

The National Commercial Bank announces its entry into a binding merger agreement with Samba Financial Group and its firm intention to proceed with the implementation of the merger of the two banks

1. Introduction

Further to the announcement made by the National Commercial Bank (“**NCB**”) on 04/11/1441 (corresponding to 25 June 2020G) in respect of the signing of a Framework Agreement between itself and Samba Financial Group (“**Samba**”) concerning the potential merger between the two banks, NCB would like to announce that it has entered into a legally binding merger agreement on 24/02/1442H (corresponding to 11 October 2020G) (the “**Merger Agreement**”) pursuant to which NCB and Samba have agreed to take the necessary steps to implement a merger between the two banks in accordance with Articles 191-193 of the Companies Law and Article 49(a)(1) of the Merger and Acquisition Regulations issued by the Capital Market Authority (the “**Merger**”).

NCB would also like to announce its firm intention to proceed with the Merger in accordance with Article 17(e) of the Merger and Acquisition Regulations and the terms of the Merger Agreement.

Pursuant to the terms of the Merger Agreement, the Merger will be implemented through the merger of Samba into NCB which will result in all of the assets and liabilities of Samba being transferred to NCB. On completion of the Merger, NCB will continue to exist and Samba will cease to exist as a legal entity and its shares will be cancelled and new shares in NCB will be issued to the shareholders of Samba. Reference to the Merged Bank in this announcement means NCB following completion of the Merger.

Upon completion of the Merger, the shareholders of Samba will receive new NCB shares in accordance with the following ratio (the “**Exchange Ratio**”):

For every one (1) Samba Share: 0.739 new NCB shares

The new shares will be issued by way of a capital increase, which will increase the paid-up capital of NCB by 49.3% from SAR 30,000,000,000 to SAR 44,780,000,000 and the number of its issued shares will increase from 3,000,000,000 shares to 4,478,000,000 shares.

Based on the Exchange Ratio and the closing price of SAR 38.50 per NCB share on 8 October 2020 (the last business day prior to this announcement), each Samba share is valued at SAR 28.45 and Samba’s issued ordinary share capital at approximately SAR 55.7 billion.

This represents a premium of 3.5% to the closing share price of Samba of SAR 27.50 on 8 October 2020 (the last business day prior to this announcement). This also represents a 23.7% premium to the closing share price of Samba of SAR 23.00 on 24 June 2020 (the last business day prior to the signing of the Framework Agreement). The Exchange Ratio

implies a price to tangible book value multiple as at 30 June 2020 of 1.20 times for Samba (based on the Exchange Ratio and the closing share price of NCB of SAR 38.50 on 8 October 2020, being the last business day prior to the date of this announcement).

On completion of the Merger, NCB's existing shareholders will own 67.4% and Samba's shareholders will own 32.6% of the Merged Bank. The substantial shareholders of the Merged Bank will be the Public Investment Fund (PIF) (37.2%), the Public Pension Agency (7.4%) and the General Organisation for Social Insurance (GOSI) (5.8%).

The treatment of any entitlement to a fractional share that results from the Exchange Ratio calculation above shall be in accordance with the mechanism set out in the Shareholder Circular to be published by NCB in due course.

The board of directors of NCB, who have been so advised by J.P. Morgan Saudi Arabia as to the financial terms of the Merger, consider the terms of the Merger to be fair. In providing its advice to the board of directors of NCB, J.P. Morgan Saudi Arabia has taken into account the commercial assessments of the board of directors of NCB.

There will be no immediate change for customers as a result of today's announcement. Both banks will remain independent and separate and both will continue to operate a business as usual service until the Merger has completed. NCB does not expect that the Merger, if completed, will result in the involuntary redundancy of employees.

Completion of the Merger is not guaranteed and is subject to a number of conditions and approvals including regulatory and shareholders approvals. The Merger Agreement further prescribes the events on which the Merger Agreement might be terminated and the Merger halted. The conditions to the Merger and termination events are further explained in Section 3 of this announcement.

