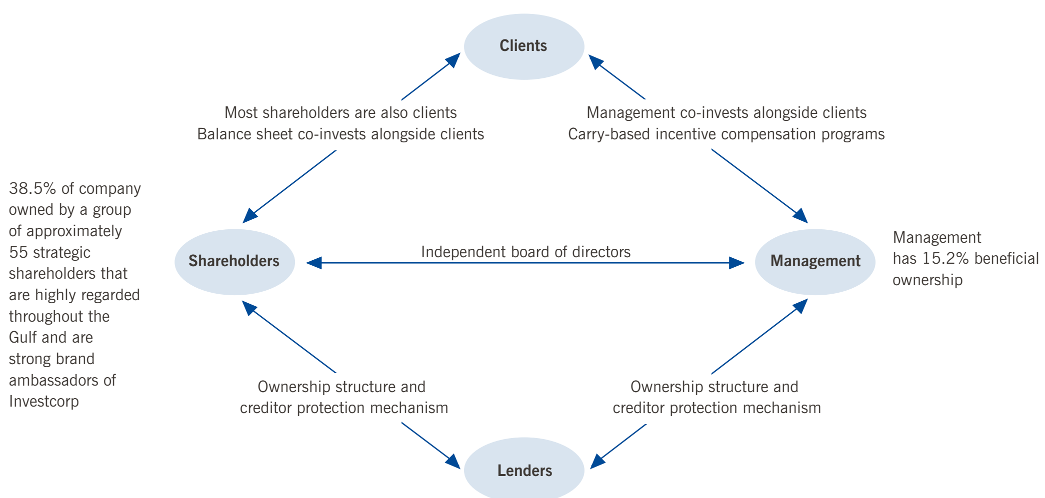
ii. transparency of reporting and actions plus proactive risk control; and

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 2015 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 hedge funds products. 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 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 management's interests with the interests of shareholders, clients and lenders.

The aggregate amount of compensation paid to senior management in respect of FY15, 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 28 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 2015 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 not more than 20 Directors, and the number of Directors is determined by shareholder resolution.

The size of the Board of Directors was set at 14 by action of the shareholders at the Ordinary General Meeting of Shareholders held on October 1, 2013 (the '2013 Ordinary General Meeting'). Following the retirement of H.E. Abdul-Rahman Salim Al-Ateeqi as the Chairman of the Board of Directors and as a Director effective in June 30, 2015 after many years of devoted service to Investcorp Bank, there are 13 Directors of Investcorp Bank.

Twelve of the current 13 Directors were elected at the 2013 Ordinary General Meeting of Shareholders for a three-year term that will expire at the 2016 Ordinary General Meeting of Shareholders.

One of the current Directors, Dr. Yousef Hamad Al-Ebraheem, was appointed by the Board of Directors to fill the vacancy on the Board of Directors arising from the death of Mr. Mustafa J. Boodai, which occurred after the 2013 Ordinary General Meeting was held. At the Ordinary General Meeting held in September 2014, Investcorp Bank's shareholders elected Dr. Al-Ebraheem for a term that also will expire at the 2016 Ordinary General Meeting.

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;
- the adoption and annual review of Investcorp's strategy, with responsibility as part of the strategy review process, 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;
- monitoring management performance and determining whether to approve recommendations by the Executive Committee for Administrative Policy (acting as a remuneration committee) for the remuneration of Approved Persons (i.e., persons approved by the CBB to perform their functions within Investcorp Bank) and executives who are classified as Material Risk Takers and other members of senior management;
- adopting and reviewing management structure and responsibilities;
- adopting and reviewing the systems and controls framework of Investcorp to ensure that this framework, including Investcorp's Board structure and organizational structure, is appropriate for Investcorp's business and associated risks;
- 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;
- 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;
- 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
- ensuring that an adequate, effective, comprehensive and transparent corporate governance framework is in place.

The Directors' names, years of service on the Board of Directors, other directorships held by them, attendance of Board of Directors meetings held during FY15 and the aggregate remuneration proposed to be paid to the Directors in respect of FY15 are reported in the Fiscal Year 2015 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 FY15, all of the Directors of Investcorp Bank other than Mr. Kirdar were non-executive. 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 2015, is reported in the Fiscal Year 2015 Corporate Governance Report.

Effective July 1, 2015, H.E. Mohammed Bin Mahfoodh Bin Saad Al Ardhi, who has been a Director since 2008, succeeded Mr. Kirdar as the Executive Chairman of Investcorp Bank and he continues to serve as a Director. Consequently, H.E. Al Ardhi has become an executive Director.

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 and the head of the Internal Audit department, the head of the Legal and Compliance department 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 appointment and termination, where appropriate, of the external auditor;
- 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;
- 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 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; 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 three 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 may 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** 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 two times a year.

When acting as a nominating committee, its responsibilities include:

- making recommendations from time to time regarding changes to the size of the Board of Directors or any Committee that the Committee believes to be desirable;
- when a vacancy on the Board of Directors arises, identifying persons qualified to become members of the Board of Directors and recommending a person to fill such vacancy, either through appointment by the Board of Directors (if a current Director ceases to serve on the Board of Directors) or by the shareholders (if a vacancy arises due to the shareholders approving an increase in the size of the Board of Directors);
- identifying Directors qualified to fill any vacancy on any Committee of the Board of Directors;
- identifying persons qualified to become the Chief Executive Officer, Chief Financial Officer, Corporate Secretary and any other officers of Investcorp Bank considered appropriate by the Board of Directors except for the head of Internal Audit, which is the responsibility of the Audit Committee; and
- 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.

When acting as a remuneration committee, its responsibilities include:

- considering and making recommendations to the Board of Directors regarding remuneration policies and individual remuneration packages for Approved Persons, Material Risk Takers and other members of senior management;
- considering and making recommendations to the Board of Directors regarding the remuneration to be paid to Directors based on their attendance of Board meetings and performance;
- considering and approving remuneration amounts 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 and ensuring that such remuneration is consistent with Investcorp's corporate values and reflects an evaluation of performance in implementing agreed corporate goals and objectives;

- considering and approving remuneration amounts for all other Managing Directors and Principals taking into account all forms of remuneration and ensuring that such remuneration is consistent with Investcorp's corporate values and reflects an evaluation of performance in implementing agreed corporate goals and objectives;
- approving, monitoring and reviewing the remuneration system to ensure the system operates as intended; and
- retaining and overseeing outside consultants or firms for the purpose of determining CBB Approved Persons' and Material Risk Takers' remuneration, administering remuneration plans or related matters.

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

- reviewing and approving the Executive Chairman's recommendations for corporate and administrative policies;
- reviewing and approving the Executive Chairman's recommendations for capital expenditures; and
- overseeing charitable contributions by Investcorp.

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 three 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 FY15 and the remuneration proposed to be paid to Directors for their Executive Committee service during FY15 is reported in the Fiscal Year 2015 Corporate Governance Report.

During FY15, 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 FY15 is presented in the Fiscal Year 2015 Corporate Governance Report.

A report regarding the evaluations conducted each year also is provided at each Ordinary General Meeting of Shareholders.

For information regarding related party transactions, please see Note 28 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 Directors, members of senior management and less senior executives who have been approved by the CBB to perform his or her function (collectively, '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 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 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.

However, the Conflicts of Interest Policies and Procedures specifically provide 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. Accordingly, these transactions are not specially considered by the Board of Directors and they are instead approved by Investcorp's management.

To ensure that any existing or potential conflict of interest is identified, Directors and members of senior management 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 2015 Corporate Governance Code.

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 three 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 (July-September) and nine months of its financial year (July-March). An annual shareholders meeting, in addition to the Ordinary General Meeting of Shareholders, 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 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 corporate financial management 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.

The Investment Committee for an LOB within Corporate Investment is initially comprised of senior executives within that LOB, but the membership of the Investment Committee is expanded for any interim or final meeting to include all Corporate Investment Managing Directors, the Chief Investment Officer, 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, the Chief Investment Officer, a Co-Chief Executive Officer and the head of Risk Management.

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 to determine whether to recommend to the Investment Council that it approve the investment or the disposition.

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 is licensed by the CBB, and all of Investcorp's activities are subject to comprehensive regulation by the CBB. In addition, a portion of Investcorp's Ordinary Shares are listed on the Bahrain Bourse and Investcorp is subject to the regulations of the Bahrain Bourse.

Investcorp Bank has a UK subsidiary that acts as an arranger of corporate finance transactions. This subsidiary is registered with and regulated by the UK Financial Conduct Authority (the 'FCA').

ISA has issued bonds that are listed on the London Stock Exchange and is therefore subject to certain FCA Disclosure and Transparency and Listing Rules. ISA has also 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 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 also has two subsidiaries that are registered with and regulated by the SEC as investment advisers. These two subsidiaries 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 is also registered with and regulated by the Cayman Islands Monetary Authority ('CIMA'). One other Investcorp Bank subsidiary is registered with and regulated by CIMA in connection with the performance of investment-related services. In addition, the Gulf Opportunity Funds are registered with the CBB and certain other Investcorp investment funds are registered with and regulated by CIMA, the CBB and the Capital Market Authority of Saudi Arabia (the 'CMA').

Investcorp Bank's Saudi Arabian subsidiary Investcorp Saudi Arabia Financial Investments Co. is licensed by the CMA 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 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. The Corporate Financial Management 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 and 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 aims for an investment-grade BBB equivalent rating 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 markets crisis in FY09 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. 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 usually takes between four to eight weeks 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 a portion of balance sheet hedge fund 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; (iii) below par performance of liquidity pools; and (iv) 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.

As a result of the changes to capital and liquidity requirements under Basel III and the possible impact on relationship bank lending activity, Investcorp has diversified its balance sheet financing with the completion of a $250 million five-year public bond transaction in 2012 and a CHF 125 million five-year public bond transaction in 2014.

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 15 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 short-term underwriting of new acquisitions. Although Investcorp has operated in the past with a leverage ratio of between 2.0x equity and 3.0x equity, the de-leveraging initiatives since 2009 have reduced leverage to below 1.5x equity.

Investcorp's debt covenants contain either a 'leverage' or 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 term 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, generally within one to two months. The second is the receipt of transitory client funds relating to proceeds from deal exits, prior to distribution to clients, and the receipt of client funds pending investment in hedge funds, which are temporarily deposited with Investcorp. 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 its cash flow and liquidity position can 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 corporate financial management 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, in turn, 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 management policies manual. In addition, separate risk review forums are used for each line of business (e.g., Investment Committees for corporate investments and real estate investments) 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 22(i)*;
- funding liquidity risk Note 22(ii)*;
- concentration risk Note 22(iii)*;
- foreign currency risk Note 22(iv)(a)*;
- interest rate risk Note 22(iv)(b)*;
- equity price risk Note 22(iv)(c)*; and
- operational risk Note 22(v)*.

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

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 all investment and funding sources. The amount of interest rate sensitivity of the balance sheet at June 30, 2015 is shown in Note 22(iv)(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 22(iv)(a)* of the consolidated financial statements of Investcorp Bank B.S.C.

On a related issue, the potential increase in collateral requirements for derivative transactions following a credit rating downgrade of Investcorp is assessed by the risk management team during its quarterly analysis of cash flow under normal and stressed conditions.

1 * References are to footnotes in the fiscal 2015 Investcorp Bank B.S.C. consolidated financial statements.

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 portfolio and balance sheet retention perspective.

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

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 MENA investing are alleviated through taking board level representation with appropriate minority protections.

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

Hedge funds investment. Investcorp manages its hedge funds 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, through the use of separate accounts and 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 hedge funds 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 hedge funds 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.

One of Investcorp's competitive strengths is the process by which it increases transparency. For example, it establishes separate accounts with managers, thereby controlling leverage and undesirable exposures and providing greater transparency, reviewed and monitored by the hedge funds group's quality assurance unit. This unit monitors manager adherence to investment guidelines and independently verifies valuations. While investment in hedge funds 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 hedge funds team is mindful of these risks and has incorporated specific actions in its asset allocation, monitoring guidelines and separate accounts in an effort 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 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 and the Board.

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 Investcorp'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 equity 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, 2015

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REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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 balance sheet as at 30 June 2015, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 30 June 2015, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other regulatory requirements

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

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

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

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), the CBB Capital Markets 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 2015 that might have had a material adverse effect on the business of the Bank or on its consolidated financial position. Satisfactory explanations and information have been provided to us by management in response to all our requests.

Ernst & Young

Partner's registration no: 117
29 August 2015
Manama, Kingdom of Bahrain

INVESTCORP BANK B.S.C.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the year ended June 30, 2015

CONSOLIDATED STATEMENT OF INCOME

$000s	2015	2014 (restated)	Notes	Page
FEE INCOME				
AUM fees	**111,504**	99,990		
Deal fees	**196,648**	215,835		
Fee income (a)	**308,152**	315,825	3	111
ASSET BASED INCOME				
Corporate investment	**49,839**	23,760		
Hedge funds	**9,128**	28,197		
Real estate investment	**11,450**	(7,813)		
Treasury and other asset based income	**2,557**	3,434		
Asset based income (b)	**72,974**	47,578	3	111
Gross operating income (a) + (b)	**381,126**	363,403	3	111
Provisions for impairment	**(2,814)**	(1,371)	12	123
Interest expense	**(58,048)**	(60,555)	3	111
Operating expenses	**(203,553)**	(198,367)	5	119
NET INCOME	**116,711**	103,110		
Basic earnings per ordinary share ($)	**131**	77	21	128
Fully diluted earnings per ordinary share ($)	**129**	76	21	128

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

$000s	2015	2014 (restated)	Notes	Page
NET INCOME (AS ABOVE)	**116,711**	103,110		
Other comprehensive income that could be recycled to statement of income				
Fair value movements – available for sale investments	**670**	(1,181)	20	127
Fair value movements – cash flow hedges	**(10,280)**	1,931	20	127
Other comprehensive (loss) / income	**(9,610)**	750		
TOTAL COMPREHENSIVE INCOME	**107,101**	103,860		

NEMIR A. KIRDAR
Chairman of the Board of Directors

H.E. MOHAMMED BIN MAHFOODH
BIN SAAD AL ARDHI
Executive Chairman

The attached Notes 1 to 29 are an integral part of these consolidated financial statements.

