

Market Risk Disclosures

31 Desember 2020

I. Market Risk

The table below shows the Market Risk Disclosure using Standardized Method.
Market Risk Disclosure using Standardized Approach

(In Million)

No	Risk Type	31 Desember 2020				31 Desember 2019			
		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	31.159	389.489	31.159	389.489	61.250	765.623	61.250	765.623
2	Foreign Exchange Risk	8.960	111.994	8.960	111.994	2.936	36.702	2.936	36.702
3	Equity Risk			-	-			-	-
4	Comodity Risk			-	-			-	-
5	Option Risk	-	-	-	-	-	-	-	-
	Total	40.119	501.483	40.119	501.483	64.186	802.326	64.186	802.326

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 projection simulation of net interest income and earning at risk 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 change in market conditions, such as the risk in option price change. 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 Limi The 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.

The 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.

BTPN's internal policy stipulates that the Bank should not have trading book exposure in securities. All securities owned by the Bank are categorized as banking book, with the objective to maintain them as liquid assets to be readily used at any time deemed necessary. 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.