

Capital Bank of Jordan

Interim Condensed Consolidated Financial Statements

(Reviewed not audited)

31 March 2021

(28) Acquisition of Bank Audi Branches in Jordan and Iraq

During September 2020, the Group signed a non-binding and exclusive "Letter of Intent" agreement to acquire the banking business of the Lebanese Bank Audi branches in Jordan and Iraq and purchase its assets and liabilities. At the end of December 2020, the bank signed an agreement to purchase and transfer the business, whereby all the necessary requirements and approvals were completed from the regulatory authorities to complete the acquisition as on March 11, 2021.

The table below shows a summary of the net fair division of assets and liabilities acquired at the end of the business day on March 11, 2021:

	11 March 2021
	JDs (Thousands)
<u>Assets</u>	
Cash and balances with banks and central banks	120,582
Financial assets at fair value through other comprehensive income	1,699
Direct credit facilities at amortized cost	236,416
Other financial assets at amortized cost	149,557
Other Assets	35,273
Total Assets	543,527
<u>Liabilities and Equity</u>	
<u>Liabilities</u>	
Customer Deposits	386,710
Cash margins	68,115
Borrowed funds	6,895
Other liabilities	16,862
Total Liabilities	478,582
Net fair value of the business acquired at the date of acquisition	64,945
The purchase price paid for the acquisition	41,788
Result from the acquisition	23,156

Study of the purchase price agreement

The results shown above are preliminary and will be updated upon completion of the study of the purchase price distribution for the acquisition, as in accordance with International Accounting Standard No. 3 "Business Combinations", the group has a period of up to 12 months from the date of the acquisition to complete the determination of the fair value and the completion of the study of the distribution of the purchase price.

Acquisition transaction expenses

During the period ended March 31, 2021, the Group incurred costs related to the acquisition of the banking business of the branches of the Lebanese Bank Audi in Jordan and Iraq, which included costs related to the merger and other related expenses for financial and legal consultants, in addition to expenses paid to employees working on the acquisition. These costs amounted to about 2,701,444 JDs.

(29) Comparative Figures:

Some of previous period's figures have been reclassified to confirm with 31 March 2021 presentation.

(30) Other Disclosures

Devaluation of the Iraqi Dinar

During December 2020, the Central Bank of Iraq reduced the exchange rate of the Iraqi dinar to the dollar to 1460 instead of 1190, which resulted in differences in the exchange rates shown in the condensed consolidated financial statements clarifications, as the differences in foreign currency translation apparent in equity during 2020 decreased by about 19 million JDs. No differences in exchange rates of the Iraqi dinar to the dollar appeared as of the period ended 31 March 2021.