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Disclosure of Risk Management Processes at The Best Banks in Indonesia

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Abstract:

This study analyzes risk management disclosure, focusing on differing views regarding the impact of profitability. Some studies show a positive relationship, while others find no significant influence. Using content analysis, this study categorizes disclosure levels as full, undisclosed, or vaguely disclosed. The subject is the most profitable bank in 2023. The results of the study found that the bank that excelled in full disclosure was BBRI with the disclosure of 6 categories out of the supposed 7 categories in the disclosure of the uncertainty management process for market uncertainty. The disclosure of the credit risk management process, BBNI is superior to 5 categories than it should be 7 categories. Meanwhile, in liquidity risk, BBNI's disclosure is the lowest from other banks, which is only 4 categories out of 7 categories. This research highlights that effective risk management disclosure can enhance bank profitability. Transparent and structured risk management boosts stakeholder confidence and ensures financial stability.

Keywords: *Risk management disclosure, Credit risk, Market risk, Liquidity risk, Banking*

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1. Introduction

The financial sector is one of the sectors that can affect regional economic growth (Sulemana & Dramani, 2022). The development of communities and economies around the world depends on the provision of efficient banking services (Choudhry, 2018). OJK conducts both routine and specialized inspections to gather data on the bank's financial health and track how well it complies with relevant laws (OJK, 2017). Banks are facing new risks and difficulties as a result of increased rivalry and diversification, necessitating ongoing innovation in business risk management strategies to stay competitive (BPMBKM, 2024). The increasing market orientation of banks also necessitates a change in regulatory and supervisory approaches. A key factor in guaranteeing the security and stability of individual banks as well as the banking system overall is the caliber of bank management, particularly the risk management procedure (Greuning & Bratanovic, 2003).

Risk can never be eliminated but can only be managed (Anugriani, 2023), so the risk of financial stability will always exist for the obvious effect that the main goal of any economy is to maintain financial stability during good and bad times. Financial

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stability risks are so contagious that a sector can fail not because of its own risk but simply because of risks transmitted from other sectors of the economy, this is where the important role of network risk assessment in the financial system arises. Based on this, it is important to assess financial stability risks in the entire financial system such as banking (Ramlall, 2018).

Financial Services Authority Regulation Number 18/POJK.03/2016 concerning the Implementation of Risk Management for Commercial Banks divides the risk process into 4 stages, namely the process of uncertainty identification, measurement, monitoring, and control (Otoritas Jasa Keuangan Indonesia, 2016). Based on (Infobanknews, 2024) here are the 4 Indonesian banks that earned the highest profits in 2023. The first place is PT Bank Rakyat Indonesia (Persero) Tbk (BBRI) with a net profit of IDR 60.4 trillion. PT Bank Mandiri (Persero) Tbk (BMRI) earned a net profit of IDR 55.1 trillion. PT Bank Central Asia Tbk (BBCA) earned a net profit of IDR 48.6 trillion. Finally, PT Bank Negara Indonesia Tbk (BBNI) earned a net profit of IDR 20.9 trillion. The high profits earned by these banks raise questions about how well they implement risk management and how it affects profitability.

Previous research has shown that there are differences of opinion regarding the relationship between profitability and risk management disclosure. Companies that are able to increase profits have an excellent level of risk management disclosure (Azfatya & Bahiyyah, 2024). Meanwhile, according to (Komara & Riana, 2024) profitability has no effect on risk management disclosure. Risk management has a positive impact on improving the company's financial status, increasing profits, and reducing costs (Makkawi, 2021). Companies earn excess returns in the industry by taking risks to the best of their ability (Chen & Wu, 2022). Research result (Wahyuni & Oktavia, 2020) the more extensively a company discloses its Enterprise Risk Management (ERM) items, the better its ability to provide transparent and comprehensive information about its risk profile to external parties. This, in turn, helps attract the interest of stakeholders. Additionally, higher profitability leads the market to assign a higher valuation to the company. The test results (Bata & Sofian, 2022) prove that the company’s risk management disclosure positively affects profitability. The study results of (Mwenda & Ibrahim, 2023) that risk management disclosures are important as they assisted Tanzanian businesses to become more profitable. The study (Pangestuti & Hunah, 2021) concluded that profitability does not have enough influence on all aspects of risk management disclosure.

