

Explanatory Circular pursuant to Agenda items 2 & 3 of the Extraordinary General Meeting (EGM)

Agenda Item 2:

To discuss the Company's financial position pursuant to Article 64(7) of the Articles of Association of the Company and approve suitable measures to resolve the addressed issues.

Apart from the transaction with Al Salam (Agenda item 3, mentioned below), the Board of Directors is considering various measures, including cancellation of the accumulated losses against share capital. This will be contemplated after the completion of the transaction with Al Salam.

These above mentioned measures will be presented to the shareholders for their consideration and approval, subject to obtaining the consent of the competent authorities.

Agenda Item 3:

To discuss and approve, subject to obtaining the required regulatory approvals, the proposed sale and transfer of certain assets of the Company to Al Salam Bank.

The Board of Directors of Ithmaar Holding ("the Company") recommends the following for the shareholders' consideration and approval:

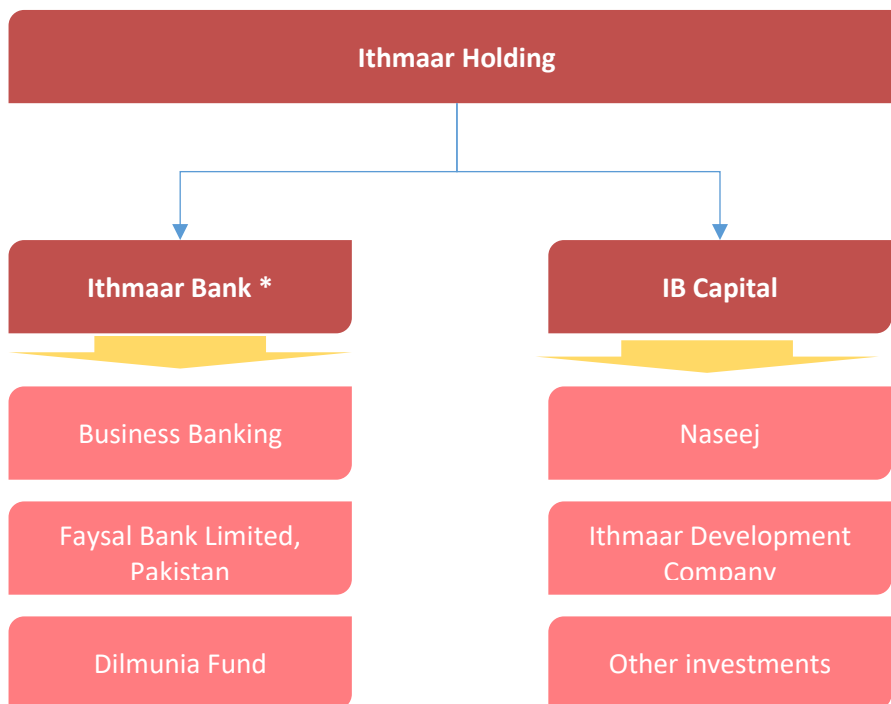
The Company and Al Salam Bank announced, in January 2022, in principle agreement on the acquisition (the Transaction) by Al Salam Bank of the following assets and liabilities of the Company's wholly-owned subsidiaries, Ithmaar Bank and IB Capital:

- the entire retail business of Ithmaar Bank, including the assets and liabilities of individual customers and all rights, obligations, assets and liabilities pertaining to the Bank's retail business in Bahrain;
- the entire shareholding in BBK;
- the entire shareholding in Solidarity Group Holding;
- the entire shareholding in MasterCard Inc.
- the entire shareholding in The Benefit Company; and
- Part of Ithmaar Bank's portfolio of Government of Bahrain-issued sukus.

The above assets were agreed following a detailed due diligence conducted after the execution of a Memorandum of Understanding (MoU) between the two entities in October 2021, and assessments based on provisional carrying values as of 30 September 2021. Final transfer values of the assets and liabilities, as of the date of the business transfer, will be determined based on a mutually agreed mechanism between both parties, after obtaining the requisite corporate and regulatory approvals and completion of other legal formalities and shall be announced to shareholders promptly.

The above Transaction will have the following advantages:

- This transaction will not lead to dilution for the current shareholders, and will not impact their voting rights.
- The following presents the structure of the Company after the sale of the above-mentioned assets:



* Ithmaar Bank will maintain its Islamic banking license post deal.

Estimated impact on the consolidated financial position (based on 30 September 2021). Note that the numbers are subject to change to be determined on the actual transfer date.

Particulars (Amount in USD million)	Pre-transaction	Post-transaction
Assets:		
Murabaha and other financings	2,152.9	1,396.4
Musharaka financing	1,328.5	1,328.5
Sukuk and investment securities	2,408.1	2,052.3
Others	3,072.3	1,715.3
Total Assets	8,961.8	6,492.5
Liabilities:		
Customers' current accounts	1,875.5	1,785.1
Due to investors	1,279.8	1,279.8
Equity of unrestricted investment accountholders	3,578.3	1,533.5
Other liabilities	2,216.2	1,834.7
Total liabilities and NCI	8,949.8	6,433.1
Shareholders' Equity	12.0	59.4

Note: the above-mentioned numbers are subject to change, to be determined on the actual transfer date.

Following the Transaction, the Company, through its wholly-owned subsidiary, Ithmaar Bank, will maintain its banking operations as a licensed Islamic bank regulated by the Central Bank of Bahrain and will focus on the growing corporate and SME banking and related services.

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