2. Rationale for the Merger

The Merger will create a regional powerhouse with SAR 837 billion (U.S.\$ 223 billion)¹ in assets, uniquely positioned to accelerate the transformation of Saudi Arabia's banking landscape and deliver progress towards Vision 2030.

NCB's current chairman, Saeed Al-Ghamdi, commented: *“Saudi Arabia is undergoing a historic transformation with Vision 2030. Such a transformation requires a robust financial services sector, especially highly capitalised, resilient banks that can fund economic development, as well as support Saudi Arabia's trade and capital flows with the region and the rest of the world. Our ambition is to create a national champion that can facilitate the transformation envisaged under Vision 2030 and create a pioneer for next-generation banking services that nurtures tomorrow's industry leaders.”*

Samba's current chairman, Ammar AlKhudairy, commented: *“Our merger with NCB will create a universal bank – a local leader and a regional powerhouse that aims to unlock considerable value for shareholders, provide exceptional banking services for the people of Saudi Arabia and help local entrepreneurs capitalize on opportunities for*

¹ Based on aggregated financials as at 30 June 2020.

domestic and international business growth. This merger process marks the start of a new era for Saudi banking and will be a catalyst for the realisation of many of Vision 2030's goals. We are focused on making sure that the combined and larger bank comes together seamlessly to serve our customers, partners, investors and invaluable talent across both teams."

Strengthened competitive position

The Merged Bank will become the largest bank in the Kingdom² and a leading bank in the Middle East region with SAR 171 billion (U.S.\$ 46 billion)³ in market capitalisation.

At a local level, the Merged Bank will become the Kingdom's largest bank² serving approximately 25% of the retail and wholesale banking market². The Merged Bank would have SAR 837 billion (\$223 billion)³ in assets (this represents a market share of 32%)^{2,4}, SAR 468 billion (U.S.\$ 125 billion)³ in performing loans (this represents a market share of 29%)^{2,4}, around SAR 568 billion (U.S.\$ 151 billion)³ in customer deposits (this represents a market share of 30%)^{2,4}, a half year operating income of around SAR 15 billion (U.S.\$ 4 billion)³ (this represents a market share of 30%)^{2,4} and net income of around SAR 7 billion (U.S.\$ 2 billion)³ (this represents a market share of 38%)^{2,4} and a combined equity base of SAR 120 billion (U.S.\$ 32 billion)^{2,3}. The Merged Bank will also become the number one bank in the Middle East by net income².

The Merged Bank will have a universal and balanced banking platform across all business lines. Operating income¹ for the Merged Bank broken down into the following segments: 41% retail banking, 25% corporate banking, 23% treasury, 6% international and 5% capital markets.

The scale of the Merged Bank will help achieve industry leading returns and productivity levels.

Highly complementary banks

The Merged Bank will leverage NCB and Samba's leading retail banking franchises, serving 26%⁵ of the market in retail loans and 29%¹ of the market in retail liabilities. Building on these capabilities, the Merged Bank aspires to deliver best-in-class digital solutions, drive homeownership through growth in residential finance, foster SME development and lending and promote financial literacy and a culture of saving.

On the corporate banking side, the Merged Bank will leverage NCB's position as the largest institutional lender² and specialized financier² in the Kingdom, in conjunction

¹ Based on aggregated financials as at 30 June 2020.

² Based on aggregated financials as at 30 June 2020 and data available on relevant banks' websites.

³ Based on Market Capitalisation as of 8 October 2020.

⁴ The market share calculations assume total market is formed of top 11 banks. If one of these banks has a negative value for any of the metrics, it is excluded from the market share calculations of that specific metric.

⁵ Based on retail performing loans balances as at 30 June 2020.

with Samba's leading customer network to extend 27%⁶ of corporate performing loans in the Saudi market. The ambition of the Merged Bank is to become the foremost trusted partner for top-tier Saudi corporates and institutions to support the Kingdom's landmark deals and mega projects, whilst facilitating trade and capital flows between the Kingdom and regional and global markets.