INVESTCORP BANK B.S.C.

CONSOLIDATED BALANCE SHEET

June 30, 2015

$000s	June 30, 2015	June 30, 2014 (restated)	July 1, 2013 (restated)	Notes	Page
ASSETS					
Cash and short-term funds	**82,665**	101,262	101,906		
Placements with financial institutions and other liquid assets	**256,646**	125,944	453,105		
Positive fair value of derivatives	**74,226**	66,570	62,811	22	128
Receivables and prepayments	**274,905**	206,309	283,004	6	119
Advances	**111,521**	128,832	146,975	7	120
Underwritten investments	**87,505**	112,372	33,000	8	120
Co-investments					
Corporate investment	**667,239**	910,807	873,609	9	121
Hedge funds	**421,056**	476,418	315,762	10	122
Real estate investment	**142,897**	130,017	156,505	11	123
Total co-investments	**1,231,192**	1,517,242	1,345,876		
Premises, equipment and other assets	**42,758**	45,591	50,652		
TOTAL ASSETS	**2,161,418**	2,304,122	2,477,329		
LIABILITIES AND EQUITY					
LIABILITIES					
Call accounts	**101,027**	95,831	189,818	13	124
Term and institutional borrowings	**37,679**	135,683	128,326	14	124
Payables and accrued expenses	**240,363**	164,057	142,354	15	124
Negative fair value of derivatives	**36,743**	25,157	43,003	22	128
Medium-term debt	**417,081**	474,165	482,489	16	125
Long-term debt	**346,235**	408,135	419,078	17	125
Deferred fees	**100,290**	82,734	54,163	18	126
TOTAL LIABILITIES	**1,279,418**	1,385,762	1,459,231		
EQUITY					
Preference share capital	**225,000**	391,222	511,465	19	126
Ordinary shares at par value	**200,000**	200,000	200,000	19	126
Reserves	**259,166**	221,907	229,421		
Treasury shares	**(103,566)**	(158,212)	(163,551)		
Retained earnings	**268,086**	199,288	165,237		
Ordinary shareholders' equity excluding proposed appropriations and unrealized fair value changes and revaluation reserve recognized directly in equity	**623,686**	462,983	431,107		
Proposed appropriations	**42,288**	63,289	75,180	21	128
Unrealized fair value changes and revaluation reserve recognized directly in equity	**(8,974)**	866	346	20	127
TOTAL EQUITY	**882,000**	918,360	1,018,098		
TOTAL LIABILITIES AND EQUITY	**2,161,418**	2,304,122	2,477,329		

NEMIR A. KIRDAR
Chairman of the Board of Directors

H.E. MOHAMMED BIN MAHFOODH
BIN SAAD AL ARDHI
Executive Chairman

The attached Notes 1 to 29 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, 2015

$000s	Preference share capital	Ordinary share capital	Reserves: Share premium	Reserves: Statutory reserve	Reserves: Total
Balance at July 1, 2013	511,465	200,000	129,421	100,000	229,421
Adjustment on adoption of IFRS 15 (note 29)	–	–	–	–	–
Balance at July 1, 2013 (restated)	511,465	200,000	129,421	100,000	229,421
Total comprehensive income / (loss)	–	–	–	–	–
Preference shares redeemed during the year	(120,243)	–	–	–	–
Depreciation on revaluation reserve transferred to retained earnings	–	–	–	–	–
Treasury shares (purchased) / vested during the year – net	–	–	–	–	–
Loss on sale / vesting of treasury shares	–	–	(7,514)	–	(7,514)
Approved appropriations for fiscal 2013 paid:					
Ordinary share dividend	–	–	–	–	–
Preference share dividend	–	–	–	–	–
Charitable contributions by shareholders	–	–	–	–	–
Proposed appropriations for fiscal 2014:					
Ordinary share dividend	–	–	–	–	–
Preference share dividend	–	–	–	–	–
Charitable contributions by shareholders	–	–	–	–	–
Balance at June 30, 2014 (restated)	391,222	200,000	121,907	100,000	221,907
Total comprehensive income / (loss)	–	–	–	–	–
Preference shares redeemed during the year	**(166,222)**	–	–	–	–
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	–	–	**37,259**	–	**37,259**
Dividends on forfeited shares	–	–	–	–	–
Approved appropriations for fiscal 2014 paid:					
Ordinary share dividend	–	–	–	–	–
Preference share dividend	–	–	–	–	–
Charitable contributions by shareholders	–	–	–	–	–
Proposed appropriations for fiscal 2015:					
Ordinary share dividend	–	–	–	–	–
Preference share dividend	–	–	–	–	–
Charitable contributions by shareholders	–	–	–	–	–
Balance at June 30, 2015	**225,000**	**200,000**	**159,166**	**100,000**	**259,166**

The attached Notes 1 to 29 are an integral part of these consolidated financial statements.

			Unrealized fair value changes and revaluation reserve recognized directly in equity				
Treasury shares	Retained earnings	Proposed appropriations	Available for sale investments	Cash flow hedges	Revaluation reserve on premises and equipment	Total	Total equity
(163,551)	213,468	75,180	2,666	(7,914)	5,594	346	1,066,329
–	(48,231)	–	–	–	–	–	(48,231)
(163,551)	165,237	75,180	2,666	(7,914)	5,594	346	1,018,098
–	103,110	–	(1,181)	1,931	–	750	103,860
–	(6,000)	–	–	–	–	–	(126,243)
–	230	–	–	–	(230)	(230)	–
(2,175)	–	–	–	–	–	–	(2,175)
7,514	–	–	–	–	–	–	–
–	–	(9,304)	–	–	–	–	(9,304)
–	–	(61,376)	–	–	–	–	(61,376)
–	–	(4,500)	–	–	–	–	(4,500)
–	(9,413)	9,413	–	–	–	–	–
–	(49,376)	49,376	–	–	–	–	–
–	(4,500)	4,500	–	–	–	–	–
(158,212)	199,288	63,289	1,485	(5,983)	5,364	866	918,360
–	**116,711**	**–**	**670**	**(10,280)**	**–**	**(9,610)**	**107,101**
–	**(6,087)**	**–**	**–**	**–**	**–**	**–**	**(172,309)**
–	**230**	**–**	**–**	**–**	**(230)**	**(230)**	**–**
91,905	**–**	**–**	**–**	**–**	**–**	**–**	**91,905**
(37,259)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
–	**232**	**–**	**–**	**–**	**–**	**–**	**232**
–	**–**	**(9,413)**	**–**	**–**	**–**	**–**	**(9,413)**
–	**–**	**(49,376)**	**–**	**–**	**–**	**–**	**(49,376)**
–	**–**	**(4,500)**	**–**	**–**	**–**	**–**	**(4,500)**
–	**(10,394)**	**10,394**	**–**	**–**	**–**	**–**	**–**
–	**(29,394)**	**29,394**	**–**	**–**	**–**	**–**	**–**
–	**(2,500)**	**2,500**	**–**	**–**	**–**	**–**	**–**
(103,566)	**268,086**	**42,288**	**2,155**	**(16,263)**	**5,134**	**(8,974)**	**882,000**

INVESTCORP BANK B.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2015

$000s	2015	2014 (restated)	Notes	Page
OPERATING ACTIVITIES				
Net income	**116,711**	103,110		
Adjustments for non-cash items in net income				
Depreciation	**6,854**	7,271		
Provisions for impairment	**2,814**	1,371	12	123
Amortization of transaction costs of borrowings	**6,183**	7,225		
Employee share awards expense	**9,176**	9,300	27	148
Net income adjusted for non-cash items	**141,738**	128,277		
Changes in:				
Operating capital				
Placements with financial institutions and other liquid assets (non-cash equivalent)	**–**	46,880		
Receivables and prepayments	**22,497**	76,623	6	119
Advances	**14,940**	16,844	7	120
Underwritten investments	**24,867**	(79,372)	8	120
Call accounts	**5,196**	(93,987)	13	124
Payables and accrued expenses	**(27,620)**	21,703	15	124
Deferred fees	**17,556**	28,571	18	126
Co-investments				
Corporate investment	**244,238**	(38,379)	9	121
Hedge funds – net of secured financing	**45,463**	(107,063)	10	122
Real estate investment	**(12,880)**	26,488	11	123
Fair value of derivatives	**(71,407)**	58		
Other assets	**222**	150		
NET CASH FROM OPERATING ACTIVITIES	**404,810**	26,793		
FINANCING ACTIVITIES				
Term and institutional borrowings	**(98,004)**	7,357	14	124
Medium-term debt repaid	**(50,211)**	(73,567)	16	125
Long-term debt repaid	**–**	(26,250)	17	125
Treasury shares purchased – net	**(8,807)**	(11,475)		
Preference shares purchased	**(68,151)**	(126,243)	19	126
Dividends paid	**(58,789)**	(70,680)		
Charitable contributions paid	**(4,500)**	(4,500)		
NET CASH USED IN FINANCING ACTIVITIES	**(288,462)**	(305,358)		
INVESTING ACTIVITY				
Investment in premises and equipment	**(4,243)**	(2,360)		
NET CASH USED IN INVESTING ACTIVITY	**(4,243)**	(2,360)		
Net increase (decrease) in cash and cash equivalents	**112,105**	(280,925)		
Cash and cash equivalents at beginning of the year	**227,206**	508,131		
Cash and cash equivalents at end of the year	**339,311**	227,206		
Cash and cash equivalents comprise of:				
Cash and short-term funds	**7,641**	28,230		
Cash in transit	**75,024**	73,032		
Placements with financial institutions and other liquid assets	**256,646**	125,944		
	339,311	227,206		

In addition to the above, the Group has undrawn and available balance of $524.8 million (June 30, 2014: $464.9 million) from its revolving medium-term facilities.

Additional cash flow information $000s	2015	2014
Interest paid	**(58,259)**	(61,860)
Interest received	**9,435**	9,681

The attached Notes 1 to 29 are an integral part of these consolidated financial statements.

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.

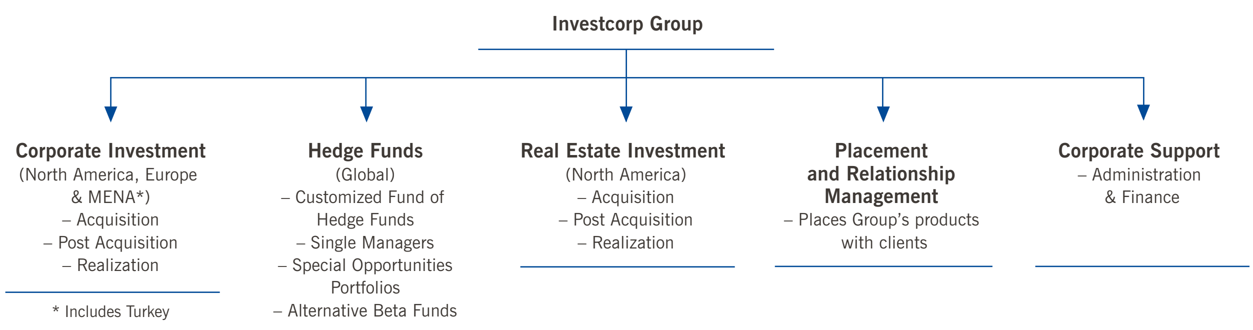
The registered office of the Bank is at Investcorp House, Building 499, Road 1706, Diplomatic Area 317, Manama, Kingdom of Bahrain. The Bank is registered under commercial registration number 12411-1 issued by the Ministry of Industry and Commerce, Kingdom of Bahrain.

The consolidated financial statements for the year ended June 30, 2015 were authorized for issue in accordance with a resolution of the Board of Directors effective on August 28, 2015.

