

Press Release

NCB and Samba Enter Binding Agreement Creating a New Saudi Banking Champion

- *The new bank will be headquartered in Riyadh with Ammar Abdulwahid Alkhudairy proposed as Chairman, and Saeed Mohammed Al-Ghamdi as Managing Director and Group CEO*
- *Final exchange ratio of 0.739 NCB ordinary shares for each Samba ordinary share*
- *The number one bank in the Middle East region by net income – SAR 7.2 billion (\$2 billion) based on aggregated financials as at 30 June 2020 – with aggregated SAR 837 billion (\$223 billion) in assets and a combined equity base of SAR 120 billion (\$32 billion)*
- *Preeminent financial institution serving approximately 25 percent of the retail and wholesale banking markets in Saudi Arabia*
- *Significant value creation potential driven by increased scale, sharing of best practices and annual efficiency gains of SAR 800 million (\$213 million)*
- *Strong liquidity and solid capital position – 82 percent loan to deposit ratio*
- *Largest wholesale bank supporting economic transformation in Saudi Arabia, including mega projects and small businesses as well as facilitating trade and capital flows*
- *The new Saudi banking champion will provide seamless and distinctive services through innovative digital offerings, extensive branch network as well as market leading solutions for savings, wealth management, mortgages and consumer finance.*

Riyadh/Jeddah, 11 October 2020 – The National Commercial Bank (NCB) (ISIN: SA13L050IE10) (SYMBOL: 1180), and Samba Financial Group (Samba) (ISIN: SA0007879097) (SYMBOL: 1090), today announced that they have entered into a binding agreement to merge (“The Merger Agreement”). If approved by shareholders and regulators, the merger will bring together two highly complementary banks to create Saudi Arabia’s largest bank with the ability to generate significant value for customers, shareholders and the overall Saudi economy.

Both banks will continue to operate independently until shareholders have voted on the merger and all legal requirements and regulatory approvals are met. The deal is expected to conclude in the first half of 2021. NCB will be the surviving entity into which Samba will merge. New shares in NCB will be issued to Samba shareholders by way of a capital increase. The Merged Bank’s headquarter will be in Riyadh.

At a closing share price of SAR 38.50 per NCB share on 8th October 2020, the proposed transaction would value each Samba share at SAR 28.45 per share at the agreed exchange ratio of 0.739 NCB ordinary shares for each Samba ordinary share. This represents a premium of 3.5 percent to the closing share price of Samba of SAR 27.50 per share on 8th October 2020 (the last business day

prior to this announcement). This also represents a 23.7 percent premium to the closing share price of Samba of SAR 23.00 per share on 24 June 2020 (the last business day prior to the signing of the Framework Agreement).

The merger will create a new Saudi banking champion with more than SAR 837 billion (\$223 billion) in assets (based on aggregated financials as at 30 June 2020), uniquely positioned to accelerate the transformation of Saudi Arabia's banking landscape and deliver progress towards Vision 2030. The new larger bank will support the Kingdom's landmark deals and mega projects with its strong capital base and lending capabilities. It will facilitate the Kingdom's increasing trade and capital flows in and out of global and regional markets and foster development of small and medium-sized enterprises through innovative digital propositions.

The merger will fuse NCB's position as the largest institutional lender in the Kingdom with Samba's leading transaction banking and corporate finance capabilities, extending more than 27 percent of corporate loans in the Saudi market (by corporate performing loans balances as at 30 June 2020, including overdrafts wherever such delineation was provided in publicly available financial statements).

The new Saudi banking champion will offer industry-leading returns and productivity, unlocked by scale and efficiency gains and an increased ability to invest in innovative solutions. The merger seeks to expand the Merged Bank's leading position, of serving over 25 percent of consumer households in Retail Banking, through its innovative digital channels and extensive branch network as well as market leading solutions for savings, wealth management, mortgages and consumer finance.