Building on the complementary portfolios of the two banks, the Merged Bank will become a leader in treasury and capital markets, managing assets of SAR 316 billion (U.S.\$ 84 billion)¹ in treasury assets (equivalent to 36% in market share), allowing for strong cross-selling capabilities.

The Merged Bank will own both NCB Capital Company and Samba Capital & Investment Management Company, who, together would form the biggest asset manager, brokerage and investment bank in Saudi Arabia. The integration of those two companies, to achieve the best synergies, will be studied as part of the integration plan for both banks and will be finally decided as part of the integration or by the Merged Bank's board after completing the Merger.

Enhanced multi-channel distribution

The Merged Bank would be able to offer its customers end-to-end digital products and services and deliver convenient solutions through the development of new digital propositions. The Merged Bank will immediately provide unparalleled accessibility across the Kingdom, with 501 branches, 4,136 ATM machines and 126,831 point of sale devices (POS).⁷

Digitalisation

The Merged Bank is in a position of strength; both banks have increasing digital penetration in the banking sector and digital financial transactions. In addition, in 2019, NCB was awarded best mobile banking application in the Kingdom and Samba was awarded best online cash management and treasury platform.

The Merged Bank plans to double down on digital and analytics and continue to enhance its artificial intelligence tools. It will aim at digitalising all products and services end-to-end and introduce cutting-edge technologies to its customers. It plans to grow the market through new ventures and partnerships and will heavily invest in data and analytics to create unparalleled and personalized customer experiences.

Enhanced liquidity and solid capital position to pursue growth

The Merged Bank will aim to leverage the cross-selling capabilities of both banks through an improved operating model and the optimization of both banks' investment portfolios, benefitting from a robust and diversified funding structure, as well as an

¹ Based on aggregated financials as at 30 June 2020.

² Based on aggregated financials as at 30 June 2020 and data available on relevant banks' websites.

⁶ By corporate performing loans balances as at 30 June 2020, includes overdrafts wherever such delineation was provided in publicly available financial statements.

⁷ Based on aggregated numbers as included in SAMA's August 2020 Bulletin.

enhanced liquidity profile with an 82%¹ loan to deposit ratio (LDR). This is complemented with a solid and robust capital position. This strong foundation will allow the Merged Bank to pursue growth opportunities in local and global markets.

Catalysing delivery of Vision 2030

The Merged Bank will play a vital role in unlocking opportunities presented by Vision 2030's transformational agenda. The scale of the Merged Bank and its strong funding and capital base will allow it to tap into key growth areas and invest in rapidly developing sectors and projects in the Kingdom, accelerate growth in the SME sector, promote growth in housing stock and residential financing, and facilitate the development of Saudi Arabia's capital market as well as the continued digitalization of the economy.

Synergies and shareholder value

The Merger is expected to unlock approximately SAR 800 million (U.S.\$ 213 million) annually fully phased in cost synergies after integration is complete, representing 9%⁸ of the combined cost base, with significant value creation potential, driven by increased scale, sharing of best practices and annual efficiency gains. There is also potential for revenue synergies between the two banks. One-time cash integration costs are expected to be approximately SAR 1.1 billion (U.S.\$ 293 million).

As a result of these synergies, the Merger is expected to be accretive to earnings per share for NCB and Samba shareholders, based on the annualised H1 2020 results for NCB and Samba (including fully phased in synergies and excluding one-time cash integration costs).

Growing international presence

The Merged Bank will have an expanded international network enabling the Merged Bank to facilitate international trade and capital flows. The Merged Bank will be better placed to pursue further strategic expansion opportunities to better connect with global markets.

Grooming future leaders of the industry

The Merged Bank will merge its talent pools and become a talent hub for the financial sector. Talent development will be a priority for the Merged Bank, as it aspires to groom future leaders of the industry through world-class training and development programs and offer rewarding career opportunities.

Please refer to Section 7 of this announcement regarding the basis on which the financial information included in this Section 2 has been prepared.

3. Key Terms of the Merger as agreed in the Merger Agreement

Board and Governance Arrangements

⁸ Based on 2019 aggregated operating expenses before impairment.

