

# Treasury Group

Alinma Bank's Treasury Department plays a pivotal role in enhancing the income stream of the Bank by improving yield income generated from investment activities, as well as special commission and fee income through various Treasury FX and profit rate solutions. In addition to that, Treasury applies sophisticated products, such as GMRA and FX Swap, to secure liquidity at a lower and competitive cost. Treasury also supports balance sheet growth by maintaining a healthy and sound funding mix.

Retail gross financing portfolio

SAR

43.2 Bn.

16% growth

Corporate Banking accounted for

56%

of Alinma Bank's total assets

Investment portfolio showed a net increase of

SAR

4.7 Bn.

## Operating segments

### Treasury Group

# Creating value for the Bank and our customers

**Alinma Bank's Treasury Group continued to support the Bank's strategic objectives in 2023, growing the product portfolio to provide a holistic value proposition to clients.**

During the year, Treasury focused on advancing our customer-centric approach to facilitate Bank-wide alignment, improved cross-selling revenues, and we placed increasing emphasis on growing our financial institution franchise reflecting the importance of this segment.

As an innovative Shariah-compliant Treasury partner for Saudi Arabian companies, we were pleased to achieve a record high in derivatives hedging products, covering everything that clients needed to hedge their exposure due to the rapid movement of benchmark rates during the year.

The Treasury team also received approval for a Tier 1 USD-denominated Sukuk issuance, such issuance is expected to be fully established and launched during 2024 allowing the Bank while efficiently managing its capital.

Other highlights of the year were the expansion of our network of correspondent banks, adding 16 in 2023.

The investment portfolio showed a net increase of SAR 4.7 Bn. or 12% through active asset allocation in many added value

deals in managed funds, government sukus, and corporate sukus, and the credit portfolio's yield improved by more than 90 basis points. In the past 5 years, Alinma Bank's investment portfolio has grown 84%.

Overall, Treasury contributed to the Bank's improved net profit margin with a healthy portfolio mix that benefited from the higher benchmark profit rate and value-added deals that contributed to Alinma Bank's revenues.

The Treasury FX business provides comprehensive foreign exchange solutions to manage currency risks and optimize foreign cash flows. Over this year, Treasury's FX business demonstrated resilience and strategic growth despite a complex and volatile global currency environment. It achieved strong growth in FX volumes and revenues, indicating the Bank's robust market position and clients' trust in our services.

The Bank's Foreign Exchange Treasury business aims to maintain a competitive advantage and generate sustainable returns for our Stakeholders in the coming years.

## New products

Treasury launched a number of new products during the year, including:

- Collared Floater Deposits – serves as a hybrid financial tool, blending the stability of fixed-rate deposits with the flexibility of floating-rate deposits. They provide clients with a floating profit rate within a predefined range that stabilizes the benchmark rate fluctuations while enabling potential gains from increased rates.
- Evergreen Repo – serves as a long-term stable source of funding in addition to enhancing regulatory ratios.
- Repo to Maturity – serves as a long-term stable source of funding.

## Notable transactions

Treasury secured SAR 91 Mn. in realized gains on the equity portfolio in 2023, offloading shares at higher prices which positively impacted the other comprehensive income line. In 2022, the realized gains were marginal at SAR 900,000.

Alinma Bank partially exited from Alinma Government Sukuks ETF fund through an in-kind redemption of underlying sukuks and cash, resulting in improving High Quality Liquid Assets (HQLA) stock and hence fairly enhanced Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), and Liquidity Asset Ratio (LAR). It partially executed an in-kind redemption of its units in the fund in order to get the underlying government sukuk and hence include it in the Bank's HQLA stock, therefore causing a significant enhancement in the aforementioned regulatory prudential ratios.

Treasury also introduced Double wa'ad Repo to 3 new international banks, supporting secured financing and borrowing activities for the Bank and diversifying sources of funding.

Working towards our strategic goal of being the most innovative treasury partner in the Kingdom, the division embarked on an enhancement of its structured deposit products and continues to deepen its collaboration with other business units to improve cross-selling. The Bank's long-term funding is being driven by inter-bank and customer deposits.

## Treasury Group in 2024

In the year ahead, Treasury will implement phase 2 of MUREX, which is Treasury's main dealing system. This will enable the launch of new products, such as cross-currency swaps and a basis swap hedging product among others, allowing the Bank and our clients to hedge their exposures.