People development will be a priority for the new bank, as it aspires to groom future industry leaders through world-class training and development programs and offer rewarding career opportunities. The new entity will merge its talent pools and become a talent hub for the financial sector, with no involuntary job losses from either NCB or Samba teams.

Leadership and Governance

Subject to the receipt of relevant regulatory and shareholder approvals, the board of the combined bank will be increased from 9 to 11 members with the following composition:

- The current substantial shareholders of NCB and Samba, the Public Investment Fund (PIF), the General Organization for Social Insurance (GOSI) and the Public Pension Agency (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).
- 2 directors to be nominated by Samba

- The remaining 3 directors will be from the current board of NCB (excluding the representatives of the substantial shareholders)
- Ammar Abdulwahid Alkhudairy will be proposed as the Chairman of the new bank, with Saeed Mohammed Al-Ghamdi as Managing Director and Group CEO, who will be nominated for appointment after the new Board of Directors is constituted once the banks have legally merged.

The new leadership will assume their new roles after the conclusion of the merger in the first half of 2021, subject to approval of the nominations by the new Board of Directors. Further announcements on the future structure and the direct reports to the CEO will be made in due course. The two banks have jointly appointed a branding consultant to review the branding of the future bank which will be revealed in due course.

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 Chairman, Saeed Mohammed Al-Ghamdi commented: "Saudi Arabia is undergoing a historic transformation with Vision 2030. Such a transformation requires a robust financial services sector, especially highly capitalized, 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."

Ammar Abdulwahid Alkhudairy, Chairman of Samba said: "Our merger with NCB will create a local leader and a regional powerhouse that can unlock considerable value for shareholders, provide exceptional banking services for the people of Saudi Arabia and help local entrepreneurs capitalize on opportunities for domestic and international business growth. This merger process marks the start of a new era for Saudi banking supporting the realization of many Vision 2030 goals. We are focused on making sure that the combined and larger bank comes together seamlessly to serve our customers, partners, investors and talent across both teams."

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Transaction mechanism

Transaction mechanism

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. Based on the Exchange Ratio of 0.739 and the closing price of SAR 38.50 per NCB share on 8th 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 percent to the closing share price of Samba of SAR 27.50 on 8th October 2020 (the last business day prior to this announcement). This also represents a 23.7 percent 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 8th 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 percent and Samba's shareholders will own 32.6 percent of the Merged Bank.

Transaction rationale

Strengthened competitive position

The Merged Bank will become the largest bank in the Kingdom and a leading bank in the Middle East region, serving approximately 25 percent of the retail and wholesale banking market². It would have SAR 837 billion (\$223 billion)¹ in assets, SAR 468 billion (U.S.\$ 125 billion)¹ in performing loans, around SAR 568 billion (U.S.\$ 151 billion)¹ in customer deposits, a half year operating income of around SAR 15 billion (U.S.\$ 4 billion)¹, half year net income of around SAR 7.2 billion (U.S.\$ 2 billion)¹ and a combined equity base of SAR 120 billion (\$32 billion)¹.

The scale of the new banking champion will help achieve industry leading returns and productivity levels as well as a universal and balanced banking platform across all business lines. Operating income¹ by business segment is: 41 percent retail banking, 25 percent corporate banking, 23 percent treasury, 5 percent capital markets and 6 percent from international operations.

Highly complementary banks

The Merged Bank will leverage NCB and Samba's retail banking franchises, serving 26 percent² of the market in retail performing loans and 29 percent¹ of the market in retail liabilities. The new Saudi banking champion 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 combined bank will leverage NCB's position as the largest institutional lender and specialized financier in the Kingdom, in conjunction with Samba's leading transaction banking and structured finance capabilities to extend 27 percent³ of corporate performing loans in the Saudi market. The ambition of the Merged Bank is to support top-tier Saudi corporates and institutions to deliver on the Kingdom's landmark deals and mega projects, whilst facilitating trade and capital flows between the Kingdom and regional and global markets.