- Subject to the receipt of relevant regulatory and shareholder approvals, the necessary steps will be taken so that, upon completion of the Merger, the composition of the board of the Merged Bank will be subject to the following changes:
 - the size of the board of the Merged Bank will be increased from nine (9) to eleven (11) members; and
 - Samba's current board will nominate two (2) individuals, whom the board of the Merged Bank will appoint to fill the two additional board seats.
- As a result of the above changes, it is expected that, following completion of the Merger, the composition of the board of the Merged Bank will be as follows:
 - the current substantial shareholders of NCB and Samba (i.e. PIF, GOSI and PPA) will continue to have a number of directors representing them that is equal to their representation on the board of NCB as of the time of completion of the Merger (at present the PIF has 4 representatives, PPA and GOSI each have 1 representative);
 - two (2) directors will be nominated by Samba's current board (excluding the representatives of the substantial shareholders); and
 - the remaining directors (currently, three (3) directors) will be from the then current board of NCB (excluding the representatives of the substantial shareholders).
- Upon completion of the Merger, the two banks have agreed that it is intended that the necessary steps will be taken to:
 - appoint Ammar AlKhudairy (the current chairman of Samba) as chairman of the board of directors of the Merged Bank;
 - appoint Saeed Al Ghamdi (the current chairman of NCB) as managing director and group chief executive officer of the Merged Bank.

These changes will only take effect upon completion of the Merger. Until then, the current boards and executive management teams of both banks will continue to lead their respective banks independently.

Headquarters

The principal registered office of the Merged Bank will be located in Riyadh.

Company branding

The two banks will work with a branding consultant to advise on the name, logo and branding of the Merged Bank.

Restrictions on conduct of business

For the period from signing the Merger Agreement until the completion of the Merger, both banks have agreed to refrain from taking particular actions, subject to certain limitations and thresholds. In relation to dividends, neither NCB nor Samba will declare, make, set aside or pay any dividend or other distribution (whether in cash, shares or other property) for any period in respect of any share capital other than in line with (or below) the change in its net income over the last corresponding period in which a dividend was paid as set out in its interim or audited financial statements (as applicable).

Treasury shares held by either NCB or Samba shall not increase or decrease other than for certain purposes relating to the employee share schemes of each respective bank and in accordance with the terms of the Merger Agreement and relevant regulatory requirements.

Conditions to the Merger

The Merger is subject to the satisfaction of a number of conditions, which are summarised below:

- the approval of the Saudi Arabian Monetary Authority, the Capital Market Authority, the General Authority for Competition, the Ministry of Commerce and the Saudi Stock Exchange (Tadawul);
- the approval by NCB shareholders and Samba shareholders of the Merger and its related resolutions through extraordinary general assemblies of both banks to be convened in accordance with the applicable regulatory requirements;
- obtain all required consents and/or waivers from all relevant parties in connection with Samba's Euro Medium Term Notes Programme, or such notes being repaid or redeemed in full;
- no Material Adverse Event (as such term is defined in the Merger Agreement) in respect of the financial condition of NCB or Samba having occurred and being continuing;
- there being no breach of certain warranties set out in the Merger Agreement, unless such breach has been remedied (if possible);
- the creditor objection period having expired and all Samba creditor objections (if any) having been withdrawn or addressed in accordance with the Companies Law; and
- no governmental body in the Kingdom having prohibited the completion of the Merger in accordance with the terms of the Merger Agreement.

Other approvals/notifications

In addition, both banks will work together to identify and make any required notifications or obtain any required approvals, including from relevant third parties.

Integration

Each bank has agreed to appoint its chairman (or any other representative) to work together to prepare and agree a general integration plan for the Merged Bank. Such representatives may also establish an integration committee (and subcommittees as necessary) to oversee such integration planning. However, each bank shall remain wholly independent until the completion of the Merger.