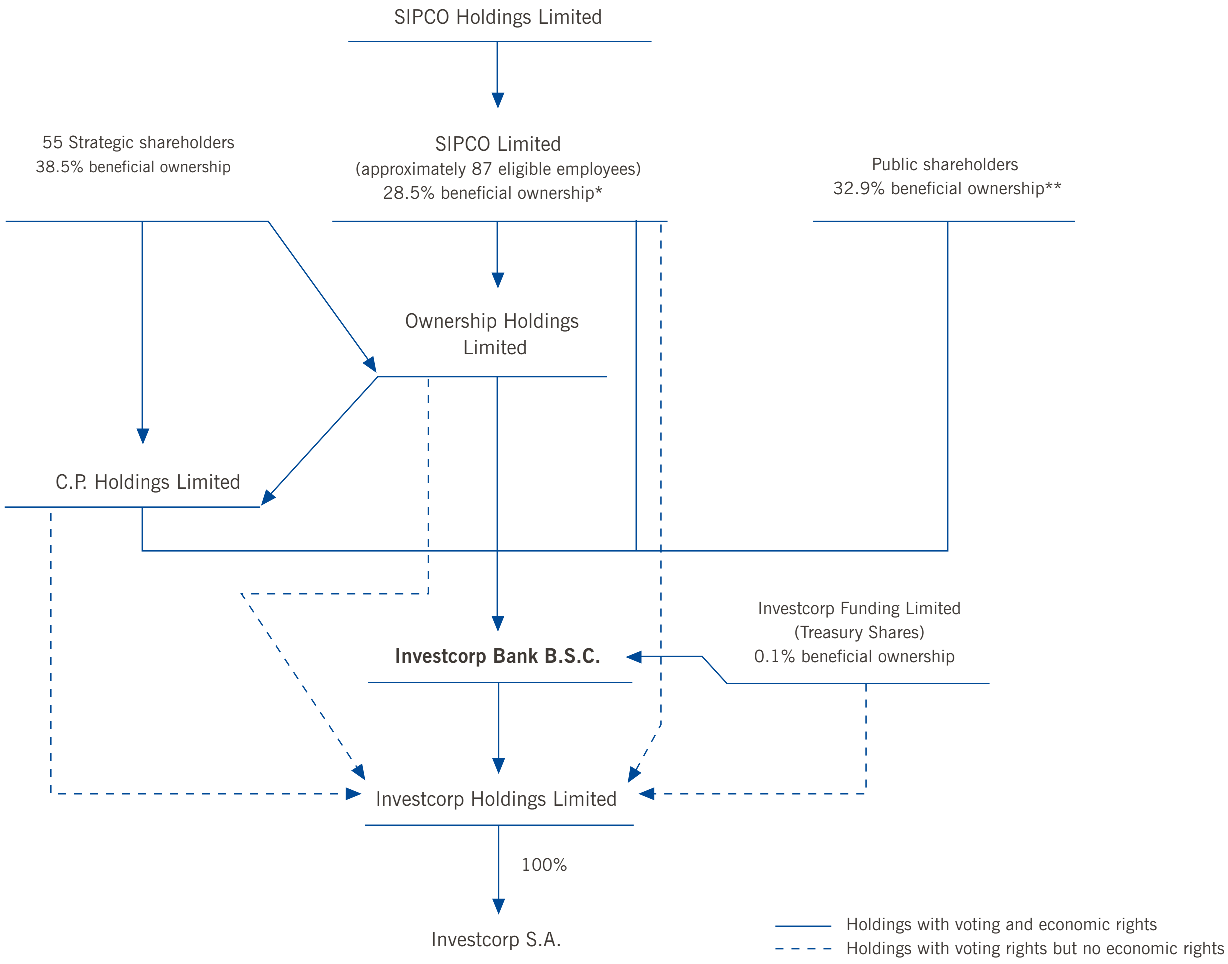
(ii) Activities

The Group performs two principal roles (a) to act as an intermediary by bringing global alternative 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 three broad alternative investment asset classes. The alternative investment asset classes in which the Group specializes are corporate investment, hedge funds and real estate 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.



(iii) Ownership



* Includes 11.5% in shares that are held for future grant to management and 1.8% shares granted but not acquired 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 0.9% beneficial ownership held in the form of unlisted Global Depositary Receipts.

The Bank is controlled by Ownership Holdings Limited ('OHL'), through its shareholding directly, and its shareholding indirectly through C.P. Holdings Limited ('CPHL'), of the issued ordinary shares of the Bank. OHL is, in turn, controlled by SIPCO Limited ('SIPCO'), a subsidiary of SHL. SIPCO 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, have the ability to control the voting of 67.0% 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, SIPCO Limited and Investcorp

Funding Limited ('IFL') own ordinary shares of IHL and this ownership is adjusted periodically to result in their owning ordinary shares in IHL in the same proportion as their shareholding of the Bank's ordinary shares. 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 investment management and advisory services to non-United States client investment holding companies for corporate and real estate investments.
	Investcorp Investment Advisers Limited (Cayman Islands)	Company that provides investment management and advisory services to investment funds including hedge funds 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 single manager funds and manages the Group's excess liquidity.
	CIP AMP Limited (Cayman Islands)	Company through which the Group co-invests in the hedge funds program (HFP).
	Investcorp Financial and Investment Services S.A. (Switzerland)	Company that provides M&A consulting services for deal execution in Western Europe.
	Investcorp International Limited (UK)	The Group's principal operating subsidiary in the UK. A further subsidiary of which (Investcorp Securities Limited) arranges M&A transactions in the UK.
	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 HFP 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 hedge funds, and is an SEC registered investment advisor.
	Investcorp Saudi Arabia Financial Investments Co. (Saudi Arabia)	Company that acts as principal agent of the Bank in Saudi Arabia for placements of the products offered by the Group.

2. ASSETS UNDER MANAGEMENT

The Group's clients participate in products offered under its three alternative investment asset classes. Total assets under management ('AUM') in each product category at the consolidated balance sheet date are as follows:

	June 30, 2015				June 30, 2014			
$ millions	Clients	Investcorp	Affiliates and co-investors	Total	Clients	Investcorp	Affiliates and co-investors	Total
Corporate investment								
Closed-end invested funds								
CI – NA & Europe	514	168	39	721	687	206	54	947
CI – MENA	584	61	7	652	560	57	4	621
Sub total	1,098	229	46	1,373	1,247	263	58	1,568
Deal-by-deal	2,576	389	350	3,315	2,328	568	188	3,084
Deal-by-deal underwriting	–	35	–	35	–	86	–	86
Strategic and other	–	49	–	49	–	80	–	80
Total corporate investment	3,674	702	396	4,772	3,575	997	246	4,818
Hedge funds*								
Customized funds of hedge funds	1,389	271	1	1,661	2,317	226	1	2,544
Single managers	2,094	97	–	2,191	1,993	232	–	2,225
Special opportunities portfolios	109	13	2	124	203	18	–	221
Alternative beta funds	–	40	–	40	–	–	–	–
Total hedge funds	3,592	421	3	4,016	4,513	476	1	4,990
Real estate investment								
Closed-end committed funds	75	25	–	100	75	25	–	100
Closed-end invested funds	22	18	–	40	98	27	2	127
Deal-by-deal	1,190	107	16	1,313	994	84	17	1,095
Deal-by-deal underwriting	–	53	–	53	–	27	–	27
Strategic and other	–	7	–	7	–	5	–	5
Total real estate investment	1,287	210	16	1,513	1,167	168	19	1,354
Client call accounts held in trust	324	–	–	324	258	–	–	258
Total	8,877	1,333	415	10,625	9,513	1,641	266	11,420
Summary by products:								
Closed-end committed funds	75	25	–	100	75	25	–	100
Closed-end invested funds	1,120	247	46	1,413	1,345	290	60	1,695
Hedge funds	3,592	421	3	4,016	4,513	476	1	4,990
Deal-by-deal	3,766	552	366	4,684	3,322	737	205	4,264
Underwriting	–	88	–	88	–	113	–	113
Client monies held in trust	324	–	–	324	258	–	–	258
Total	8,877	1,333	415	10,625	9,513	1,641	266	11,420
Summary by asset classes:								
Corporate investment	3,674	702	396	4,772	3,575	997	246	4,818
Hedge funds	3,592	421	3	4,016	4,513	476	1	4,990
Real estate investment	1,287	210	16	1,513	1,167	168	19	1,354
Client call accounts held in trust	324	–	–	324	258	–	–	258
Total	8,877	1,333	415	10,625	9,513	1,641	266	11,420

* Stated at gross value of the underlying exposure. Also, includes $2.4 billion (June 30, 2014: $2.5 billion) of single manager funds (including exposure through customized funds of hedge funds), managed by third party managers, where Investcorp receives fees calculated on the basis of AUM.

In the above table all hedge funds and Investcorp balance sheet co-investment amounts for corporate investment and real estate investment 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 were 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 balance sheet.

3. SEGMENT REPORTING

As at June 30, 2015, the business segments reported are based on the two primary reporting segments into which the Group classifies its activities.

A. REPORTING SEGMENTS

The Group's activities are classified into two reporting segments:

(i) Fee Business

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

(ii) Co-investment Business

The Group co-invests along with its clients in all of the alternative investment asset products it offers to clients. Income from these co-investments in corporate investment deals, hedge funds and real estate 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) Hedge funds	Customized fund of hedge funds Single managers Special opportunities portfolios Alternative Beta Funds
(3) 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 also offered through conventional fund structures participation in which is extended to institutional investors. The Group retains a small portion as a co-investment on its consolidated balance sheet. These investments are held until realization.

(ii) Hedge Funds ('HF')

The HF team, primarily operating from New York, manages Investcorp's Hedge Funds business which includes proprietary co-investments as well as client assets. The HF business comprises customized funds of hedge funds, special opportunities portfolios, alternative beta funds and a single manager platform. The business aims to achieve attractive returns on a risk-adjusted basis over a medium-term period with low correlation to traditional and other alternative asset classes, through a diversified portfolio of investments in hedge funds.

(iii) Real Estate Investment ('RE')

The RE team, based in New York, arranges investments in North American 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 balance sheet. 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 balance sheet. The property 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 and consulting fees earned on CI and RE investments from client's investment holding companies, investee companies and closed-end funds;
- management and performance fees earned on hedge fund assets under management; and
- other fees earned on single manager funds managed by third party managers, where Investcorp receives fees calculated on the basis of AUM.

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, part of the placement fees earned by the Group from clients at the time of placing a new CI or RE 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 FVTPL co-investments in CI, RE and HF, cash or pay-in-kind interest from various CI and RE debt investments 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 segment 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 segment.

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. All long-term debt and a proportion of drawn medium-term debt, including loans secured by co-investment assets, are allocated to the Co-investment Business. Call accounts, term and institutional borrowings, the residual amount of medium-term debt, other associated working capital and 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 reporting segment are allocated using a fixed rate charge on the aggregate balance sheet 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 ex-post net asset-based income from co-investment business exceeds a certain hurdle. All residual operating expenses are allocated to the Fee Business reporting segment.

G. STATEMENT OF INCOME AND BALANCE SHEET BY REPORTING SEGMENTS

The consolidated statements of income by reporting segments are as follows:

$000s	2015	2014 (restated)
FEE BUSINESS		
AUM fees		
Corporate investment	**77,611**	65,194
Hedge funds	**21,436**	28,754
Real estate investment	**12,457**	6,042
Total AUM fees	**111,504**	99,990
Deal fees		
Corporate investment	**164,554**	174,624
Hedge funds	**–**	11,579
Real estate investment	**32,094**	29,632
Total deal fees	**196,648**	215,835
Treasury and other asset-based income	**2,557**	3,434
Gross income attributable to fee business (a)	**310,709**	319,259
Provisions for impairment	**(2,814)**	(1,371)
Interest expense	**(29,958)**	(30,553)
Operating expenses attributable to fee business (b)	**(191,814)**	(187,933)
NET FEE BUSINESS INCOME (c)	**86,123**	99,402
CO-INVESTMENT BUSINESS		
Asset-based income		
Corporate investment	**49,839**	23,760
Hedge funds	**9,128**	28,197
Real estate investment	**11,450**	(7,813)
Gross income attributable to co-investment business (d)	**70,417**	44,144
Interest expense	**(28,090)**	(30,002)
Operating expenses attributable to co-investment business (e)	**(11,739)**	(10,434)
NET CO-INVESTMENT BUSINESS INCOME (f)	**30,588**	3,708
NET INCOME (c) + (f)	**116,711**	103,110
Gross operating income (a) + (d)	**381,126**	363,403
Gross operating expenses (b) + (e)	**(203,553)**	(198,367)

Revenue reported above represents revenue generated from external customers. There were no inter-segment revenues in the year (2014: nil).

$158.9 million (2014: $151.6 million) of deal fees relates to activity fees and $37.7 million (2014: $64.2 million) represents performance fees.

Treasury and other income includes $4.6 million (2014: $3.8 million) of interest income. CI and RE asset-based income includes $3.5 million (2014: $3.1 million) and $2.3 million (2014: $2.7 million) of interest income respectively.

None of the Group's customers have generated 10% 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 by region has not been presented. Notes 9 and 25 (iii) present the geographical split of assets and off-balance sheet items.