The gap in this study lies in the difference in views regarding the influence of profitability on risk management disclosure. Some studies showed a positive association, while others stated no significant influence. This difference signals the need for further research to clarify the relationship between profitability and risk management, especially in the banking industry which has an important role in the Indonesian economy. In addition, although large banks in Indonesia have managed to achieve high profits, there have not been many studies that discuss in depth how the application of risk management contributes to the achievement of these profits. This study aims to examine the role of risk management in increasing profitability, providing recommendations on the implementation of effective risk management to improve banking financial performance in Indonesia. The limitation of analysis is only carried out on financial risk management, namely credit risk, market risk and liquidity risk.

2. Theoretical Background

Financial Risk
According to (Popova et al., 2021) financial risk includes credit risk, market risk and liquidity risk. Generally, credit refers to deferred payments for goods or similar transactions, as well as lending activities. Credit risk is the likelihood of bad debts from business partners, delays in payment collection, or delays in delivery (Lee, H., 2021). Additionally, credit risk can be defined as the risk of losing receivables or a decline in value (Financial Services Agency, Financial Inspection Manual). According to (Ramadani, 2024) credit risk is the potential for losses due to borrower defaults or a deterioration in creditworthiness. Default risk refers to the possibility that borrowers might fail to fulfill their debt obligations.

Market risk represents the potential for losses resulting from unfavorable market movements that reduce the value of positions held by market participants. This risk includes the possibility of losses caused by fluctuations in interest rates, exchange rates, stock prices, and so forth. Additionally, market risk can arise from changes in the demand or price of a product. The level of market risk faced by companies varies based on their business type or industry (Lee, H., 2021).

Liquidity risk refers to the risk of being unable to finance an increase in assets or meet obligations as they become due without incurring significant losses. Liquidity risk management involves making decisions regarding either the liabilities side or the assets side of the balance sheet, or a combination of both, to ensure sufficient liquidity (Lee, B., 2020). According to (Sunaryo, 2022), the basic definition of liquidity risk is the risk of default and insolvency.

Non Financial Risk
Based on Financial Services Authority Regulation Number 18 /POJK.03/2016 concerning the implementation of risk management for commercial banks, non-financial risks include:

- Operational Uncertainty: The uncertainty arising from inadequacies or failures in internal processes, human errors, system failures, or external events that affect the bank's operations.

- Compliance Uncertainty: The uncertainty due to a bank's failure to comply with or implement applicable laws and regulations.
- Legal Uncertainty: The uncertainty resulting from legal claims or weaknesses in the legal aspects.
- Reputation Uncertainty: The uncertainty arising from a decline in stakeholders' trust due to negative perceptions of the bank.
- Strategic Uncertainty: The uncertainty caused by incorrect decision-making or poor implementation of strategic decisions, as well as the failure to anticipate changes in the business environment.

3. Methodology

This study uses a qualitative approach with the Qualitative Content Analysis (QCA) method to analyze the data. Content analysis perceives data not as direct reflections of physical events, but as texts, images, and expressions intended to be observed, read, interpreted, and acted upon for their significance. Consequently, this data should be analyzed considering how it is used. Examining texts within the framework of their application sets content analysis apart from other research methods (Kuckartz, 2019). Qualitative Content Analysis, or QCA, is an analysis technique that uses categories rather than a data collection method. Descriptive and systematic approaches that are mostly used with spoken data and must adhere to certain quality standards (Kuckartz & Rädiker, 2023).

QCA was chosen because it allows researchers to understand the meaning of texts and documents related to Risk Management disclosure. The first step is to thoroughly read the text of the annual reports of the banks that are the subject of the study. During this process, the key points related to ERM disclosure are marked and grouped into specific categories. After that, a profile matrix is created in the form of a table containing the central topic and relevant parts of each annual report. This matrix helps researchers in organizing data and simplifying the process of further analysis.