Termination

The Merger Agreement may terminate upon the occurrence of a number of events, including:

- if either bank commits a breach of certain provisions of the Merger Agreement and such breach constitutes a material adverse event (as such term is defined in the Merger Agreement);
- if a regulatory approval is not obtained and failure to obtain such approval would have a material adverse effect on the Merged Bank;
- if the completion of the Merger does not occur, or the conditions are not satisfied or waived within, one year of the date of the Merger Agreement; and
- if the banks agree to terminate the Merger Agreement in writing.

4. Related Parties and Conflicted Directors

The Merger includes related parties who are, as of the date of this announcement, PIF, GOSI and PPA, as a result of their being substantial shareholders and having representatives on the boards of both banks.

Moreover, each of Saeed Mohammed Al Ghamdi, Rashid Ibrahim Sharif, David Jeffrey Meek, Marshall Charles Bailey (in their capacity as the board representatives of the Public Investment Fund in NCB board), Anees Ahmed Moumina (in his capacity as the board representative of the General Organization for Social Insurance in NCB board and his direct and indirect ownership in Samba) and Saud Sulaiman Al Juhani (in his capacity as the board representative of the Public Pension Agency in NCB board) have declared their interest in the Merger and therefore did not vote on the NCB board resolution approving NCB's entry into the Merger Agreement.

Related parties and directors who have declared their interest in the Merger will be subject to the regulatory restrictions relating to the voting of common/conflicted shareholders as applied by the CMA.

5. Confirmations

Pursuant to the requirements of the Merger and Acquisition Regulations, NCB confirms the following:

- no person is acting in concert with NCB in relation to the Merger;
- Other than Samba shares held by NCB as collateral against loans, NCB does not own or control any shares in Samba nor does it own options to purchase such shares;
- NCB has not received to date, nor does it expect to receive, any irrevocable undertakings from any party to vote in favour of the Merger at the relevant general assembly;
- there are no indemnity arrangements in relation to Samba shares involving NCB, Samba or any person acting in concert with Samba;
- there are no break-up fees applicable to the Merger; and
- the consideration payable by NCB to Samba shareholders will be the issuance of new shares in NCB in accordance with the Exchange Ratio. The consideration payable by NCB does not include any cash payment. Accordingly, it is not necessary for J.P. Morgan Saudi Arabia, acting as NCB's independent financial adviser to confirm if NCB has sufficient resources available to it to satisfy the acceptance of the offer to acquire all of the Samba shares in full.

6. Status of the Merger and Next Steps

NCB and Samba will commence working to satisfy the conditions required to complete the Merger, including obtaining the relevant regulatory approvals. Completion of the Merger is not guaranteed and remains subject to all of the conditions set out in the Merger Agreement.

Once all relevant regulatory approvals have been obtained, NCB will issue a circular addressed to its shareholders in respect of the Merger and the associated capital increase, which will contain full details of the Merger. This is the document that NCB shareholders must review carefully before making any decision in relation to how to vote on the Merger. NCB will concurrently publish an offer document to the shareholders of Samba which will set out relevant details of the Merger. Samba's board of directors will also issue a circular addressed to its shareholders setting out its views in relation to the Merger. Both banks will thereafter call for their respective extraordinary general assemblies to vote on the Merger.

The banks expect the Merger to complete during the first half of 2021. It is expected that integration planning will take the next few months until completion of the Merger, after which, integration execution will be expedited over the coming three (3) years.

J.P. Morgan Saudi Arabia is acting as financial adviser to NCB. Abuhimed, Alsheikh & Alhagbani Law Firm is acting as legal adviser to NCB. NCB will make further announcements as and when material developments occur in relation to the Merger.

7. Important Notices

The new NCB shares to be issued pursuant to the Merger are not being offered to the public by means of this announcement. This announcement does not constitute a prospectus, a shareholder circular or an equivalent document.

The implications of the Merger for persons resident in, or citizens of, jurisdictions outside of Saudi Arabia may be affected by the laws of such jurisdictions. The ability to participate in the Merger for persons not resident in Saudi Arabia may be affected by the laws of such jurisdictions. Such persons should inform themselves of and observe any applicable requirements.

