

Explanatory Circular pursuant to Agenda Item 2 of the Extraordinary General Meeting (EGM)

Agenda Item 2:

To discuss and approve, subject to obtaining regulatory approvals, the proposed sale and transfer of certain assets (approximately USD 695 million to USD 715 million) and liabilities (approximately USD 665 million to USD 695 million) of Ithmaar Holding B.S.C. (the “Company” or “Ithmaar Holding”), Ithmaar Bank B.S.C. (Closed) (“Ithmaar Bank”) and IB Capital B.S.C. (Closed) (“IB Capital”) (together “Ithmaar”), to be calculated on the basis of their value as of 31 March 2024, to: (i) GFH Financial Group B.S.C. or any of its subsidiaries or nominees (“GFH”); and/or (ii) any other entity as may be agreed upon with GFH (the “Transaction”).

The Board of Directors of the Company recommends the following for the shareholders’ consideration and approval:

The Company and GFH have agreed to an overall framework of terms regarding sale of certain assets and liabilities of Ithmaar’s corporate banking business in Bahrain and investment assets. The Transaction is subject to the signing of definitive agreements, shareholders and required regulatory approvals.

Subject to obtaining the required regulatory approvals, Ithmaar and GFH intend for the Transaction value to be calculated based on the value of the assets and liabilities as of 31 March 2024, subject to the agreed upon adjustments, with the Transaction effective date being 1 April 2024.

The assets and liabilities of the Company and its wholly-owned subsidiaries subject to the Transaction are as follows:

- A. It is proposed that the real estate assets of Ithmaar Holding, Ithmaar Bank and/or IB Capital set out below shall be transferred to a company entirely owned by Ithmaar Holding or any of its subsidiaries (“**Real Estate JV**”):
1. the entire shareholding of Ithmaar Holding in Barbar Real Estate Company W.L.L. representing 50% of its issued and paid-up capital;
 2. the entire shareholding of Ithmaar Holding, Ithmaar Bank and Ithmaar Development Company Limited (“**Ithmaar Development**”) in Naseej B.S.C. (Closed), representing approximately 31.298% of its issued and paid-up capital;
 3. the entire shareholding of Ithmaar Development in Sayacorp B.S.C. (Closed), representing 4.2% of its issued and paid-up capital;
 4. the entire shareholding of Ithmaar Bank in (i) Ithmaar-Dilmunia General Partner Company Limited representing 100% of its capital; and (ii) Dilmunia Development Fund I L.P. representing 92.348% of the fund units;
 5. the entire shareholding of IB Capital in Ithmaar Development, representing 100% of its issued and paid-up capital;
 6. all receivables due and payable from Barbar Real Estate Company W.L.L. at book value;
 7. all real estate assets of Ithmaar Bank, comprising of apartments in Cityview Tower, Sanabis, Kingdom of Bahrain (“**Bahrain**”) at book value; and

8. all real estate assets of IB Capital, comprising of lands in Dilmunia, Bahrain at book value.

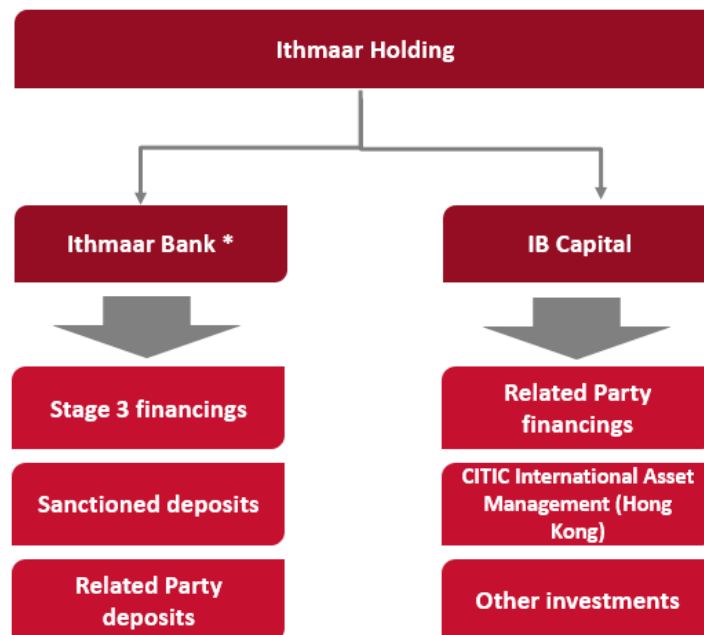
71.51% of the issued and paid-up capital of the Real Estate JV shall be transferred to GFH following the transfer of the real estate assets set out above to the Real Estate JV. GFH shall receive yearly preferred return of 12% Return on Equity (“ROE”) on a cumulative accrual basis for a period of five (5) years.

- B. It is proposed that the shares of Ithmaar Bank in Faysal Bank Limited (Pakistan) (“**Faysal Bank**”), representing to 66.7% of its issued and paid-up capital, shall be transferred to a company entirely owned by Ithmaar Holding, Ithmaar Bank or IB Capital (“**Faysal Bank JV**”) (subject to local regulatory approval). Following the transfer of shares in Faysal Bank to the Faysal Bank JV, 75% of the issued and paid-up capital in the Faysal Bank JV shall be transferred to GFH. GFH shall receive yearly preferred return of 12% ROE on a cumulative accrual basis for a period of five (5) years. It is additionally proposed to transfer certain receivables of approximately USD 9.7 million as of 31 December 2023 (subject to any further adjustments in Q1 2024) from Faysal Bank to GFH.
- C. It is proposed that the entire corporate banking business of Ithmaar Bank, including all rights, obligations, assets and liabilities of individual and corporate customers (but excluding Stage 3 financings and certain sanctioned and related-party deposits) shall be transferred to GFH or an entity designated by GFH.

The total value of the assets to be transferred range from approximately USD 695 million to USD 715 million. The total value of liabilities to be transferred range from approximately USD 665 million to USD 695 million. The final Transaction value will be determined as of the business transfer date mutually agreed post all required approvals. The net balancing amount will be settled by GFH to Ithmaar in cash.

The above Transaction will have the following advantages:

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



Estimated impact on the consolidated financial position (based on 31 December 2023):

Particulars (Amount in USD million)	Pre-transaction	Post-transaction
Assets:		
Financing assets	2,606.60	375.00
Investment securities	2,323.50	382.60
Others	1,174.50	67.00
Total Assets	6,104.60	824.60
Liabilities:		
Customers' current accounts	1,724.80	623.00
Due to banks, financial & other institutions	1,189.90	144.50
Equity of unrestricted investment accountholders	2,719.50	-
Other liabilities	465.80	18.30
Total liabilities and NCI	6,100.00	785.80
Shareholders' Equity	4.60	38.80

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

Following the Transaction, the Company will continue to focus on creating value for the shareholders through investment holding & treasury management business in Bahrain.

END