Consolidated balance sheets by reporting segment are as follows:

	June 30, 2015		
$000s	Co-investment Business	Fee Business	Total
ASSETS			
Cash and short-term funds	–	82,665	82,665
Placements with financial institutions and other liquid assets	–	256,646	256,646
Positive fair value of derivatives	–	74,226	74,226
Receivables and prepayments	8,655	266,250	274,905
Advances	–	111,521	111,521
Underwritten investments	–	87,505	87,505
Co-investments			
Corporate investment	667,239	–	667,239
Hedge funds	421,056	–	421,056
Real estate investment	142,897	–	142,897
Premises, equipment and other assets	–	42,758	42,758
Total assets	1,239,847	921,571	2,161,418
LIABILITIES AND EQUITY			
Liabilities			
Call accounts	–	101,027	101,027
Term and institutional borrowings	–	37,679	37,679
Payables and accrued expenses	5,786	234,577	240,363
Negative fair value of derivatives	–	36,743	36,743
Medium-term debt	84,734	332,347	417,081
Long-term debt	346,235	–	346,235
Deferred fees	–	100,290	100,290
Total liabilities	436,755	842,663	1,279,418
Total equity	803,092	78,908	882,000
Total liabilities and equity	1,239,847	921,571	2,161,418

$000s (restated)	June 30, 2014 Co-investment Business	 Fee Business	 Total
ASSETS			
Cash and short-term funds	–	101,262	101,262
Placements with financial institutions and other liquid assets	–	125,944	125,944
Positive fair value of derivatives	–	66,570	66,570
Receivables and prepayments	6,056	200,253	206,309
Advances	–	128,832	128,832
Underwritten investments	–	112,372	112,372
Co-investments – retention			
Corporate investment	910,807	–	910,807
Hedge funds	476,418	–	476,418
Real estate investment	130,017	–	130,017
Premises, equipment and other assets	–	45,591	45,591
Total assets	1,523,298	780,824	2,304,122
LIABILITIES AND EQUITY			
Liabilities			
Call accounts	–	95,831	95,831
Term and institutional borrowings	–	135,683	135,683
Payables and accrued expenses	16,978	147,079	164,057
Negative fair value of derivatives	–	25,157	25,157
Medium-term debt	271,098	203,067	474,165
Long-term debt	408,135	–	408,135
Deferred fees	–	82,734	82,734
Total liabilities	696,211	689,551	1,385,762
Total equity	827,087	91,273	918,360
Total liabilities and equity	1,523,298	780,824	2,304,122

4. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below shows categories of the Group's financial assets and financial liabilities at the balance sheet date.

	June 30, 2015				
$000s	Designated as FVTPL	Items at amortized cost	AFS	Derivatives	Total
Financial assets					
Cash and short-term funds	–	82,665	–	–	82,665
Placements with financial institutions and other liquid assets	–	256,646	–	–	256,646
Positive fair value of derivatives	–	–	–	74,226	74,226
Receivables	–	231,591	–	–	231,591
Advances	–	111,521	–	–	111,521
Underwritten investments	87,505	–	–	–	87,505
Co-investments					
Corporate investment	629,292	22,424	15,523	–	667,239
Hedge funds	421,056	–	–	–	421,056
Real estate investment					
Debt	–	23,374	–	–	23,374
Equity	119,523	–	–	–	119,253
Total financial assets	1,257,376	728,221	15,523	74,226	2,075,346
Non-financial assets					
Prepayments					43,314
Premises, equipment and other assets					42,758
Total assets					2,161,418
Financial liabilities					
Call accounts	–	101,027	–	–	101,027
Term and institutional borrowings	–	37,679	–	–	37,679
Payables and accrued expenses	–	240,363	–	–	240,363
Negative fair value of derivatives	–	–	–	36,743	36,743
Medium-term debt*	–	417,081	–	–	417,081
Long-term debt*	–	346,235	–	–	346,235
Total financial liabilities	–	1,142,385	–	36,743	1,179,128
Non-financial liabilities					
Deferred fees					100,290
Total liabilities					1,279,418

* Adjusted for related fair value hedges.

$000s (restated)	June 30, 2014 Designated as FVTPL	Items at amortized cost	AFS	Derivatives	Total
Financial assets					
Cash and short-term funds	–	101,262	–	–	101,262
Placements with financial institutions and other liquid assets	–	125,944	–	–	125,944
Positive fair value of derivatives	–	–	–	66,570	66,570
Receivables	–	175,111	–	–	175,111
Advances	–	128,832	–	–	128,832
Underwritten investments	112,372	–	–	–	112,372
Co-investments					
Corporate investment	873,810	20,870	16,127	–	910,807
Hedge funds	476,418	–	–	–	476,418
Real estate investment					
Debt	–	26,729	–	–	26,729
Equity	103,288	–	–	–	103,288
Total financial assets	1,565,888	578,748	16,127	66,570	2,227,333
Non-financial assets					
Prepayments					31,198
Premises, equipment and other assets					45,591
Total assets					2,304,122
Financial liabilities					
Call accounts	–	95,831	–	–	95,831
Term and institutional borrowings	–	135,683	–	–	135,683
Payables and accrued expenses	–	164,057	–	–	164,057
Negative fair value of derivatives	–	–	–	25,157	25,157
Medium-term debt*	–	474,165	–	–	474,165
Long-term debt*	–	408,135	–	–	408,135
Total financial liabilities	–	1,277,871	–	25,157	1,303,028
Non-financial liabilities					
Deferred fees					82,734
Total liabilities					1,385,762

* Adjusted for related fair value hedges.

5. OPERATING EXPENSES

$000s	2015	2014
Staff compensation & benefits	**129,138**	115,803
Other personnel & compensation charges	**8,074**	10,553
Professional fees	**20,953**	21,554
Travel and business development	**9,012**	10,268
Administration and research	**13,060**	14,542
Technology and communication	**4,211**	3,381
Premises	**11,175**	11,156
Depreciation	**6,854**	7,271
Other	**1,076**	3,839
Total	**203,553**	198,367

6. RECEIVABLES AND PREPAYMENTS

$000s	June 30, 2015	June 30, 2014
Subscriptions receivable	**34,932**	11,807
Receivables from investee and holding companies	**92,154**	143,616
Investment disposal proceeds receivable	**3,390**	7,723
Hedge funds related receivables	**13,391**	15,934
Accrued interest receivable	**4,654**	3,735
Prepaid expenses	**43,314**	31,198
Other receivables	**93,997**	2,780
	285,832	216,793
Provisions for impairment (see Note 12)	**(10,927)**	(10,484)
Total	**274,905**	206,309

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 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 hedge fund managers relating to the Group's co-investment in hedge funds.

Hedge funds related receivables represent amounts due from hedge funds for management and administrative services and performance fees.

Accrued interest receivable represents interest receivable on placements with financial institutions, from investee companies on investment debt and from investment holding companies on working capital advances.

Other receivables include $91.9 million relating to a sale of treasury shares that was contracted in June 2015. The conditions precedent relating to the sale agreement have been satisfied and the proceeds of this sale will be received subsequent to the year-end following the completion of certain administrative procedures.

7. ADVANCES

$000s	June 30, 2015	June 30, 2014
Advances to investment holding companies	**78,426**	73,851
Advances to employee investment programs	**42,190**	67,504
Advances to CI closed-end funds	**8,106**	2,064
Other advances	**319**	562
	129,041	143,981
Provisions for impairment (see Note 12)	**(17,520)**	(15,149)
Total	**111,521**	128,832

Advances arise largely as a result of the Group extending working capital advances to investment holding companies and include advances for employee investment programs.

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.

8. UNDERWRITTEN 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 investment. These investments are placed with the investors over the underwriting period which is typically 3 to 6 months.

The Group's current underwritten investment balances, classified as FVTPL, comprise the following:

	June 30, 2015				June 30, 2014			
$000s	North America	Europe	MENA*	Total	North America	Europe	MENA*	Total
Corporate investment:								
Consumer Products	–	–	–	–	27,409	–	1,440	28,849
Consumer Services	**1,304**	–	–	**1,304**	–	–	–	–
Industrial Products	–	–	–	–	–	56,960	–	56,960
Industrial Services	–	–	**33,642**	**33,642**	–	–	–	–
Total corporate investment	**1,304**	–	**33,642**	**34,946**	27,409	56,960	1,440	85,809
Real estate investment:								
Core Plus	**52,559**	–	–	**52,559**	26,563	–	–	26,563
Total real estate investment	**52,559**	–	–	**52,559**	26,563	–	–	26,563
Total underwritten investments	**53,863**	–	**33,642**	**87,505**	53,972	56,960	1,440	112,372

* Including Turkey.

9. CORPORATE CO-INVESTMENTS

$000s	June 30, 2015	June 30, 2014
CI co-investments [See Note 9 (a)]	**618,292**	831,110
Strategic and other investments [See Note 9 (b)]	**48,947**	79,697
Total corporate co-investments	**667,239**	910,807

9. (a) CI CO-INVESTMENTS

The Group's CI co-investments are classified as FVTPL investments.

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, 2015 and June 30, 2014 are:

	June 30, 2015				June 30, 2014			
$000s	North America	Europe	MENA*	Total	North America	Europe	MENA*	Total
Consumer Products	**56,345**	**37,816**	**33,154**	**127,315**	49,294	23,958	29,103	102,355
Consumer Services	**346**	**–**	**13,840**	**14,186**	–	–	9,557	9,557
Distribution	**–**	**4,742**	**–**	**4,742**	101,998	4,119	–	106,117
Industrial Products	**30,175**	**172,660**	**6,689**	**209,524**	31,787	256,809	6,647	295,243
Industrial Services	**52,506**	**24,004**	**11,140**	**87,650**	77,306	74,372	6,654	158,332
Telecom	**95,981**	**–**	**–**	**95,981**	87,045	–	–	87,045
Technology								
Digital Content	**719**	**32,104**	**–**	**32,823**	2,737	26,530	–	29,267
Enterprise Software	**18,548**	**11,676**	**–**	**30,224**	15,620	7,761	–	23,381
IT Services	**12,835**	**–**	**–**	**12,835**	19,813	–	–	19,813
Infrastructure & Others	**–**	**–**	**3,012**	**3,012**	–	–	–	–
Total	**267,455**	**283,002**	**67,835**	**618,292**	385,600	393,549	51,961	831,110

* Including Turkey.

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9. (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.

Equity instruments are held as AFS investments and debt instruments at amortized cost, except for investments amounting to $11.0 million (June 30, 2014: $42.7 million) that are classified as FVTPL, of which nil (June 30, 2014: $31.7 million) was valued based on information provided by the investment manager.

Valuation techniques for measuring the fair value of strategic and other investments are the same as those used for CI co-investments. However, there may be cases where the information required for the valuation of these investments is not available. For example, financial projections and up-to-date financial information may not be available when an investor holds a minority stake in an investee. In such cases, investments are valued at a price obtained from the majority stakeholders who have determined the value as part of their own fair value measurement exercise.

10. HEDGE FUNDS CO-INVESTMENTS

The Group's co-investments in hedge funds, classified as FVTPL, comprise the following:

$000s	**June 30, 2015**	June 30, 2014
Customized funds of hedge funds	**271,173**	226,302
Single managers	**96,697**	231,751
Special opportunities portfolios	**13,335**	18,365
Alternative beta funds	**39,851**	–
Total balance sheet co-investments	**421,056**	476,418

The net asset value of the Group's investments in hedge funds is determined based on the fair value of the underlying investments of each fund as reported by the fund manager. Significant controls are built into the determination of the net asset values of the various hedge funds, 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 Group's investments in hedge funds which are classified under Level 3 of the fair value hierarchy (see Note 26) are carried at net asset value as reported by the fund managers. Such investments are closely monitored by the Group and valuation is assessed on a monthly basis. The Management holds discussions with the fund managers and uses a pricing which is reflective of the investment's fair value.

Out of the total co-investment in hedge funds, $51.6 million (June 30, 2014: $80.1 million) comprise funds which are not immediately available for redemption due to the liquidity nature of the instruments held by the underlying managers.

As at June 30, 2015, there are no investments which are subject to a lock up-period (June 30, 2014: investments amounting to $146.1 million in single manager funds).

A portion of the Group's co-investment in hedge funds is utilized to secure amounts drawn under a bilateral revolving facility. At June 30, 2015, $50.2 million was the drawn balance from the bilateral revolving facility (June 30, 2014: $60.1 million) (See Note 16).

11. REAL ESTATE CO-INVESTMENTS

The Group's co-investments in real estate are mainly classified as FVTPL investments. 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.

Certain of the strategic and debt investments in real estate properties are carried at amortised cost amounting to $23.4 million (June 30, 2014: $26.7 million).

The carrying values of the Group's co-investments in real estate portfolios in the United States at June 30, 2015 and at June 30, 2014 are:

$000s Portfolio Type	**June 30, 2015**	June 30, 2014
Core Plus	**116,787**	99,152
Debt	**17,400**	19,732
Opportunistic	**2,113**	5,807
Strategic and other	**6,597**	5,326
Total	**142,897**	130,017

12. PROVISIONS FOR IMPAIRMENT

Specific impairment provisions for receivables and advances are as follows:

$000s 12 months to June 30, 2015 Categories	**At beginning**	**Charge**	**At end**
Receivables (Note 6)	**10,484**	**443**	**10,927**
Advances (Note 7)*	**15,149**	**2,371**	**17,520**
Total	**25,633**	**2,814**	**28,447**

* Includes $2 million of portfolio provision.

$000s 12 months to June 30, 2014 Categories	At beginning	Charge	At end
Receivables (Note 6)	10,412	72	10,484
Advances (Note 7)*	13,850	1,299	15,149
Total	24,262	1,371	25,633

* Includes $2 million of portfolio provision.

13. CALL ACCOUNTS

$000s	June 30, 2015	June 30, 2014
Client call accounts	**13,744**	26,883
Investment holding companies accounts	**71,186**	58,928
Discretionary and other accounts	**16,097**	10,020
Total	**101,027**	95,831

Client call accounts comprise clients' cash with the Bank for future participation in the Group's investment products.

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

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.

14. TERM AND INSTITUTIONAL BORROWINGS

$000s	June 30, 2015	June 30, 2014
Borrowings from institutions on call	**616**	80,907
Term borrowings	**37,063**	54,776
Total	**37,679**	135,683

All these balances bear interest at market rates.

