








MATERIALITY

SAIB's overarching purpose is to create value – in the short, medium and long term. Value creation is a two-way process; we deliver value to our stakeholders as well as derive value from them. Value creation has to be viewed in the context of the environment within which we operate and the needs and priorities of the stakeholders. To identify the topics which need to be focused on in this Report, we have to first

determine which topics have the most impact on our value creation process.

The first step in this process was to carry out a PESTEL analysis of potential material issues categorised under the stakeholder group on which they have the most impact. The results of this analysis are shown below:

Stakeholders	Political A	Economic B	Social C	Technological D	Environmental E	Legal/Regulatory F	
Investors/ Shareholders 		Economic slowdown	Growing influence of social media	Unorthodox competition		IFRS 9	①
		Depreciating currencies against USD				Basel III	②
		Expected growth in the Saudi economy				Higher regulatory capital	③
		Financial system stability				Governance and accountability	④
Customers 		Propensity to invest in Saudi Arabia	Increasing customer expectations (especially in the younger generation)	Cloud computing		Adherence to Islamic banking principles	⑤
		Corporates are de-leveraging	Customer trust and protection	e-onboarding			⑥
		Increase in non-performing loans	Quality of service and customer satisfaction	Digitalisation and automation			⑦
		New parallel stock market being set up for MSMEs	Engaging with customers	Innovation and product development			⑧
		Higher oil prices		AI, Robotics			⑨
		Higher percentage of short-term loans		Blockchain			⑩
				Cyber security threats			⑪
				Infrastructure and accessibility			⑫
				Data security			⑬

Stakeholders	Political A	Economic B	Social C	Technological D	Environmental E	Legal/Regulatory F
Employees 			Employee productivity	Technology driving change in job skills		Human and labour rights (14)
			Staff retention	Operational efficiency		(15)
			Saudization			(16)
			Employee satisfaction and engagement			(17)
			Staff training			(18)
			Soft skills development			(19)
			Equal opportunity and anti-discrimination			(20)
Society and environment 	Geopolitical conflicts		Need to commit to Sustainable Development Goals		Reduction of environmental impact of operations	ESG risk in lending and investment (21)
			Higher spending power in local population		Increasing demand for green banking and green lending	Compliance with regulations (22)
			Community investment and engagement			(23)
Business partners/ Suppliers 			Sustainable procurement			(24)
			Strengthening relationship			(25)
Government/ Policy makers 		Expected increase in non-oil revenue				(26)
		Slow growth in economic integration in the GCC				(27)
		Growth of MSME sector being part of the Vision 2030 goals				(28)
		Diversification of the economy being one of the Vision 2030 goals				(29)
Regulators 						Business ethics and prevention of financial crime (30)

The next step was to map the topics that have the most impact on the stakeholders and/or SAIB itself. The topics have been categorised as risks or opportunities or both.

The degree of materiality or importance of a topic is assessed by its relevance to SAIB or the stakeholder and significance, the latter being determined by the probability of occurrence and the magnitude of its impact. Material risks and opportunities are further analysed as being of high, moderate or low importance to the business and its stakeholders.

The outcomes of the materiality analysis, contributed to the formulation of strategies and strategic imperatives.

Management approach

Material topics are managed in accordance with the strategic plan and responsibilities are assigned to the respective functional unit heads according to the Organisation structure. The degree of materiality of a risk or an opportunity will be a guideline for resource allocation. The Bank has crafted and implemented many policies relevant to material topics to guide its employees in conducting their duties.

Opportunities to be seized

Importance to stakeholder	High		28A, 9B,1D 29A, 4B, 8B, 26B, 5C, 6C, 7C, 8C, 16C, 17C,18C, 19C, 20C, 22C, 23C, 5D, 6D, 7D, 8D, 10D, 12D, 15D, 22E, 4F, 5F, 14F, 30F	
	Moderate	2B, 1C, 21E, 1F, 2F, 3F	3B, 10B, 14C, 15C 24C, 25C	
	Low	22F		
		Low	Moderate	High
		Importance to the Bank		

Risks to be mitigated

Importance to stakeholder	High		1B, 4B, 8B, 5C, 11D, 13D, 4F, 14F	
	Moderate	14D	2B, 27A, 6B, 7B, 21C, 1F, 2F, 3F	5B, 14C, 15C, 15D, 21F, 22F
	Low	10D	1C	1D, 30F
		Low	Moderate	High
		Importance to the Bank		