The subject of this study is the annual report of four banks in Indonesia that have the highest profits in 2023, namely PT Bank Rakyat Indonesia (Persero) Tbk (BBRI), PT Bank Mandiri (Persero) Tbk (BMRI), PT Bank Central Asia Tbk (BBCA), dan PT Bank Negara Indonesia Tbk (BBNI). The selection of this subject is based on the high profitability achieved, so it is expected to provide a comprehensive overview of the application and disclosure of ERM.

The data used in this study is in the form of annual company reports that can be accessed through the official website of each bank and reports from the Financial Services Authority (OJK). This secondary data is analyzed using content analysis techniques based on disclosure criteria adapted from (Moloi, 2015) content analysis by determining the level of breadth of disclosure, namely full disclosure, undisclosed, and vaguely disclosed.

The data analysis process begins with basic content analysis as explained by (Mayring, 2021), the Kuckartz method starts with the preliminary processing of the text, which involves a hermeneutic interpretation that includes reading the entire text. During this process, key points relevant to the research question should be highlighted, followed by the development of a profile matrix that consists of a table featuring the main topic and selected excerpts from each transcript. The analysis then proceeds using the basic content analysis technique.

4. Empirical Findings/Result

Table 1. Analysis of Financial Risk Type Management Disclosure

No	Category and disclosed item	Full disclosed			Not disclosed			Abstrusely disclosed			Total		
		CR	MR	LR	CR	MR	LR	CR	MR	LR	CR	MR	LR
	Risk Identification												
1	Characteristics of risks inherent in the Bank	2 BBRI, BMRI	1 BMRI	1 BMRI	1 BBCA	2 BBRI, BBCA	2 BBRI, BBCA	1 BBNI	1 BBNI	1 BBNI	4	4	4
2	Uncertainty arising from the bank's products and business operations	0	3 BBRI, BMRI, BBCA	1 BBRI	3 BBRI, BMRI, BBCA	0	2 BMRI, BBCA	1 BBNI	1 BBNI	1 BBNI	4	4	4
	Measuring												
3	Periodic evaluation of measuring uncertainty	2 BBCA, BBNI	2 BBRI, BBNI	2 BMRI, BBCA	2 BBRI, BMRI	2 BMRI BBCA	2 BBRI, BBNI	0	0	0	4	4	4
4	Enhancement of uncertainty measuring system	4 BBRI, BMRI, BBCA, BBNI	4 BBRI, BMRI, BBCA, BBNI	4 BBRI, BMRI, BBCA, BBNI	0	0	0	0	0	0	4	4	4
	Monitoring												
5	Evaluation of risk exposure	2 BBCA, BBNI	3 BBRI, BBCA, BBNI	3 BBRI, BBCA, BBNI	2 BBRI, BMRI	1 BMRI	1 BMRI	0	0	0	4	4	4
6	Enhancement of the reporting process in the context of business and finance	3 BBRI, BMRI, BBNI	4 BBRI, BMRI, BBCA, BBNI	4 BBRI, BMRI, BBCA, BBNI	0	0	0	1 BBCA	0	0	4	4	4
	Control Processes												
7	Bank should perform uncertainty control process	4 BBRI, BMRI, BBCA, BBNI	4 BBRI, BMRI, BBCA, BBNI	4 BBRI, BMRI, BBCA, BBNI	0	0	0	0	0	0	4	4	4

Source: (Data processed, 2024)

Characteristics of uncertainty inherent in the Bank

1) **Credit Risk**
   Full disclosed is carried out by 2 banks, not disclosed is carried out by 1 bank and abstrusely disclosed is carried out by 1 bank.
2) **Market Risk**
   Full disclosed is carried out by 1 bank, not disclosed is carried out by 2 banks, and abstrusely disclosed is carried out by 1 bank.
3) **Liquidity Risk**
   Full disclosed is carried out by 1 bank, not disclosed is carried out by 2 banks, and abstrusely disclosed is carried out by 1 bank.