15. PAYABLES AND ACCRUED EXPENSES

$000s	June 30, 2015	June 30, 2014
Accrued expenses – employee compensation	**65,787**	60,331
Vendor and other payables	**26,829**	23,440
Preference shares redemption payable	**104,158**	–
Unfunded deal acquisitions	**32,000**	66,960
Investment related payables	**2,286**	3,812
Accrued interest payable	**9,303**	9,514
Total	**240,363**	164,057

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 and the United Arab Emirates.

Preference shares redemption payable relates to the Bank's redemption of 99,259 preference shares at the end of the year. This was settled subsequent to the year end.

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 balance sheet date.

Investment related payables represent amounts contractually due in respect of exit proceeds that are held in escrow accounts and reserves pending onward distribution.

16. MEDIUM-TERM DEBT

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

$000s	Final Maturity	June 30, 2015 Size	June 30, 2015 Current outstanding	June 30, 2014 Size	June 30, 2014 Current outstanding
3-year secured bilateral revolving facility	February 2017	**175,000**	**50,216**	175,000	60,115
5-year fixed rate bonds	November 2017	**250,000**	**250,000**	250,000	250,000
4-year syndicated revolving facility	July 2018	**400,000**	**–**	400,000	50,000
5-year fixed rate bonds	June 2019	**139,249**	**139,249**	139,249	139,249
Total			**439,465**		499,364
Foreign exchange translation adjustments			**(4,877)**		1,145
Fair value adjustments relating to interest rate hedges			**(49)**		(3,187)
Transaction costs of borrowings			**(17,458)**		(23,157)
Total			**417,081**		474,165

The 3-year secured bilateral revolving facility of $175 million is secured, to the extent it is drawn, by an equivalent amount of the Group's co-investments in hedge funds.

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 4-year syndicated revolving facility and the 5-year fixed rate bonds are subject to certain customary covenants, including maintaining certain minimum levels of net worth and operating below maximum leverage ratios.

17. LONG-TERM DEBT

$000s	Final Maturity	June 30, 2015	June 30, 2014
PRIVATE NOTES			
JPY 37 Billion Private Placement	March 2030	**332,328**	332,328
$50 Million Private Placement	July 2032	**50,000**	50,000
		382,328	382,328
Foreign exchange translation adjustments		**(30,102)**	32,654
Fair value adjustments relating to interest rate hedges		**(3,932)**	(4,515)
Transaction costs of borrowings		**(2,059)**	(2,332)
Total		**346,235**	408,135

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.

18. DEFERRED FEES

$000s	June 30, 2015	June 30, 2014 (restated)
Deferred fees relating to placements	**97,890**	76,292
Deferred fees from investee companies	**2,400**	6,442
Total	**100,290**	82,734

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.

19. SHARE CAPITAL AND RESERVES

The Bank's share capital at the balance sheet date is as follows:

	June 30, 2015			June 30, 2014		
	No. of shares	Par value $	$000	No. of shares	Par value $	$000
Authorized share capital						
– Ordinary shares	**4,000,000**	**250**	**1,000,000**	4,000,000	250	1,000,000
– Preference and other shares	**1,000,000**	**1,000**	**1,000,000**	1,000,000	1,000	1,000,000
			2,000,000			2,000,000
Issued share capital						
– Ordinary shares	**800,000**	**250**	**200,000**	800,000	250	200,000
– Preference shares*	**225,000**	**1,000**	**225,000**	394,889	1,000	394,889
			425,000			594,889

* Includes nil (June 30, 2014: 3,667) preference shares which represent forfeited shares allocated to employees.

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 24).

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.

Treasury shares

107,041 (June 30 2014: 172,455) ordinary shares were held as treasury shares, which includes 14,398 shares (June 30, 2014: 34,851 shares) that have been granted to employees as part of deferred remuneration but have not yet started vesting. 25,331 shares (June 30, 2014: 16,038 shares) that have been granted to employees and have commenced vesting, but have not fully vested as at June 30, 2015, are not counted as treasury shares (see Note 27). During the year, a gain of $37 million was realized on the sale of treasury shares.

Preference share capital

The preference shares are non-cumulative, non-convertible, non-voting, non-participating and perpetual in nature and carried a fixed dividend of 12% per annum up to their respective first call dates and now carry a floating rate, equal to the benchmark 12-month interbank rate + 9.75% per annum, if not called.

These preference shares are now 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.

166,222 preference shares have been retired during the year ended June 30, 2015 for an aggregate purchase price of $171.9 million, resulting in 225,000 (June 30, 2014: 391,222) issued preference shares outstanding as at June 30, 2015.

20. UNREALIZED FAIR VALUE CHANGES AND REVALUATION RESERVE RECOGNIZED DIRECTLY IN EQUITY

This consists of unrealized fair value changes of AFS investments, cash flow hedges and the revaluation reserve of premises and equipment recognized directly in equity.

Movements in fair value changes relating to AFS investments, cash flow hedges and the revaluation reserve are set out below:

$000s	Available for sale investments	Cash flow hedges	Revaluation reserve on premises and equipment	Total
Balance at June 30, 2013	2,666	(7,914)	5,594	346
Net realized loss recycled to statement of income	–	361	–	361
Net unrealized (losses)/gains for the year	(1,181)	1,570	–	389
Transfer of depreciation to retained earnings	–	–	(230)	(230)
Balance at June 30, 2014	1,485	(5,983)	5,364	866
Net realized loss recycled to statement of income	–	2,266	–	2,266
Net unrealized gains/(losses) for the year	670	(12,546)	–	(11,876)
Transfer of depreciation to retained earnings	–	–	(230)	(230)
Balance at June 30, 2015	**2,155**	**(16,263)**	**5,134**	**(8,974)**

21. EARNINGS, BOOK VALUE AND DIVIDENDS PER SHARE

The Group's earnings per share for the year and proposed appropriations are as follows:

$000s	2015	2014 (restated)
Net income	**116,711**	103,110
Less: Preference shares dividend – proposed	**(29,394)**	(49,376)
Less: Preference shares dividend and premium – paid on redemptions	**(6,087)**	(6,000)
Net income attributable to ordinary shareholders	**81,230**	47,734
Weighted average ordinary shares for basic earnings per ordinary share	**619,393**	618,251
Basic earnings per ordinary share – on weighted average shares ($)	**131**	77
Weighted average ordinary shares for fully diluted earnings per ordinary shares	**630,359**	631,765
Fully diluted earnings per ordinary share – on weighted average diluted shares ($)	**129**	76
Proposed appropriations:		
Ordinary shares dividend	**10,394**	9,413
Preference shares dividend	**29,394**	49,376
Charitable contributions by shareholders	**2,500**	4,500
	42,288	63,289

The proposed ordinary share dividend is $15 (June 30, 2014: $15) per share payable only on issued shares, excluding treasury shares that are held on the record date.

The proposed preference share dividend of $29.4 million (2014: $49.4 million) represents an annual dividend on issued preference shares.

The book value per ordinary share at the balance sheet date is calculated by dividing the ordinary shareholders' equity, excluding unrealized changes relating to AFS co-investments, 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 $900.03 per share (June 30, 2014 (restated): $737.77 per share).

22. DERIVATIVE FINANCIAL INSTRUMENTS

The Group utilizes derivative financial instruments primarily as risk management tools for hedging various balance sheet and cash flow risks. Such derivative instruments include forwards, swaps and options in the foreign exchange and capital markets.

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 income, and as a corresponding adjustment to the carrying value of the hedged item on the consolidated balance sheet.	Recorded in the consolidated statement of income, with a corresponding effect on the consolidated balance sheet under positive or negative fair value of derivatives.
Cash flow hedges	Not applicable	Recorded in equity with a corresponding effect on the consolidated balance sheet under positive or negative fair value of derivatives. Any unrealized gains or losses previously recognized in equity are transferred to the consolidated statement of income at the time when the forecasted transaction impacts the consolidated statement of income.

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 FVTPL investments). Consequently, gains or losses resulting from the re-measurement to fair value of these derivatives are taken to the consolidated statement of income.

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 26) 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.

The Group's outstanding derivative financial instruments comprise the following:

$000s	June 30, 2015			June 30, 2014		
Description	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	**310,087**	**–**	**(7,511)**	356,293	2,741	–
ii) Cash flow hedges						
Coupon on long-term debt	**50,327**	**–**	**(1,260)**	68,560	529	–
Total forward foreign exchange contracts	**360,414**	**–**	**(8,771)**	424,853	3,270	–
Interest rate risk being hedged using Interest rate swaps						
i) Fair value hedges – fixed rate debt	**710,598**	**36,935**	**(3,078)**	785,323	52,007	(7,355)
ii) Cash flow hedges – floating rate debt	**500,000**	**–**	**(3,430)**	75,000	–	(3,621)
Total interest rate hedging contracts	**1,210,598**	**36,935**	**(6,508)**	860,323	52,007	(10,976)
Total – Hedging Derivatives	**1,571,012**	**36,935**	**(15,279)**	1,285,176	55,277	(10,976)
B) OTHER DERIVATIVES						
Interest rate swaps	**331,003**	**11,553**	**(11,801)**	343,260	10,468	(10,547)
Forward foreign exchange contracts	**430,185**	**1,807**	**(2,231)**	369,593	821	(1,517)
Currency options	**1,500**	**–**	**(1)**	2,700	–	–
Cross currency swaps	**320,361**	**23,931**	**(7,431)**	290,602	4	(2,117)
Total other derivatives	**1,083,049**	**37,291**	**(21,464)**	1,006,155	11,293	(14,181)
TOTAL – DERIVATIVE FINANCIAL INSTRUMENTS	**2,654,061**	**74,226**	**(36,743)**	2,291,331	66,570	(25,157)

* Net collateral received by the Group amounting to $24.2 million has been taken against the fair values above (June 30, 2014: $13.8 million).

The table below shows the notional amounts of derivative financial instruments, analyzed by the term to maturity:

	June 30, 2015				
	Notional amounts by term to maturity				
$000s	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	**310,087**	**–**	**–**	**–**	**310,087**
Interest rate swaps	**–**	**–**	**322,406**	**388,192**	**710,598**
Derivatives held as cash flow hedges:					
Forward foreign exchange contracts	**50,327**	**–**	**–**	**–**	**50,327**
Interest rate swaps	**50,000**	**125,000**	**300,000**	**25,000**	**500,000**
Other Derivatives:					
Interest rate swaps	**–**	**256,003**	**25,000**	**50,000**	**331,003**
Forward foreign exchange contracts	**425,185**	**5,000**	**–**	**–**	**430,185**
Currency options	**1,500**	**–**	**–**	**–**	**1,500**
Cross currency swaps	**–**	**–**	**320,361**	**–**	**320,361**
	837,099	**386,003**	**967,767**	**463,192**	**2,654,061**

	June 30, 2014				
	Notional amounts by term to maturity				
$000s	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	356,293	–	–	–	356,293
Interest rate swaps	–	5,598	320,197	459,528	785,323
Derivatives held as cash flow hedges:					
Forward foreign exchange contracts	68,560	–	–	–	68,560
Interest rate swaps	–	–	50,000	25,000	75,000
Other Derivatives:					
Interest rate swaps	–	218,260	75,000	50,000	343,260
Forward foreign exchange contracts	364,593	5,000	–	–	369,593
Currency options	2,700	–	–	–	2,700
Cross currency swaps	10,000	–	280,602	–	290,602
	802,146	228,858	725,799	534,528	2,291,331

Fair value hedges

Losses arising from fair value hedges during the year ended June 30, 2015 were $21.9 million (2014: $15.7 million) while the gains on the hedged items, attributable to interest rate and foreign currency risks, were $24.4 million (2014: $23.1 million). These gains and losses are included in interest expense or treasury and other asset-based income, as appropriate, in the consolidated statement of income.

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 income in the following periods, assuming no adjustments are made to hedged amounts:

	June 30, 2015				
$000s	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	**(5,289)**	**(5,289)**	**(42,312)**	**(105,779)**	**(158,669)**
Interest rate risk*					
Interest on liabilities	**(2,795)**	**(4,449)**	**(20,135)**	**(57,704)**	**(85,083)**
	(8,084)	**(9,738)**	**(62,447)**	**(163,483)**	**(243,752)**

	June 30, 2014				
$000s	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	(6,387)	(6,387)	(51,097)	(140,518)	(204,389)
Interest rate risk*					
Interest on liabilities	(4,883)	(5,248)	(21,981)	(62,191)	(94,303)
	(11,270)	(11,635)	(73,078)	(202,709)	(298,692)

* 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 income for the year ended June 30, 2015 was $2.3 million (June 30, 2014: $0.4 million).

23. COMMITMENTS AND CONTINGENT LIABILITIES

$000s	June 30, 2015	June 30, 2014
Investment commitments	**36,744**	38,351
Non-cancelable operating leases	**20,435**	35,163
Guarantees and letters of credit issued to third parties	**3,616**	3,616

Investment related commitments represent the Group's unfunded co-investment commitments to various corporate and real estate investment funds.

Non-cancelable operating leases relate to the Group's commitments in respect of its New York and London office premises.

Guarantees and letters of credit issued to third parties include financial guarantees provided to facilitate investee companies' ongoing 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.

