

Market Risk Disclosures

31 December 2023

I. Market Risk

The table below shows the Market Risk Disclosure using Standardized Method (in million Rupiah).

No	Risk Type	31 December 2023				31 December 2022			
		Stand Alone		Consolidated		Stand Alone		Consolidated	
		Capital Charge	RWA	Capital Charge	RWA	Capital Charge	RWA	Capital Charge	RWA
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Interest Rate Risk								
	a. Specific Risk	-	-	-	-	-	-	-	-
	b. General Risk	38.383	479.787	38.383	479.787	48.575	607.187	48.575	607.187
2	Foreign Exchange Risk	12.679	158.489	12.679	158.489	8.807	110.085	8.807	110.085
3	Equity Risk	-	-	-	-	-	-	-	-
4	Commodity Risk	-	-	-	-	-	-	-	-
5	Option Risk	-	-	-	-	-	-	-	-
	Total	51.062	638.276	51.062	638.276	57.382	717.272	57.382	717.272

Market risk management is carried out by reporting results of the daily monitoring and measurement of the market risk limit set by ALCO. The Bank also routinely performs PV01 calculation, projection simulation of net interest income (NII) and economic value of equity (EVE) which reported in the ALCO and Risk Management Committee meetings.

Every year or in the case a new feature or product emerge, the Bank validates the existing system measurement. The current information system can facilitate revaluation process (mark to market), provide up-to-date information on the Bank's market risk exposure, and monitor the Bank's market risk factor movement.

II. General Qualitative Disclosures

Market risk is risk inherent in the balance sheet positions and administrative accounts, including derivative transactions occurring due to an overall movement in market conditions. Market movement include foreign exchange (FX), interest rate, option price, but are not limited to credit spread risk and default risk. The main objective of the market risk management is to minimize the negative impact from the change in market conditions towards asset value and the Bank's capital.

1. Market Risk Management Framework

The Bank uses the control framework as clear and strict guidelines on the limitation of risk taking. Three key components in this risk control framework are as follows:

- Policies and Procedures
Establish clear provisions and standards on all business activities, control, operational strategies and organization in the Bank related to market risk management.
- Exposure Limit

Provide clear limitations related to market risk. Market risk limit/ tolerance is set in line with related regulations, global policies and local policies in the Bank.

- Delegation of Risk Authority

Ensure that decision making on major risks is only in the hands of the designated individual or work unit approved by the Bank's management committee.

2. Adequacy of Policies, Procedures and Limit

Bank periodically reviews the adequacy of policies, procedures, and limit setting in managing the market risk, so to be aligned with external regulations, such as OJK Regulation No. 18/POJK.03.2016 and OJK Circular Letter No. 34/SEOJK.03/2016 on the Implementation of Risk Management. In addition, this policy is also established in line with global market risk and liquidity risk of Sumitomo Mitsui Banking Corporation (SMBC) as BTPN is part of SMBC group.

Bank's market risk policies and procedures set clear rules and standards on all of the Bank's business activities, control, operational strategies and organization related to market risk. The Bank has the methodology with its clear and measurable steps to identify, measure and monitor market risk.

To ensure proper risk control, the Bank also checks and balances as well as segregates between the front office, middle office and back office, and the implementation of Three Lines of Defense framework, namely as follows:

- Head of Work Unit (first line of defense),
- Market and Liquidity Risk Management Department and Compliance Unit (second line of defense)
- Internal Audit Unit (third line of defense)

Setting market risk limits is reviewed periodically to ensure compliance with business development as well as the current economic and market conditions based on the risk factors of exchange rate and interest rate.

3. Adequacy of Processes in Risk Identification, Measurement, Monitoring, and Control, and Risk Management.

Information Systems Identification of market risk is continuously conducted through analysis of each product, transaction or service offered by the Bank by means of product program up until product, transaction or service become market risk exposure that is measured, monitored and controlled on a daily basis.

For every feature development and significant growth, market risk is continuously re-identified and discussed between the Risk Management Unit, in this case the Market & Liquidity Risk Management work unit, and the relevant business units.

Bank's internal policy stipulates that the Bank have exposure in securities both in banking book and trading book categories. All securities in banking book category have objective to maintain them as liquid assets to be readily used at any time deemed necessary, while all securities in trading book category have objective to gain the profit from price movement in the short term.

Foreign exchange exposures conducted by the Treasury were mostly from FX swap transactions on funds obtained in foreign currencies. The measurement of exchange rate risk exposure is performed on the Bank's net position. The Bank's average net open position was below 1.0% of the capital, or far below Bank Indonesia's maximum threshold of 20.0% of capital.

The Bank performs mark to market process based on the market price at the end of each day and observe the market risk exposure on a daily basis as part of its risk mitigation, and ensures that the exposure does not exceed the limit set by the Assets & Liabilities Committee (ALCO).

The calculation of risk-weighted assets for market risk and capital requirement on market risk exposure is carried out based on the standard approach in accordance with prevailing regulations.

4. Internal Control System on Market Risk

Monitoring on Market Risk is conducted by ALCO and Risk Management Committee. The internal control system has been effective in supporting the implementation of Market Risk Management. The Internal Audit has conducted regular audits on the adequacy of policies, procedures, limits, as well as the tolerance and compliance of every party related to the implementation of market risk management as per the Bank's set audit plan.