Uncertainty arising from the bank's products and business operations

1) **Credit Risk**
   No one did full disclosure, not disclosed was done by 3 banks, and abstrusely disclosed was carried out by 1 bank.
2) **Market Risk**
   Full disclosed was carried out by 3 banks, no one was not disclosed, and abstrusely disclosed was carried out by 1 bank.
3) **Liquidity Risk**
   Full disclosed is carried out by 1 bank, not disclosed is carried out by 2 banks, and abstrusely disclosed is carried out by 1 bank.

Periodic evaluation of measuring uncertainty

1) **Credit Risk**
   - Full disclosed was carried out by 2 banks. BBNI conducts stress testing analysis periodically and is carried out at any time according to the needs of various relevant scenarios. BBCA revealed that the company monitored the results of the stress testing.
   - Not disclosed is carried out by 2 banks.
2) **Market Risk**
   - Full disclosed was carried out by 2 banks
     BBRI conducts periodic (daily, weekly, monthly and quarterly) using standardized methods and internal models to understand potential losses that can occur due to market fluctuations. Conduct simulations to help in planning interest risk management strategies. Ensuring that all related functions can collaborate effectively in managing market risk. Overall, it describes a comprehensive approach to managing and measuring market risk and its impact on revenue and operations. Meanwhile, BBNI conducts daily market risk management using the Internal Method (Value at Risk).
   - Not disclosed is carried out by 2 banks.
3) **Liquidity Risk**
   - Full disclosed was carried out by 2 banks

BMRI conducts periodic liquidity risk stress testing, prepares and conducts periodic reviews of the Liquidity Contigency Plan (LCP) and Recovery Plan which regulate the Company's procedures in dealing with deteriorating liquidity conditions, while BBCA conducts periodic and comprehensive liquidity risk measurements by monitoring cash flow projections, maturity profiles, stress test scenarios, and liquidity ratios.

- Not disclosed is carried out by 2 banks.

Enhancement of uncertainty measuring system

1) **Credit Risk**

Full disclosure is carried out by all banks. BBRI conducts risk measurement with the development of CRAS (Credit Risk Analysis System) which demonstrates a commitment to improve transparency, efficiency, and effectiveness in credit risk management. BMRI calculates CKPN (Impairment Loss Reserve), carried out based on the Financial Accounting Standards Statement (PSAK) 71. These measures demonstrate that financial institutions have a comprehensive approach to managing credit risk, with a focus on prevention, accurate measurement, and continuous monitoring.

BBCA conducts credit risk measurement using a method that is in accordance with the provisions stipulated in OJK Circular Letter No. 24/SEOJK.03/2021. This standard method is designed to calculate risk-weighted assets (ATMR) in the context of credit risk. This shows that BCA complies with the regulations set by the OJK to ensure sound and transparent credit risk management. By following this standard approach, BBCA can systematically identify and measure credit risk exposure, which in turn helps in maintaining financial stability and minimizing potential losses from credit provided.

Meanwhile, BBNI has developed various tools and systems to effectively manage and assess credit risk, both in the business banking and consumer segments. The steps taken by BBNI show that BBNI has a comprehensive and structured approach to credit risk management, which is important to maintain portfolio quality and reduce potential losses.

2) **Market Risk**

All banks are fully disclosed. BBRI involves a comprehensive approach to market risk management by conducting standardized measurements and internal model measurements, simulating NII (Net Interest Income) time market interest rates shift, and putting in place a framework that integrates market and treasury risk. The approach demonstrates a commitment to holistic and structured market risk management, which is essential for the bank's financial stability and operational sustainability.

BMRI uses two methods to measure Interest Rate Risk in the Banking Book (IRRBB), measurement of Changes in Economic Value of Equity, measurement of Changes in Net Interest Income, Simulation based on Rate Shock Scenarios. The approach taken shows that banks proactively manage interest rate risks by using appropriate methods to ensure financial stability and operational sustainability. The method used by BBCA is the same as BMRI.

