

Detailed analysis of accumulated losses

Date:	18 February 2021
Listed Company Name:	Ithmaar Holding B.S.C.
Define the period of the financial statements	Annual Financial information 2020
Accumulated losses:	USD 833.8 million
Accumulated losses to capital ratio:	110%
The main reasons leading to these accumulated losses and their history:	The accumulated losses before reorganization amounted to 68.8% in December 2016. These represent mainly impairment provisions resulting from non-core investments as a result of financial crises. During 2018, the Company early adopted FAS30 (AAOIFI equivalent of IFRS9) which resulted in additional impairment provisions and consequently increased the accumulated losses percentage to 98%. During 2020, the accumulated losses increased by \$87.5 million mainly due to impact of Covid-19.
Measures to be taken to address accumulated losses:	The Board of Directors is currently working on various initiatives as follows: 1. Proposed acquisition by BBK of Ithmaar Bank Bahrain operations: Ithmaar Holding and The Bank of Bahrain and Kuwait (BBK) signed during September 2020 a Memorandum of Understanding (MoU) on the potential acquisition by BBK of Ithmaar Bank's Bahrain operations as well as specific assets of IB Capital, a wholly-owned subsidiary of Ithmaar Holding. The plans, which are subject to the completion of due diligence by both parties, will also require shareholder and regulatory approvals. 2. Asset Sale and/or Restructuring Plan: Furthermore, Ithmaar's Board of Directors is currently working on various initiatives to improve the capital base, which will strengthen Ithmaar's equity, including sale and/or restructuring of non-core assets, subject to further review, negotiations and necessary regulatory approvals.

Authorized to signatory


