

Record Date: 16th March 2010
Opening Date: 16th March 2010
Closing Date: 25th March 2010

Issue Manager



Receiving Bank



Issue Registrar



SUMMARY OF OFFERING CIRCULAR

THE CENTRAL BANK OF BAHRAIN, THE BAHRAIN STOCK EXCHANGE AND THE MINISTRY OF INDUSTRY AND COMMERCE OF THE KINGDOM OF BAHRAIN TAKE NO RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF THE STATEMENTS AND INFORMATION CONTAINED IN THIS ANNOUNCEMENT AND EXPRESSLY DISCLAIM ANY LIABILITY WHATSOEVER TO ANY PERSON, AN APPLICANT OR OTHERWISE, FOR ANY LOSS OR DAMAGE HOWSOEVER ARISING FROM RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ANNOUNCEMENT.

This summary Offering Circular does not purport to be complete and should be read in conjunction with the main Offering Circular.

The Directors of Ithmaar Bank B.S.C. would like to invite existing shareholders of the Bank to subscribe to the Shares offered under this Offering, aggregating to US\$ 199.33 million (up to 797,316,656 Shares). Subscriptions shall be made at the designated Receiving Bank. The Issue will be open for subscription on 16th March 2010 and will close on 25th March 2010.

1. Issue details:

Issuer	Ithmaar Bank B.S.C.
Issue Manager	Ithmaar Bank BSC
Receiving Bank	Bahrain:- Shamil Bank of Bahrain BSC (c)
Issue Registrar	KPMG Share Registry
Eligibility	All shareholders registered in the Bank's shareholder register with the Registrar on the Record Date, which is 16 th March 2010

2. Issuer capital:

Authorized capital	US\$ 2,000 million (US\$ two thousand million) divided into 8,000 million Shares at par value of US\$ 0.25 each.
Existing issued and fully paid-up capital	US\$ 598 million divided into approx. 2,392 million Shares at par value of US\$ 0.25 which will be eligible for the Offering, being the number of shares outstanding as of the Record Date.
Issued and paid-up capital post this Issue	US\$ 797 million divided into 3,189,266,623 Shares at a par value of US\$ 0.25 per Share.

3. Details of the Offering:

Type of offer: Issue of shares in the Bank to all existing shareholders on the record date.

Offering: The Bank is offering up to 797,316,656 Shares having Nominal Value of US\$ 0.25 per Share being offered at the Offer Price of US\$ 0.25 per Share. Upon full subscription, the Issued and Paid-up Share Capital of the Bank post this Offering will be 3,189,266,623 Shares of a Nominal Value of US\$ 0.25 per Share amounting to US\$ 797 million.

In the event the shares offered through this offering are not fully subscribed, the issuer shall either allot the Shares up to the level of Subscription Funds received in accordance with the terms of this Offering Circular or offer such Shares for public subscription, in accordance with Article 129 of the Bahrain Commercial Companies Law and in consultation with the relevant Authorities.

Offering size:	Upto 797,316,656 Shares
Nominal Value per share	US\$ 0.25 per Share
Offer Price per share	US\$ 0.25 per Share
Rights Entitlement	One Share for every three Shares held
Record date	16 th March 2010
Opening Date	16 th March 2010
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Allotment Date	30 th March 2010
Distribution date	4 th April 2010

4. Extra Ordinary General Meeting (EGM) Resolution

The shareholders, through their resolution adopted at the EGM on 04 November 2009 resolved to issue ordinary Shares through rights offering of up to US\$ 200 million to the existing Shareholders of the Bank having nominal value of US\$ 0.25 per Share at the terms to be decided by the Board of Directors.

5. Other approvals

The Bank has obtained a no objection letter from the CBB's Capital Markets Supervision Directorate stating it has no objection to the use of the Offering Circular for the Offering.

6. General information about the Issuer:

Ithmaar Bank B.S.C. was incorporated in the Kingdom of Bahrain on 13 August 1984 and is regulated by the Central Bank of Bahrain. The Bank operates in Bahrain under commercial registration No 15210 and as a conventional wholesale bank under a license granted by the Central Bank of Bahrain. The Bank also offers products and services in compliance with Shari'ah principles. The Bank's Shares are listed on the Bahrain Stock Exchange and Kuwait Stock Exchange.

The main services offered by the Bank include commercial banking, investment banking and private banking.

Recent developments

The Bank has developed a reorganisation plan with its wholly-owned subsidiary, Shamil, pursuant to which the business, assets and liabilities of Shamil, which hitherto was recorded under a separate Shamil entity, subsequent to the reorganisation, will be directly recorded in the books of the Bank. Following such acquisition, Ithmaar will become an Islamic Bank with retail license, replacing the Shamil brand with Ithmaar. The reorganisation plans is aimed to further improve liquidity, lower the risk profile and enhance shareholder value by amplifying existing synergies and allowing the Bank to better capitalise on potential business opportunities. The reorganisation plan of the Bank was approved by the Shareholders in their EGM dated 4 November 2009. The preparation for the reorganisation is in final stage and are now pending final approvals from the regulatory authorities.