Building on both banks' treasury and capital markets' capabilities, the Merged Bank will be managing SAR 316 billion (U.S.\$ 84 billion)¹ in treasury assets (equivalent to 36 percent in market share). The combined 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 Merged Bank will aim to leverage the cross-selling capabilities of both banks through an improved operating model and the optimization of investment portfolios.

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. It will immediately provide unparalleled accessibility across the Kingdom, with 501 branches, 4,136 ATM machines and 126,831 point of sale devices (POS).⁴

Digitalization

From a current position of strength, both banks have increasing digital penetration 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 new Saudi banking champion plans to double down on digital and data analytics and continuing to enhance its artificial intelligence tools. It will aim at digitalizing all products and services end-to-end and introduce cutting-edge technologies to its customers. It plans to invest in innovation through new ventures and partnerships as well as data and analytics to create unparalleled and personalized customer experiences.

Enhanced liquidity and solid capital position to pursue growth

The new banking champion's strong foundation will allow it to pursue growth opportunities in local and global markets. It will benefit from a robust and diversified funding structure, as well as an enhanced liquidity profile with 82 percent¹ loan to deposit ratio (LDR). This is complemented with a solid and robust capital position.

Catalyzing delivery of Vision 2030

The new Saudi banking champion will play a vital role in unlocking opportunities presented by Vision 2030's transformational agenda. Its scale and 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. The Merged Bank will support 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) in annual fully phased-in cost synergies after integration is completed, representing 9 percent⁵ 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 annualized H1 2020 results for NCB and Samba (including fully phased in synergies and excluding one-time integration costs).

International network

The Merged Bank will have an expanded international network, enabling it to facilitate international trade and capital flows, as well as being better placed to pursue strategic expansion opportunities to better connect with global markets.

¹ Based on aggregated financials as at 30 June 2020.

² Based on retail performing loans balances as at 30 June 2020.

³ By corporate performing loans balances as at 30 June 2020, includes overdrafts wherever such delineation was provided in publicly available financial statements.

⁴ Based on aggregated numbers as included in SAMA's August 2020 Bulletin.

⁵ Based on 2019 aggregated operating expenses before impairment.

Disclaimer

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.

For more information about the proposed merger between NCB and Samba, please visit NCBSambaStronger.com

About NCB

The National Commercial Bank (NCB) is the Saudi Arabia's largest financial institution. Since its foundation in 1953, people have considered NCB a trusted partner in their professional and personal lives, and a symbol of innovation and leadership.

NCB's growth and development over 66 years has mirrored the Kingdom's progress towards modernity and continuous improvement. Today, NCB has a unique bond of trust with its more than 7.4 million customers, meeting their needs through outstanding products, services, and innovative solutions as well as harnessing technology to enhance their experience.

NCB defined its vision to be the "Premier Financial Services Group in the Region", and to achieve this, NCB defined its strategic aspirations as: to be Number One in Revenues and Profit; Best Digital Bank; Best in Customer Service, Employer of Choice". The Bank's success in pursuing these aspirations was reflected in its seven consecutive years of outstanding financial results, the recent of which was 2019, where NCB's Net Income increased by 19 percent to reach SR 11,401 million.

About Samba

Samba Financial Group (Samba) is a Saudi institution forging the way ahead in banking and financial services by pioneering new products and cutting-edge solutions. For more than 40 years, Samba provided its clients with a comprehensive suite of products and services ranging from retail, corporate, institutional, private and investment banking.

Samba's vision is to use technology to drive efficiency, customer service quality, accuracy, and shareholder value. As a leader in the Saudi banking and financial sector, Samba plays a key role in supporting the needs of institutions and leading corporate entities in Saudi Arabia, while also servicing clients through a growing international footprint. At the heart of this enviable status is Samba's steadfast commitment to constantly look ahead at opportunities to continuously provide superior banking and investment services, greater value and a faster service to customers while also making Samba a great place to work and learn.

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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 reorganization 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 realize 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.