24. REGULATORY CAPITAL ADEQUACY

The Group started applying the Basel III framework regulations, as adopted by the CBB during the current fiscal year, 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:

$000s	June 30, 2015*	*Reference*
Assets		
Cash and short-term funds	**82,665**	
Placements with financial institutions and other liquid assets	**256,646**	
Positive fair value of derivaties	**74,226**	
Receivables	**231,591**	
Advances	**111,521**	
Underwritten investments	**87,505**	
Co-investments – retention		
Corporate investment	**667,239**	
Hedge funds	**421,056**	
Real estate investment	**142,897**	
Prepayments	**43,314**	*(a)*
Premises, equipment and other assets		
Tangibles	**33,143**	
Intangibles**	**9,615**	*(b)*
Total assets	**2,161,418**	
Liabilities and Equity		
Liabilities		
Call accounts	**101,027**	
Term and institutional borrowings	**37,679**	
Payables and accrued expenses	**240,363**	
Negative fair value of derivatives	**36,743**	
Medium-term debt	**417,081**	
Long-term debt	**346,235**	
Deferred fees	**100,290**	
Total liabilities	**1,279,418**	
Equity		
Preference share capital	**225,000**	*(c)*
Ordinary share capital – net of treasury shares	**96,434**	*(d)*
Retained earnings and other reserves	**569,540**	
Available for sale revaluation reserve	**2,155**	
Cash flow hedge reserve	**(16,263)**	
Fixed asset revaluation reserve	**5,134**	*(e)*
Total equity	**882,000**	
Total liabilities and equity	**2,161,418**	

*Balance sheet as in audited financial statements and prudential return.
**Regulatory adjustments on intangibles have been applied per CBB's transitional arrangements of phasing over the prescribed time period.

$000s	June 30, 2015 Component of regulatory capital	Reference
Common Equity Tier 1 (CET 1) capital:		
Ordinary share capital – net of treasury shares	96,434	*(d)*
Statutory reserves	100,000	
Share premium	159,166	
Retained earnings	310,374	
Available for sale revaluation reserve	2,155	
Cash flow hedge reserve	(16,263)	
CET 1 capital before regulatory adjustments	651,866	
Less regulatory adjustments to CET 1		
Intangibles and other assets	(3,923)	*(a) & (b)*
Total CET 1 capital	647,943	
Additional Tier 1 capital (AT 1):		
Preference share capital	225,000	*(c)*
Total AT 1 capital	225,000	
Tier 1 capital (T1 = CET 1 + AT 1)	872,943	
Tier 2 capital (T2)		
Fixed asset revaluation reserve	5,134	*(e)*
Total T2 capital	5,134	
Total capital (TC = T1 + T2)	878,077	

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 Risk Weights by asset class:

Asset class segment	Basel III Methodology June 30, 2015	Basel III risk weight June 30, 2015
Corporate investments	Standardized approach ('STA')	150%
Real estate investments	Standardized approach ('STA')	200%
Hedge funds	Standardized approach ('STA')	150%
CI and RE underwriting	Standardized approach ('STA')	100%
Operational risk	Basic indicator approach ('BIA')	15%

The table below summarizes the regulatory capital and the risk asset 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.

$000s	June 30, 2015*	June 30, 2014 (restated)**
Tier 1 capital (refer previous table)	**872,943**	908,976
Tier 2 capital (refer previous table)	**5,134**	4,223
Total capital base under Basel III (TC = T1 + T2)	**878,077**	913,199

Risk weighted exposure $000s	June 30, 2015* Principal/ Notional amounts	June 30, 2015* Risk weighted equivalents	June 30, 2014 (restated)** Principal/ Notional amounts	June 30, 2014 (restated)** Risk weighted equivalents
Credit risk				
Claims on sovereigns	**25,000**	**–**	67	–
Claims on banks	**233,466**	**114,058**	154,539	74,492
Claims on corporates	**330,097**	**264,250**	374,264	314,918
Co-investments (including underwriting)	**1,318,697**	**1,962,829**	1,629,614	2,412,750
Other assets	**157,696**	**182,500**	45,258	45,258
Off-balance sheet items				
Commitments and contingent liabilities	**60,895**	**22,345**	77,130	30,365
Derivative financial instruments	**92,027**	**53,244**		42,838
Credit risk weighted exposure		**2,599,226**		2,920,621
Market risk				
Market risk weighted exposure		**862**		599
Operational risk				
Operational risk weighted exposure		**463,705**		335,737
Total risk weighted exposure		**3,063,793**		3,256,957
Common equity tier 1 capital ratio		**21.1%**		**N/A**
Tier 1 capital ratio		**28.5%**		**27.9%**
Total capital adequacy ratio		**28.7%**		**28.0%**
Minimum required as per CBB regulatory guidelines under Basel III		**12.0%**		**12.0%**
Capital cusion over minimum required as per CBB guidelines		**510,422**		**522,364**

*The Bank has followed the CBB's Basel III rules for Capital Adequacy Ratio (CAR) with effect from March 31, 2015.
**CAR disclosures relating to June 2014 are based on CBB's Basel II requirements (restated for adoption of IFRS 15 during the year).

Fair value unrealized losses on FVTPL investments amounting to $92.9 million (June 30, 2014: $17.3 million) are reflected in retained earnings, which is part of Tier 1 Capital.

25. 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 24). 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 sophisticated 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 22). 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 7) were restructured.

The table below analyses the Group's maximum counterparty credit risk exposures at the balance sheet date without taking into account any credit enhancements.

June 30, 2015

$000s	Neither past due nor impaired (a) Credit risk rating High	Neither past due nor impaired (a) Credit risk rating Standard	Past due but not impaired (b)	Impaired* (c)	Provisions (d)	Maximum credit risk (a+b+c+d)	Average balance
Short-term funds	582	81,959	–	–	–	82,541	97,956
Placements with financial institutions and other liquid assets	222,083	34,563	–	–	–	256,646	247,076
Positive fair value of derivatives	74,226	–	–	–	–	74,226	15,127
Receivables	–	196,659	34,932	10,927	(10,927)	231,591	182,759
Advances	–	113,521	–	15,520	(17,520)	111,521	53,109
Co-investments – debt	–	45,798	–	–	–	45,798	46,699
Guarantees	–	3,616	–	–	–	3,616	3,616
Total	**296,891**	**476,116**	**34,932**	**26,447**	**(28,447)**	**805,939**	

June 30, 2014

$000s	Neither past due nor impaired (a) Credit risk rating High	Neither past due nor impaired (a) Credit risk rating Standard	Past due but not impaired (b)	Impaired* (c)	Provisions (d)	Maximum credit risk (a+b+c+d)	Average balance
Short-term funds	1,226	99,925	–	–	–	101,151	91,587
Placements with financial institutions and other liquid assets	105,944	20,000	–	–	–	125,944	377,450
Positive fair value of derivatives	27,917	38,653	–	–	–	66,570	67,323
Receivables	–	163,304	11,807	10,484	(10,484)	175,111	187,487
Advances	–	130,832	–	13,149	(15,149)	128,832	163,772
Co-investments – debt	–	47,599	–	–	–	47,599	50,503
Guarantees	–	3,616	–	–	–	3,616	28,691
Total	135,087	503,929	11,807	23,633	(25,633)	648,823	

* Fair value of collaterals relating to impaired exposures is nil (June 30, 2014: nil).

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

$000s	June 30, 2015	June 30, 2014
Up to 1 month	**27,472**	5,627
> 1 up to 3 months	**5,139**	4,642
> 3 up to 6 months	**2,146**	553
> 6 months up to 1 year	**175**	985
Total	**34,932**	11,807

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, 2015 amounts to $229.0 million (June 30, 2014: $249.0 million).

The breakdown of provisions being carried against advances and receivables by geographical region and industry sector is as follows:

$000s	30 June, 2015	30 June, 2014
GEOGRAPHICAL REGION		
North America	**26,548**	23,818
Europe	**1,613**	1,592
Other	**286**	223
Total	**28,447**	25,633

$000s	30 June, 2015	30 June, 2014
INDUSTRY SECTOR		
Banking and Finance	**2,097**	2,097
Consumer products	**210**	210
Distribution	**1,686**	1,686
Industrial products	**92**	70
Industrial services	**2,383**	995
Real estate	**19,663**	18,320
Technology and Telecom	**2,056**	2,056
Others	**260**	199
Total	**28,447**	25,633

(ii) Funding liquidity risk

Funding liquidity risk is the risk that the Group will be unable to fund increases in assets and meet obligations when they fall due, without incurring unacceptable losses. To mitigate this risk, the Group implements a comprehensive liquidity risk management framework, which includes use of risk limits, monitoring systems and scenario analyses that are incorporated into a contingency funding plan. The 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, 2015							
$000s	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	82,665	–	82,665	–	–	–	–	82,665
Placement with financial institutions and other liquid assets	256,646	–	256,646	–	–	–	–	256,646
Positive fair value of derivatives	1,362	6	1,368	19,512	675	52,671	–	74,226
Receivables	145,953	12,227	158,180	73,411	–	–	–	231,591
Advances	2,683	8,366	11,049	100,472	–	–	–	111,521
Underwritten investments	87,505	–	87,505	–	–	–	–	87,505
Co-investments								
Corporate investment	32,104	28,714	60,818	606,421	–	–	–	667,239
Hedge funds	239,090	119,866	358,956	62,100	–	–	–	421,056
Real estate investment	–	–	–	142,897	–	–	–	142,897
Total financial assets	848,008	169,179	1,017,187	1,004,813	675	52,671	–	2,075,346
Non-financial assets								
Prepayments	–	–	–	–	–	–	43,314	43,314
Premises, equipment and other assets	–	–	–	–	–	–	42,758	42,758
Total assets	848,008	169,179	1,017,187	1, 004,813	675	52,671	86,072	2,161,418
LIABILITIES								
Financial liabilities								
Call accounts	13,744	–	13,744	87,283	–	–	–	101,027
Term and institutional borrowings	4,867	25,004	29,871	7,808	–	–	–	37,679
Payables and accrued expenses	221,825	5,037	226,862	13,501	–	–	–	240,363
Negative fair value of derivatives	11,694	6	11,700	10,564	–	14,479	–	36,743
Medium-term debt	–	–	–	417,081	–	–	–	417,081
Long-term debt	–	–	–	–	–	346,235	–	346,235
Total financial liabilities	252,130	30,047	282,177	536,237	–	360,714	–	1,179,128
Non-financial liability								
Deferred fees	–	–	–	–	–	–	100,290	100,290
Total liabilities	252,130	30,047	282,177	536,237	–	360,714	100,290	1,279,418
Net gap	595,878	139,132	735,010	468,576	675	(308,043)	(14,218)	882,000
Cumulative liquidity gap	595,878	735,010	735,010	1,203,586	1,204,261	896,218	882,000	

	June 30, 2014							
$000s (restated)	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	101,262	–	101,262	–	–	–	–	101,262
Placement with financial institutions and other liquid assets	125,944	–	125,944	–	–	–	–	125,944
Positive fair value of derivatives	3,381	62	3,443	–	512	62,615	–	66,570
Receivables	49,921	23,362	73,283	101,828	–	–	–	175,111
Advances	9,790	14,306	24,096	104,736	–	–	–	128,832
Underwritten investments	28,849	83,523	112,372	–	–	–	–	112,372
Co-investments								
Corporate investment	–	134,361	134,361	776,446	–	–	–	910,807
Hedge funds	173,797	133,635	307,432	168,986	–	–	–	476,418
Real estate investment	–	–	–	130,017	–	–	–	130,017
Total financial assets	492,944	389,249	882,193	1,282,013	512	62,615	–	2,227,333
Non-financial assets								
Prepayments	–	–	–	–	–	–	31,198	31,198
Premises, equipment and other assets	–	–	–	–	–	–	45,591	45,591
Total assets	492,944	389,249	882,193	1,282,013	512	62,615	76,789	2,304,122
LIABILITIES								
Financial liabilities								
Call accounts	26,883	–	26,883	68,948	–	–	–	95,831
Term and institutional borrowings	107,221	16,674	123,895	11,788	–	–	–	135,683
Payables and accrued expenses	136,084	9,500	145,584	18,473	–	–	–	164,057
Negative fair value of derivatives	1,497	63	1,560	9,504	–	14,093	–	25,157
Medium-term debt	–	–	–	474,165	–	–	–	474,165
Long-term debt	–	–	–	–	–	408 135	–	408,135
Total financial liabilities	271,685	26,237	297,922	582,878	–	422,228	–	1,303,028
Non-financial liability								
Deferred fees	–	–	–	–	–	–	82,734	82,734
Total liabilities	271,685	26,237	297,922	582,878	–	422,228	82,734	1,385,762
Net gap	221,259	363,012	584,271	699,135	512	(359,613)	(5,945)	918,360
Cumulative liquidity gap	221,259	584,271	584,271	1,283,406	1,283,918	924,305	918,360	

Contractual maturity of financial liabilities on an undiscounted basis

The table below presents the cash flows payable by the Group relating to its financial liabilities and derivatives upon their respective earliest contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows (i.e. nominal plus interest) determined by using the forward yield curve to calculate future floating rate cash flows for the relevant periods.