7. Financial Highlights

Over the years, Ithmaar has successfully established a leading position in the GCC region as a diversified financial institution. The Bank has successfully pursued its strategy of geographic expansion extending to international markets. This strategy of successful expansion was reflected in the historical financial performance of the Bank. However, the Bank has slowed down its plans due to the recent global economic meltdown and its impact on investor sentiments and business.

The following table shows a summary of key consolidated financials of the Bank for the past 4 years:

(In US\$ mil.)	31.12.09 (Audited)	31.12.08 (Audited)	31.12.07 (Audited)	31.12.06 (Audited)
Total Income	106	280	347	124
Net Profit/(Loss)	(233)	85	188	181
Total Assets	5,214	5,380	4,079	3,319
Total Equity	937	1,149	1,284	1,124

Recent performance (Year ended 31 December 2009)

During the year 2009, the Bank reported a net loss of US\$ 233 million. The Bank recognized prudent impairment provisions amounting to US\$ 207 million on investments, loans and other assets for the year ended 31 December 2009, as compared to US\$ 53 million for the previous year.

Operating Results - 2009

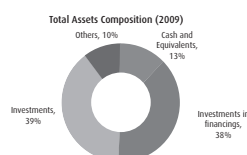
The Bank's gross operating income for the year ended 31 December 2009 stood at US\$ 337 million and included mainly income from core retail banking activities. The income from retail, commercial banking and treasury increased by US\$ 16 million whereas income from investment banking activities decreased significantly by US\$ 111 million mainly on account of lower fees, realized gains on exits and prudent approach taken by the Bank by not recognizing any unrealized gains from investment property during 2009.

Staff costs for the year stood at US\$ 69 million as compared to US\$ 63 million for the previous year. The staff costs for 2009 included full year impact of 24 new branches set up in 2008 plus 4 new branches set up in 2009 by Faysal Bank Limited, a subsidiary of Ithmaar.

Financial position- 2009

The overall balance sheet continued to remain strong at US\$ 5.2 billion, as compared to US\$ 5.4 billion at 31 December 2008. Funds under management remained stable at level of US\$ 2.1 billion at the year end. The customer current and investment accounts increased by US\$ 0.3 billion during 2009 and the Bank had repaid its term and inter bank borrowings to the extent of US\$ 253 million.

The major assets in Balance Sheet as of 31 Dec 2009 are summarized below:



Financial performance during last three years

The Bank achieved significant milestones during 2006 and 2007 in building its direct institutional business capabilities. In 2008, the Bank successfully weathered the global financial crisis and concluded the year with a positive performance.

Financial position - 2006, 2007 and 2008

Over these years the total assets of the Bank increased substantially to US\$ 5.38 billion in 2008 as compared to US\$ 3.32 billion in 2006, a growth of 62%. Funds under Management reached a benchmark of US\$ 2 billion in 2008, a growth of 88% over the period of three years. The Bank's balance sheet remained strong with liquid assets at US\$ 1.2 billion representing 23 percent of the total assets in 2008.

A key development for the Bank during 2007 was its acquisition, through a share exchange, of the remaining 40 percent in Shamil which was publicly held, with Shamil becoming a wholly owned subsidiary.

Operating Results - 2006, 2007 and 2008

Operating income for the year ended 31 December 2008 stood at US\$ 280 million, 19.3% lower as compared to the previous year. The growth from retail and commercial banking and treasury continued, though certain investment banking activities were adversely impacted by the current global financial turmoil. The consistent growth on the retail and commercial banking and treasury was evident from the increase in income from short-term deposits by US\$ 12.3 million to US\$ 55.7 million and income from investments in financings stood at marginally higher at US\$ 191.5 million. The investment banking activities include fees and commissions, the fees and commission income was lower by US\$ 6.3 million at US\$ 46.2 million and gains from investment securities was lower by US\$ 40.6 million at US\$ 4.1 million due to lower exits and absence of new investment placement opportunities.

The Bank reported a net profit of US\$ 85 million for the year 2008, 54.8% lower as compared to the previous year. The Bank adopted a prudent approach given the current global financial turmoil and recognized an unrealised impairment provision of US\$ 53 million on investments in financing, investment securities and intangible assets for the year ended 31 December 2008 as compared to US\$ 8 million for the previous year.

Operating income in 2007 increased by 179 percent to US\$ 347 million as compared to 2006 and achieved net profit of US\$ 188 million. The significant contributors to the increased net profit were income from investments in financings of US\$ 189 million, income from investment property of US\$ 92.7 million and fees and commissions of US\$ 52.5 million.

Dividend payout - 2006, 2007 and 2008

The Bank continued to provide the Shareholders' with superior returns on their investments as summarized below. During the year 2008, taking a conservative approach the Bank retained the earnings to fund future growth of the business.