No profit forecasts or estimates

Nothing in this announcement is intended, or is to be construed, as a profit forecast or to be interpreted to mean that earnings per NCB or Samba share for the current or future financial years, will necessarily match or exceed the historical published earnings per NCB share or Samba share.

Presentation of Financial Information

Save where expressly stated otherwise, financial information contained in this announcement is based on the aggregation of reported half year 2020 financial information of each of NCB and Samba rather than audited pro forma financial information and has not been independently verified by auditors or otherwise. The aggregated financial information included in this announcement will not match the pro forma financial information included in the offer document or the shareholders' circular prepared in connection with the Merger; these differences will arise as a result of various factors and adjustments, including for goodwill and other accounting matters.

Amounts expressed in this announcement in US Dollars (U.S.\$) have been converted from the original amounts in Saudi Riyal (SAR) using a conversion rate of 3.75 SAR per U.S.\$.

Forward Looking Statements

This announcement, including information incorporated by reference in this announcement, made regarding the Merger, and other information published by NCB and Samba contain statements which are, or may be deemed to be, "forward-looking statements". All statements, other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on assumptions, expectations, valuations, targets, estimates, forecasts and projections of NCB and Samba about future events, and are therefore subject to risks and uncertainties which could cause actual results, performance or events to differ materially from those expressed or implied by the forward-looking statements.

The forward-looking statements contained in this announcement include statements relating to the expected effects of the Merger on NCB, Samba, the Merged Bank, the expected timing and scope of the Merger and other statements other than historical facts.

Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects", "budget", "targets", "aims", "scheduled", "estimates", "forecast", "intends", "anticipates", "seeks", "prospects", "potential", "possible", "assume" or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Although NCB and Samba believe that the expectations reflected in such forward-looking statements are reasonable, NCB and Samba can give no assurance that such expectations will prove to be correct. By their nature, forward-looking statements involve risks (known and unknown) and uncertainties (and other factors that are in many cases beyond the control of NCB and/or Samba) because they relate to events and depend on circumstances that may or may not occur in the future.

There are a number of factors that could affect the future operations of NCB, Samba and/or the Merged Bank and that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include the satisfaction (or, where permitted, waiver) of the conditions to the Merger, as well as additional factors, such as: domestic and global business and economic conditions; asset prices; market related risks such as fluctuations in interest rates and exchange rates, industry trends, competition, changes in regulation, changes in the policies and actions of governments and/or regulatory authorities (including changes related to capital and tax), changes in political and economic stability, disruption in business operations due to reorganisation activities, interest rate, inflation, deflation and currency fluctuations, the timing impact and other uncertainties of future or planned acquisitions or disposals or offers, the inability of the Merged Bank to realise successfully any anticipated synergy benefits when the Merger is implemented (including changes to the Board and/or employee composition of the Merged Bank), the inability of NCB to integrate successfully Samba's operations and programmes when the Merger is implemented, the Merged Bank incurring and/or experiencing unanticipated costs and/or delays (including IT system failures, cyber-crime and fraud), or difficulties relating to the Merger when the Merger is implemented. Other unknown or unpredictable factors could affect future operations and/or cause actual results to differ materially from those in the forward-looking statements. Such forward-looking statements should therefore be construed in the light of such factors.

Each forward-looking statement speaks only as of the date of this announcement. Neither NCB, Samba nor any of their respective associates or directors, officers or advisers, provides any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur.

Forward looking statements involve inherent risks and uncertainties. All forward-looking statements contained in this announcement are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Readers are cautioned not to place undue reliance on these forward-looking statements.

Other than in accordance with their legal or regulatory obligations, neither NCB nor Samba is under or undertakes any obligation, and each of the foregoing expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

J.P. Morgan Saudi Arabia is acting as financial advisor to NCB only and is not acting for any other party in connection with the Merger. J.P. Morgan Saudi Arabia owes no duties and has no responsibility to any entity other than NCB. J.P. Morgan Saudi Arabia is licensed by the CMA with licence number 12164-37. It is authorised to carry out financial services business in accordance with its licence.