	June 30, 2015					
$000s	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	13,816	293	87,956	–	–	102,065
Term and institutional borrowings	4,934	25,612	8,283	–	–	38,829
Payables and accrued expenses	221,825	5,037	13,501	–	–	240,363
Medium-term debt	2,438	28,228	485,982	–	–	516,648
Long-term debt	7,309	7,309	58,472	73,090	435,415	581,595
	250,322	66,479	654,194	73,090	435,415	1,479,500
Derivatives:						
Contracts settled on a gross basis:						
Contractual amounts payable	786,063	18,069	223,356	–	–	1,027,488
Contractual amounts receivable	(776,576)	(16,934)	(238,098)	–	–	(1,031,608)
Contracts settled on a net basis:						
Contractual amounts payable (receivable)	3,187	(8,194)	(26,201)	(19,179)	(6,751)	(57,138)
Commitments	2,219	30,675	24,386	–	–	57,280
Guarantees	–	–	–	3,616	–	3,616
Total undiscounted financial liabilities	265,215	90,095	637,637	57,527	428,664	1,479,138

	June 30, 2014					
$000s (restated)	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	26,938	169	69,324	–	–	96,431
Term and institutional borrowings	107,645	17,059	12,579	–	–	137,283
Payables and accrued expenses	136,084	9,500	18,473	–	–	164,057
Medium-term debt	622	30,012	590,057	–	–	620,691
Long-term debt	8,407	8,407	67,257	84,072	525,968	694,111
	279,696	65,147	757,690	84,072	525,968	1,712,573
Derivatives:						
Contracts settled on a gross basis:						
Contractual amounts payable	799,703	19,730	199,850	–	–	1,019,283
Contractual amounts receivable	(802,029)	(18,649)	(195,409)	–	–	(1,016,087)
Contracts settled on a net basis:						
Contractual amounts payable (receivable)	2,040	(9,400)	(27,606)	(21,526)	807	(55,685)
Commitments	2,678	30,680	40,156	–	–	73,514
Guarantees	–	–	–	3,616	–	3,616
Total undiscounted financial liabilities	282,088	87,508	774,681	66,162	526,775	1,737,214

(iii) 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, 2015			June 30, 2014		
$000s	**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	**592,132**	**3,616**	**595,748**	454,975	3,616	458,591
Europe	**131,560**	**–**	**131,560**	104,121	–	104,121
MENA*	**78,631**	**–**	**78,631**	86,111	–	86,111
Total	**802,323**	**3,616**	**805,939**	645,207	3,616	648,823

* Including Turkey.

	June 30, 2015			June 30, 2014		
$000s	**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
INDUSTRY SECTOR						
Banking and Finance	**530,921**	**116**	**531,037**	470,557	116	470,673
Consumer products	**18,587**	**–**	**18,587**	18,347	–	18,347
Consumer services	**44,023**	**–**	**44,023**	22,673	–	22,673
Distribution	**3,565**	**–**	**3,565**	5,256	–	5,256
Industrial products	**99,262**	**–**	**99,262**	64,988	–	64,988
Real estate	**70,006**	**3,500**	**73,506**	48,629	3,500	52,129
Technology and Telecom	**34,138**	**–**	**34,138**	11,901	–	11,901
Others	**1,821**	**–**	**1,821**	2,856	–	2,856
Total	**802,323**	**3,616**	**805,939**	645,207	3,616	648,823

(iv) Market price risk

The principal market related risks to which the Group is exposed are foreign currency risk, interest rate risk and equity price risk associated with its co-investments in hedge funds, corporate investments and real estate investments, as well as on its debt financings. For the purpose of managing market price risks, the Group has established appropriate procedures and limits approved by the Board of Directors.

In addition, for internal risk assessments, the Group uses a variety of internal 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.

(iv) (a) Foreign currency risk

The Group's overall policy is generally to hedge all non-US dollar denominated assets, liabilities and commitments 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.

$000s	June 30, 2015		June 30, 2014	
Long (Short)	**Net hedged exposure**	**Net unhedged exposure**	Net hedged exposure	Net unhedged exposure
Bahraini Dinar*	**–**	**64,755**	–	40,062
Saudi Riyal*	**–**	**353**	–	13,838
Euro	**237,093**	**(132)**	161,475	209
Pounds Sterling	**31,703**	**206**	23,872	(189)
Swiss Francs	**(141,768)**	**123**	(148,572)	355
Japanese Yen	**(303,751)**	**533**	(304,059)	(34)
	(176,723)	**65,838**	(267,284)	54,241

* 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 1-day holding period VaR for the Group's foreign currency exposures.

$000s	**2015**	2014
Average FX VaR	**7**	7
Year end FX VaR	**9**	5
Maximum FX VaR	**29**	34
Minimum FX VaR	**1**	1

(iv) (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 a group 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 $29.6 million (June 30, 2014: $28.1 million), which earn interest at an effective rate approximating 14.8% (June 30, 2014: 14.7%) per annum.
- Term and institutional borrowings amounting to $37.1 million (June 30, 2014: $54.8 million) on which interest is paid at an effective rate of 2.49% (June 30, 2014: 2.69%) 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 balance sheet date.

$000s	Sensitivity to net income for +200 basis points	Sensitivity to net income for -200 basis points
Currency	June 30, 2015	
Euro	**(3,268)**	**36**
Pounds Sterling	**(655)**	**168**
Japanese Yen	**602**	**(50)**
US Dollar	**(901)**	**1,488**
Others	**185**	**(204)**
Total	**(4,037)**	**1,438**

$000s	Sensitivity to net income for +200 basis points	Sensitivity to net income for -200 basis points
Currency	June 30, 2014	
Euro	(6,573)	238
Pounds Sterling	(932)	231
Japanese Yen	599	(69)
US Dollar	(9,819)	1,866
Others	401	(5)
Total	(16,324)	2,261

Potentially significant variances in interest rate sensitivity may exist at dates other than the year end.

(iv) (c) Equity price risk

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

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 and RE (see Note 26) to changes in multiples/capitalization rates/quoted bid prices.

June 30, 2015

$000s	Factor	Change	Balance sheet exposure	Projected Balance sheet exposure For increase	Projected Balance sheet exposure For decrease	Impact on Income For increase	Impact on Income For decrease
CI co-investments	**EBITDA Multiples**	**+/- 0.5x**	**600,044**	**678,269**	**521,947**	**78,225**	**(78,097)**
	Revenue Multiples	**+/- 0.5x**	**288**	**416**	**160**	**128**	**(128)**
	Quoted bid price	**+/-1%**	**17,960**	**18,140**	**17,780**	**180**	**(180)**
RE co-investments	**Capitalization Rate**	**-/+1%**	**119,523**	**151,681**	**94,604**	**32,158**	**(24,919)**

June 30, 2014

$000s	Factor	Change	Balance sheet exposure	Projected Balance sheet exposure For increase	Projected Balance sheet exposure For decrease	Impact on Income For increase	Impact on Income For decrease
CI co-investments	EBITDA Multiples	+/- 0.5x	820,811	919,428	728,874	98,617	(91,937)
	Revenue Multiples	+/- 0.5x	5,192	5,562	4,348	370	(844)
	Quoted bid price	+/-1%	5,107	5,158	5,056	51	(51)
RE co-investments	Capitalization Rate	-/+1%	103,228	126,742	85,110	23,454	(18,178)

In the opinion of the Group's management there is no material sensitivity in the net income of the Group to any reasonable possible changes in the fair value of strategic co-investments.

Co-investments in hedge funds

The Group manages the market price risk in its hedge fund portfolio through its market risk management framework that uses the VaR technique. VaR techniques produce estimates of the potential negative change in the market value of a portfolio over a specified time horizon at given confidence levels.

The table below sets out the VaR, at a 99% confidence level and a one-month time horizon, for the Group's hedge funds exposure.

$000s	**2015**	2014
Average VaR	**15,888**	17,995
Year end VaR	**15,155**	18,154
Maximum VaR	**17,595**	21,872
Minimum VaR	**13,046**	15,427

(v) 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 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 three financial years and multiplying it 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 and the Board.

26. 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, assuming 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 of the Group 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 realization 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 on the consolidated balance sheet are not materially different from their carrying values except for certain liabilities carried at amortized cost. The fair value of medium and long-term debt amounts to $763.0 million (June 30, 2014: $892.9 million) as compared to carrying value of $782.8 million (June 30, 2014: $907.8 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 by:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: input 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 (unobservable inputs).

During the current financial year, there was a transfer of $13.2 million from level 3 to level 1 under co-investments in corporate investments. This represents the listing on a stock exchange of previously unquoted investments. Further, hedge fund exposure of $51.6 million (June 30, 2014: $80.1 million) is comprised of illiquid side pocket investments which are classified as Level 3. The year to date fair value changes on this hedge fund exposure amounts to a loss of $6.8 million and the net redemptions amounts to $21.7 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 9, 10, 11 and 22 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, 2015			
$000s	Level 1	Level 2	Level 3	Total
Financial assets				
Positive fair value of derivatives	–	74,226	–	74,226
Co-investments				
Corporate investment	17,960	–	626,855	644,815
Hedge funds	–	369,450	51,606	421,056
Real estate investment	–	–	119,523	119,523
Total financial assets	17,960	443,676	797,984	1,259,620
Financial liabilities				
Negative fair value of derivatives	–	36,743	–	36,743
Total financial liabilities	–	36,743	–	36,743

	June 30, 2014			
$000s	Level 1	Level 2	Level 3	Total
Financial assets				
Positive fair value of derivatives	–	66,570	–	66,570
Co-investments				
Corporate investment	5,107	–	884,830	889,937
Hedge funds	–	396,347	80,071	476,418
Real estate investment	–	–	103,288	103,288
Total financial assets	5,107	462,917	1,068,189	1,536,213
Financial liabilities				
Negative fair value of derivatives	–	25,157	–	25,157
Total financial liabilities	–	25,157	–	25,157

A reconciliation of the opening and closing amounts of Level 3 co-investment in corporate investment and real estate investment is given below:

June 30, 2015						
$000s	At beginning	Net new acquisitions	Fair value movements*	Movements relating to realizations	Other movements**	At end
CI co-investments	884,830	29,528	44,241	(244,274)	(87,470)	626,855
RE co-investments	103,288	33,785	(3,030)	(13,702)	(818)	119,523
Total	988,118	63,313	41,211	(257,976)	(88,288)	746,378

* Includes $0.7 million fair value gain in available for sale investments.
** Other movements include add-on funding and foreign currency translation adjustments.

June 30, 2014						
$000s	At beginning	Net new acquisitions	Fair value movements*	Movements relating to realizations	Other movements**	At end
CI co-investments	824,734	58,686	20,300	(42,423)	23,533	884,830
RE co-investments	120,081	20,700	(20,762)	(15,921)	(810)	103,288
Total	944,815	79,386	(462)	(58,344)	22,723	988,118

* Includes $1.2 million fair value loss in available for sale investments.
** Other movements include add-on funding and foreign currency translation adjustments.

27. 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 decision.

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 upfront 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 balance sheet carrying value, thereby resulting in no gain or loss to Investcorp.

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, 2015 is $42.2 million (June 30, 2014: $67.5 million).

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 that represent a beneficial interest in the ordinary shares of the Bank. These SIPCO shares have different vesting periods and are not transferable.

SIPCO shares or phantom SIPCO shares are granted to the employees at their fair value on the grant date. The fair value of SIPCO shares for purposes of the plan 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 $3.6 million (2014: $8.9 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 income statement charge of $9.1 million (2014: $9.3 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 $15.7 million (2014: $9.6 million). The details of shares granted, vested and forfeited during the year are as follows:

Number of shares	**2015**	2014
Granted during the year	**4,825**	12,010
Vested during the year	**15,598**	18,466
Forfeited during the year	**387**	11,658

28. 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 hedge funds 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 being 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.

In addition to the compensation and benefits to employees disclosed in Note 27, the income earned and expenses incurred in connection with related party transactions included in these consolidated financial statements are as follows:

$000s		**June 2015**	June 2014
AUM fees	Investee and investment holding companies	**76,514**	80,177
Deal fees	Investee and investment holding companies	**122,328**	145,106
Asset-based income	Investee companies	**19,143**	18,022
Provisions for impairment	Employee investment programs	**(1,180)**	363
Interest expense	Client companies	**(89)**	(294)
Operating expense	Directors' remuneration	**(1,420)**	(1,540)

Of the staff compensation for the year set out in Note 5, $59.0 million (2014: $54.5 million) is attributable to senior management (including a director who was an employee during the year). Of the above mentioned remuneration of senior management, $48.9 million (June 30, 2014: $42.8 million) is in the form of salaries and other short-term benefits.

In addition to the compensation and benefits to employees disclosed in Note 27, the balances with related parties included in these consolidated financial statements are as follows:

	June 30, 2015			June 30, 2014		
$000s	**Assets**	**Liabilities**	**Off-balance sheet**	Assets	Liabilities	Off-balance sheet
Outstanding balances						
Strategic shareholders	**4,825**	**16,540**	**–**	4,825	14,257	–
Investee companies	**41,186**	**–**	**–**	55,399	–	–
Investment holding companies	**126,283**	**71,620**	**35,082**	152,002	60,142	36,340
Client fund companies associated with the HFP	**13,279**	**–**	**–**	15,821	–	–
Directors and senior management	**1,148**	**572**	**–**	1,123	750	–
	186,721	**88,732**	**35,082**	229,170	75,149	36,340

29. 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 thousands ($000s) unless otherwise stated. Certain prior year balances have been reclassified to conform to the current period presentation.

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of amendments to standards as noted below which became effective for accounting periods beginning on or after July 1, 2014.

- IAS 16 Property Plant and Equipment
- IAS 24 Related Party Disclosures
- IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement – Amendments relating to Novation of Derivatives and Continuation of Hedge Accounting
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IFRS 13 Fair Value Measurement

The adoption of the above amendments did not have any material impact on the Group's consolidated financial statements.