Particulars	2008	2007	2006
Earnings Per Share (US Cents)	0.95	5.79	11.1
Cash Dividend Per Share (US Cents)	-	2.5	3.38
Dividend Payout Ratio	NA	43%	30%
Bonus Shares (Nos in million)**	217	288	-

8. Use of proceeds:

The size of the Offering has been arrived at after careful consideration of various factors including reorganisation plan of the Bank, long term strategy, and future liquidity requirements of the Bank along with other initiatives underway to raise capital.

The capital generated from this Offering will be mainly used for a combination of implementing its strategic objectives and refinancing existing facilities. The key strategic objective of the bank is to expand its operations through a combination of organic and inorganic activities. The organic strategy of the Bank is to focus on retail operations, post reorganization phase and expand its geographical reach to the GCC region by offering wide range of corporate banking services and to continue to provide retail banking services to its customers in Bahrain.

To achieve its objective, the Bank has developed a plan for comprehensive reorganization of the Bank with its wholly-owned subsidiary, Shamil. The increased capital will be an important milestone in the Bank's strategic plan and will help the Bank to improve liquidity and enhance shareholder value by amplifying existing synergies.

9. Head office of the Issuer

The Head Office of the Issuer is situated in 10th Floor, Addax Tower, Seef District, PO Box 2820, Manama, Kingdom of Bahrain.

10. Listing and share performance

The Bank's shares are listed on the BSE and KSE.

The share price of Ithmaar has fallen since June 2008 mainly owing to downturn in global economy, resultant impact on capital markets and the Bank's performance. Overall, during the last two years (from March 2008 to March 2010), the Bank's stock has underperformed the BSE Banking Index.

11. Eligible investors:

This Offering is available to existing Shareholders for subscription. Eligible Shareholders on the Record Date may accept all or part of their entitlement. The rights to the Shares are renounceable, which enables Shareholders who do not wish to take up some or all of their entitlement to renounce their rights to a third party. The Shares may be renounced during the Subscription Period only.

Record Date is the date on which existing Shareholders on the Bank's Register are designated as recipients of rights. This date will be 16th March 2010.

12. Subscription above Eligible Rights

Shareholders at the Record Date may apply to subscribe for Shares in excess of their entitlement of one new Share for every three Shares held, by completing the relevant section in the Application Form.

13. How to apply

Applicants should submit to the Receiving Bank a duly signed and completed Application Form together with cleared funds in the amount of subscription.

The subscription currency is US\$.

The Subscription Funds shall be payable in US\$ with the Receiving Bank. Such remittances shall be made to the designated bank account with the Receiving Bank in one of the following modes:

- By wire transfer in US\$ from an account of the Applicant maintained with another bank;
- By transferring US\$ from an account of the Applicant maintained with the Receiving bank;

No other modes of payment shall be accepted.

Applicants will receive a receipt of acknowledgement from the Receiving Bank on submission of the application. Subscription Funds will be maintained in the subscription account until the allocation of Shares by the Bank.

Please note that all Subscription Funds received should be net of any bank or related charges. All charges such as wire transfer charges, bankers' cheque fees, collection charges, foreign currency conversion charges etc. shall be borne by the Applicant.

For more information please refer to the Offering Circular available at the designated branches of Receiving Bank.

14. Basis of allotment:

The Bank will complete allotment of the Shares on the Allocation Date which will be within 5 calendar days following the Closing Date.

The Shares offered pursuant to this Offering will be first allotted to Shareholders exercising their rights in full or any lesser number of Shares. Renounced Shares will be allotted to any person / entity in whose favour the Shareholders have made the renunciation on the same basis. The balance Shares, if any will be allotted to the Shareholders who have tendered valid Application Forms for more than their entitlement on a pro-rata to the number of Shares they held on the Record Date.

The decision of the Issuer in this respect will be final and binding on all parties.

15. Listing:

Application will be made to the BSE and the KSE to list all the Shares being offered through this Offering. A formal announcement will be made by the BSE and KSE to announce the commencement of trading of these Shares.

16. Other important details:

- The Subscription Period commences in Bahrain at 8.00 am (Bahrain time) on the Opening Date, which is 16th March 2010, and closes at 12.00 noon (Bahrain time) on the Closing Date, which is 25th March 2010. Applicants may apply to subscribe for the Shares at the Receiving Bank during normal business hours in Bahrain.
- Please note that there will be no halt of trading of shares on the BSE and KSE at any time before and during the Subscription Period.
- Copies of the Offering Circular and the Application Form can be collected from the designated branches of the Receiving Bank and the office of the Issue Registrar.
- Applicants need to present all necessary identification as stated in the Offering Circular and on the Application Form in order to fulfil "Know Your Customer" requirements and have their application considered for acceptance.

17. Directors declaration:

The Directors of Ithmaar Bank B.S.C. accept responsibility for the information contained in this announcement. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this announcement is in accordance with the facts and contains no omissions likely to affect the importance and completeness of this announcement.

The Directors, Ithmaar Bank B.S.C.