

Treasury and Investments

Treasury and Investments is responsible for the management of liquidity and the Bank's proprietary investments. It also offers a wide range of products and hedging solutions to our corporate and retail customers. The Division accounts for 22% of the Bank's total operating income.

Treasury and Investments efficiently managed the Bank's liquidity - maintaining a solid liquidity position and comfortable liquidity and capital ratios to help the Bank's growth by successfully issuing AT1 Sukuks this year.

The Division mitigated the risk to the Bank's investments by actively implementing hedges and raising cash levels before the rise in interest rates. This strategy served to protect a significant portion of our portfolio value. Also, disposal of the investments was well timed, which resulted in healthy capital gains and preservation of capital.

2022 was also a year in which the implementation of the second phase of our 5-year Sales Strategy began bearing fruit and led to a remarkable successful 12 months. Furthermore, despite this year's interest rate volatility, the speed and agility in adjusting our investment strategies alongside efficient management of our liquidity, actively supported revenue growth across all business areas.

Additionally, we finalized a comprehensive IBOR transition project to ensure a smooth transition to the new reference rates putting the Bank in compliance with international regulations.

Record-Breaking Deals

In 2022, we successfully issued a USD 750 Mn. Additional Tier 1 (AT-1) Sukuk, making it the first ESG Tier 1 Sukuk globally. The Sukuk was issued at the lowest credit spread ever achieved by a GCC bank for a Tier 1 Sukuk.

Furthermore, we issued a SAR 3.75 Bn. AT-1 Sukuk at 5.25% – the lowest credit spread achieved by a local bank in the AT-1 space.

Delivering Value

In 2022, Treasury and Investments contributed SAR 2.94 Bn. to the Bank's gross operating income. The Division's contribution to commission income was SAR 862 Mn. This was a 42.3% increase from SAR 606 Mn. in 2021.

Our FX revenue increased to SAR 665 Mn., up 68.7% from SAR 394 Mn. in 2021.

While raising cash levels in anticipation of interest rate hikes affected this year's income, the decision helped to protect the value of the Bank's investment assets on a significant level. Over the year, we managed the balance sheet in an efficient manner, we also continued to diversify our funding base and ensured all regulatory liquidity ratios stayed within appropriate range according to the Bank's prudent policies.

Supporting Vision 2030

Treasury and Investments was an active participant in the financing of numerous projects related to Saudi Vision 2030. The Division was dynamically involved in both the primary and secondary markets for Government bonds and Sukuks, in SAR's and US Dollars – supporting the National Debt Management Center as well as the overall national economy. We participated in the Saudi Real Estate Refinance Company bonds issuance, which supports the housing market. In addition, we contributed to the hedging of loans associated with the Vision 2030 energy projects.

Importantly, we issued ESG bonds, with a size of USD 750 Mn., in line with the Saudi Green Initiative and Vision 2030, toward its goal to achieve Net Zero by 2060. The framework of this issuance covers a diverse range of eligible sustainable activities which are linked to Riyadh Bank's ambition to become a regional ESG leader as it looks to drive green and social development in the Kingdom in line with Vision 2030 and Riyadh Bank's own flagship sustainable finance program, namely its Bukra initiative.

Strategically, the ESG issuance was a key shift towards a new form of sustainable funding. It was also an opportunity to diversify the Bank's geographic footprint, with the issuance promoting its credit abroad.

Upgrading Systems and Processes

Treasury and Investments achieved several milestones and KPIs in pursuit of the Bank's 2025 goals. The strategy calls for the creation of value through innovation, enablement through next generation operating models and efficiency through digitization.

We successfully initiated the upgrade of our front-to-back treasury system platform. The improvements will enable more efficient customer service, as well as better process integration and monitoring.

Our early adoption of digital communication with our corporate customers gave the Bank a clear edge, allowing us to further increase our FX volume and market share. We successfully finalized the implementation of phase one of our digital RBFX platform, enabling the Bank's corporate clients to cover their FX Spot requirements with live FX prices and at very competitive rates. We are working now on extending its scope by rolling it out to other business segments.

Growing Relationships

On the back of high market volatility and rising interest rates, Treasury and Investments worked closely with our global partners to provide our clients with the most innovative tailor-made financial solutions. This included some first-of-a-kind Hedging Solutions on Soft Commodities along with further expanding our commodity leasing offering to include more underlying assets.

We also executed a number of new relationship master agreements with domestic and international banks to provide us with wider market access and better product pricing. Several of these agreements are currently in the advanced stages of execution.

The Division expanded geographically by working alongside Riyadh Bank London branch to successfully cover the hedging needs of the clients of our London branch.

A Positive 2023 Outlook

After a challenging 2022 – on the back of global inflationary pressure, rate hikes, and geopolitical uncertainties – we expect 2023 to provide a normalized market environment. Treasury and Investment plans to gradually, and opportunistically, add investments while enhancing portfolio yield and managing risk efficiently.

We plan to continue with the implementation of phase 3 of our 5-year Sales Strategy, relying primarily on people and services, and thereby further increasing our fee-income by 2025. We will also broaden our client base by acquiring new customers through FX, hedging solutions and innovative services.

Also underway is a project to consolidate the treasury system to become more efficient in terms of treasury-related processes and controls, as well as offering enhanced product handling capabilities.



Prestigious Achievements and Awards

Awarded Bonds, Loans and Sukuk Middle East Awards Winner for Financial Institutions Deals, presented by GFC Media Group

Bank Treasury and Funding Team of the Year, presented by GFC Media Group

Deal of the Year Award for Regulatory Capital, presented by Islamic Finance News