Early adoption of IFRS 15 'Revenue from Contracts with Customers'

In addition to the above, the Group has early adopted 'IFRS 15 Revenue from Contracts with Customers' ('IFRS 15'). Following the early adoption of IFRS 15 (as described in detail below), the Group has identified the performance obligations arising from its contracts with investors with whom the investments are placed. The fee relating to such performance obligations are deferred and recognized over the investment period.

IFRS 15 establishes a new five-step model to recognize revenue and provides a more structured approach to measure and recognize revenue. Following the guidelines of IFRS 15, the Group has reviewed and revised its policy for recognizing revenue to comply with the new requirements of IFRS 15.

Placement fees (historically included in deal fees) are charged by Investcorp when it places an underwritten investment with investors. IFRS 15 requires an entity to assess the services promised in a contract with a customer and identify each promise made to the customer as a separate performance obligation. Applying this requirement, 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.

In order to apply IFRS 15, 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.

The Group has applied the full retrospective approach for adoption of IFRS 15 and as required by the accounting standards has restated its comparatives as set out below.

Consolidated Statement of Financial Position

	June 30, 2014			
$000s	(Previously reported)	Adjustment for premium on redemption of preference shares*	Adjustment on adoption of IFRS 15*	(Restated)
Deferred fee relating to placements (note 18)	–	–	76,292	76,292
Retained earnings	281,580	(6,000)	(76,292)	199,288

	July 1, 2013			
$000s	(Previously reported)	Adjustment for premium on redemption of preference shares*	Adjustment on adoption of IFRS 15*	(Restated)
Deferred fee relating to placements	–	–	48,231	48,231
Retained earnings	213,468	–	(48,231)	165,237

Consolidated Statement of Income

	2014			
$000s	(Previously reported)	Adjustment for premium on redemption of preference shares*	Adjustment on adoption of IFRS 15*	(Restated)
AUM fees	77,658	–	22,332	99,990
Deal fees	266,228	–	(50,393)	215,835
Net income	131,171	–	(28,061)	103,110
Basic earnings per ordinary share ($)	132	(10)	(45)	77
Fully diluted earnings per ordinary share ($)	120	(9)	(35)	76

* The restatement is due to the early adoption of IFRS 15 and adjustments of premium on redemption of preference shares against retained earnings which was not considered in the previous year. This has resulted in a reduction of reported retained earnings and earnings per share as mentioned above.

Standards issued but not yet effective

Standards issued but not yet effective, which the Group reasonably expects to be applicable at a future date are listed below together with their effective date.

- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Amendments relating to Acceptable Methods of Depreciation and Amortisation (January 1, 2017)
- IFRS 9 Financial Instruments: Classification and Measurement (January 1, 2018)
- IFRS 11 Joint Arrangements – Amendments relating to Accounting for Interests in Joint Operations (January 1, 2016)
- IAS 27 Separate Financial Statements – Amendments relating to Equity Method in Separate Financial Statements (January 1, 2016)

The Group's management is considering the implications of these standards and amendments, their impact on the Group's consolidated financial position and results and the timing of their adoption by the Group.

(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 IAS 39 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) 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 the determination of the fair values of Fair Value Through Profit or Loss ('FVTPL') co-investments in corporate investments and real estate investments (see Notes 9 and 11), the determination of performance fees on assets under management, impairment provisions for financial assets other than FVTPL investments (see Note 12) and allocation of placement fee to the performance obligation as described above.

In the process of applying the Group's accounting policies, management has made the following judgments with respect to classification of financial assets, apart from those involving estimates, which have the most significant effect on the amounts recognized in the consolidated financial statements.

(iv) Classification of financial assets

(a) Investments

On initial investment, management decides whether an investment should be classified as held to maturity, held for trading, carried as FVTPL, or Available-For-Sale ('AFS').

For those deemed to be held to maturity, management ensures that the requirements of IAS 39 are met and, in particular, the Group has the intention and ability to hold these investments to maturity.

Investments acquired with the intention of a long-term holding period, such as in corporate investment, real estate investment or hedge funds, including those over which the Group has significant influence, are classified as FVTPL investments when the following criteria are met:

1. they have readily available reliable measures of fair values; and
2. the performance of such investments is evaluated on a fair value basis in accordance with the Group's investment strategy and information is provided internally on that basis to the Group's senior management and board of directors.

All other investments are classified as AFS.

(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.

(v) 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 the Group is exposed to, or has rights over its variable returns through its involvement with the entity and has the ability to affect these returns through its control over the entity, 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) Investment entities as defined under IFRS 10.

The results of all subsidiaries are included in the consolidated statement of income 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 intercompany balances, income and expenses have been eliminated on consolidation.

(vi) 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 balance sheet 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 income 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 income and gains and losses on fair valuation of AFS investments are taken to the consolidated statement of comprehensive income.

(vii) 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. Provisions are made against receivables as soon as they are considered doubtful.

(viii) Advances

Advances are stated at amortized cost, net of any impairment provisions.

(ix) Co-investments in hedge funds

The Group's co-investments in hedge funds are classified as FVTPL investments and are stated at fair value at the balance sheet date with all changes being recorded in the consolidated statement of income. Consequently, there are no impairment provisions for such investments.

(x) 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 balance sheet date, with resulting unrealized gains or losses being recorded as fair value changes in the consolidated statement of income for the year. Consequently, there are no impairment provisions for such investments.

Certain of the Group's strategic and other investments are classified as AFS and are initially recorded at fair value including acquisition charges. These investments are then re-measured to fair value at each balance sheet date and any resulting change in value of these investments is taken to the consolidated statement of comprehensive income and recorded as a separate component of equity until they are impaired or derecognized at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of income for the year.

Certain debt investments made in connection with the Group's co-investments in corporate investment and real estate investment are classified as held-to-maturity investments and are carried at amortized cost, less provision for impairment, if any.

(xi) De-recognition of financial instruments

A financial asset (in whole or in part) is derecognized either when the Group has transferred substantially all the risks and rewards of ownership, or in cases when it has neither transferred nor retained substantially all the risks and rewards but it no longer has control over the asset or a proportion of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

(xii) 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).

(xiii) Impairment and un-collectability of financial assets

An assessment is made at each balance sheet date for all financial assets other than those classified as FVTPL assets to determine whether there is objective evidence that a specific financial asset may be impaired. Judgment is made by the management in the estimation of the amount and timing of future cash flows along with making judgments about the financial situation of the underlying asset and realizable value of collateral, if any. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, determined appropriately, is recognized in the consolidated statement of income and credited to an allowance account. In the case of AFS equity investments, such impairment is reflected directly as a write down of the financial asset.

In the case of financial assets other than AFS, the impaired financial assets together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If an amount written off earlier is later recovered, the recovery is credited to the consolidated statement of income.

Impairment is determined as follows:

(a) For assets carried at amortized cost, impairment is based on estimated cash flows discounted at the original effective interest rate; and

(b) For AFS assets carried at fair value, impairment is the cumulative loss that has been recognized directly in equity.

(xiv) 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.

(xv) 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 27).

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.

(xvi) 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 balance sheet date.

(xvii) 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.

(xviii) 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 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.

(xix) 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.

(xx) 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.

(xxi) Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and the Group intends to settle on a net basis.

(xxii) 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 under IAS 39 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 22.

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 income.

(xxiii) Income and expenses

Interest income is recognized using the effective yield of the asset and is recorded as asset-based income. Investment income from all FVTPL investments is recognized on the basis of 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.

Realized capital gains or losses on investments other than FVTPL investments are taken to income at the time of derecognition of the investment.

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.

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 and are included under operating expenses.

MANAGING DIRECTORS, PRINCIPALS AND PROFESSIONAL STAFF

MANAGING DIRECTORS, PRINCIPALS AND PROFESSIONAL STAFF

MANAGING DIRECTORS

Ramzi AbdelJaber
Placement and Relationship Management
Joined Investcorp: 2004
Prior experience: The Middle East North Africa Financial Network (4), McKinsey & Co. (2), Integrated Business Solutions (1), Andersen Consulting (1)

Firas El-Amine
Corporate Communications
Joined Investcorp: 2007
Prior experience: Dubai Holding (3), Alsalam Holding (2), Impact & Echo (2)

Gary Appel
Corporate Investment – North America
Joined Investcorp: 2013
Prior experience: Castle Harlan (7), Glencoe Capital (5), Bear Stearns (3), Donaldson, Lufkin & Jenrette (17)

Mohammed Al Ardhi
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)

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)

Stephanie R. Bess
Corporate Secretary
Legal and Compliance
Joined Investcorp: 2005
Prior experience: Gibson, Dunn & Crutcher (8), Dechert (19)

Tristan de Boysson
Corporate Investment – MENA
Joined Investcorp: 1998
Prior experience: McKinsey & Co. (7), Rhone-Poulenc (6)

Numbers in brackets indicate years of experience.
List reflects staff employed at July 31, 2015.

Maud Brown
Corporate Investment – North America
Joined Investcorp: 2001
Prior experience: Merrill Lynch (1.8), Salomon Smith Barney (2)

Jennifer Cahill
Hedge Funds
Joined Investcorp: 2015
Prior experience: Atlantic Investment Management (2), Protégé (8), Goldman Sachs (3)

David Cranston
Hedge Funds
Joined Investcorp: 2005
Prior experience: North Creek Advisors (1), Investcorp (5), Channel Capital Group (3), Lehman Brothers (2), Barclays Capital (3), JPMorgan (2)

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)

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
Hedge Funds
Joined Investcorp: 2013
Prior experience: Lyxor Inc. (11)

John Franklin
Hedge Funds
Joined Investcorp: 1997
Prior experience: Citicorp (4)

Carsten Hagenbucher
Corporate Investment – Europe
Joined Investcorp: 2005
Prior experience: JPMorgan (2.5)

Rebecca Hellerstein
Hedge Funds
Joined Investcorp: 2014
Prior experience: JP Morgan Asset Management (2.5), Federal Reserve Bank (13)

MANAGING DIRECTORS (continued)

Grahame Ivey
Finance Business Support and Investment Administration
Joined Investcorp: 1988
Prior experience: Touche Ross (7),
John Laing Developments (2)

Rishi Kapoor
Co-Chief Exectutive Officer
Joined Investcorp: 1992
Prior experience: Citicorp (4)

Rabih Khouri
Corporate Investment – MENA
Joined Investcorp: 2007
Prior experience: Nord Est Industrial Fund (2),
McKinsey & Company (5), Arthur Andersen (3)

Nemir A. Kirdar
Founder and Chairman of the Board of Directors
Joined Investcorp: 1981
Prior experience: Allied Bank International (5),
Chase Manhattan Bank (8)

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)

Michael L. Merritt
Chief Administrative Officer
Joined Investcorp: 1981
Prior experience: Self-directed financial futures
trader (15), Investcorp (15),
Chase Manhattan Bank (13)

Jonathan Minor
Financial Management
Joined Investcorp: 2005
Prior experience: Daiwa Securities SMBC Europe (4),
Westpac Banking Corporation (6),
State Bank South Australia/Bank SA (6), AE plc (5),
Thornton Baker (5)

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)

Jon Olstein
Hedge Funds
Joined Investcorp: 2014
Prior experience: Whitebox Advisors (1.5),
Waterstone Capital Management (4),
Deutsche Bank (6), Victoire Capital LLC (5.5),
PaineWebber (6.5)

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)

Anthony L. Robinson
Chief Financial Officer
Joined Investcorp: 2015
Prior Experience: Mumtalakat (4), RAC Insurance (2),
Investcorp (14)

Numbers in brackets indicate years of experience.
List reflects staff employed at July 31, 2015.

MANAGING DIRECTORS (continued)

Mohamed Sammakia
Placement and Relationship Management
Joined Investcorp: 2012
Prior experience: UBS (14), SBC (2),
Greenwich Capital (2), SBC (3), Citibank (13)

Harsh Shethia
Placement and Relationship Management
Joined Investcorp: 2002
Prior experience: Goldman Sachs (2),
Deloitte Consulting (4), Tata Consulting Services (2)

Mohammed E. Al-Shroogi
Co-Chief Executive Officer
Joined Investcorp: 2009
Prior experience: Citigroup (33)

James Tanner
Corporate Investment – MENA
Joined Investcorp: 2008
Prior experience: Aviva Investors (3), HSBC (2),
Morgan Stanley (19)

Savio W. Tung
Chief Investment Officer
Joined Investcorp: 1984
Prior experience: Chase Manhattan Bank (9)

Nick Vamvakas
Hedge Funds
Joined Investcorp: 2010
Prior experience: Société Générale (6),
Lyxor Asset Management (5),
BAREP Asset Management (6),
Société Générale Alternative Investment (5),
Rodman & Renshaw (2)

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)

PRINCIPALS

Ghassan G. Abdulaal
Placement and Relationship Management

Loai Al-Arayedh
Placement and Relationship Management

Ayman Al-Arrayed
Corporate Accounting and Internal Controls

Ryan Bassett
Real Estate Investment

Greg Berman
Hedge Funds

Sunil Bhilotra
Corporate Investment – MENA

Dean Clinton
Hedge Funds

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Numbers in brackets indicate years of experience.
List reflects staff employed at July 31, 2015.

PRINCIPALS (continued)

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List reflects staff employed at July 31, 2015

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List reflects staff employed at July 31, 2015.

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Venkatesh Yadav
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