BBNI implements two approaches to measure Market Risk in accordance with the regulations set out in POJK No. 23/SEOJK.02/2022. The standard method is used to calculate the Minimum Capital Provision Obligation (KPMM) related to market risk. The Internal Method (Value at Risk - VaR) is applied to daily market risk management. The combination of these two methods demonstrates a comprehensive and integrated approach to managing market risk, ensuring that BNI can meet regulatory requirements while effectively managing risk exposure.

3) **Liquidity Risk**

Full disclosure is carried out by all banks. BBRI measures liquidity resilience by following the approach set out in Basel III, especially through two important ratios, namely the Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and the Internal Liquidity Adequacy Assessment Process (ILAAP). The approach taken demonstrates the bank's dedication to upholding relevant laws and enhancing liquidity resilience in order to guarantee both immediate and long-term financial stability.

BMRI measures liquidity risk using two main approaches, namely Nominal Stock Based (Liquidity Ratio) and Flow Based (Liquidity Gap Analysis). Both approaches provide a comprehensive framework for measuring liquidity risk, allowing banks to manage risk more effectively and prepare for possible liquidity pressures.

BBNI measures Liquidity Risk using Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), maturity profile, cash flow projection, stress testing and the process of monitoring and/or reporting Liquidity Risk. The combination of these methods provides a holistic approach to managing and measuring liquidity risk, ensuring that banks remain stable and able to meet their financial obligations under a wide range of market conditions.

Evaluation of uncertainty exposure

1) **Credit Risk**

- Full disclosure is carried out by 2 BBCA banks to monitor regularly and ensure that the Subsidiary has a good and effective credit risk management policy. BBNI has an integrated system where credit risk monitoring is carried out at the transactional (individual) level and at the portfolio level,

evaluations are carried out periodically and corrective actions are carried out on time.
- Not disclosed was carried out by 2 banks.

2) Market Risk
- Full disclosure is carried out by 3 BBRI banks dividing monitoring into 3 main functions. Front Office, monitoring market price movements and conducting trading activities. Middle Office, monitoring risk limits (market risk limit and transaction limit) on a regular basis. Back Office: complete transactions and calculate MTM values on a daily basis at the end of the day. BBCA monitors market risks (exchange rates and interest rates) on a daily basis. BBNI conducts periodic market risk monitoring and reporting processes, including, portfolios, compliance with market risk limits, and follow-up on the occurrence of conditions that lead to an increase in potential market risk.
- Not disclosed is carried out by 1 bank.

3) Liquidity Risk
- Full disclosure is carried out by 3 BBRI banks to monitor with the Liquidity Early Warning Indicators / EWI system which is carried out on a daily basis. Changes in exchange rates, and interest rate differentials offered by rival banks are monitored by the BBCA on a regular basis (daily, monthly, and yearly. Meanwhile, daily monitoring is carried out in the liquidity position in the form of the Minimum Mandatory Current Account (GWM). BBNI sets and monitors limits periodically.
- Not disclosed is carried out by 1 bank.

Enhancement of the reporting process in the context of business and finance

1) Credit Risk
- Full disclosure is carried out by 3 banks. The integration between credit risk management and improving the reporting process will help companies increase accuracy and effectiveness to deal with existing changes. BBRI carries out several processes, namely, Monitoring Portfolio Risk Analysis to identify potential losses or adjustments needed due to business changes. Stress Testing to determine the ability to deal with the worst scenarios. Review the Model Loan Portfolio Guideline to ensure that all aspects of risk are monitored and controlled effectively. Analysis and Review of the Debtor's Financial Condition. Selective Unflagging Strategy to re-analyze the customer's risk profile. CKPN Cost Reserve to have a cost reserve to anticipate losses that may arise from bad loans (CKPN). Development of Non-Performing Credit Management Tools to develop additional tools in managing non-performing loans.

BMRI conducts Monitoring Early Warning Signal (EWS) to detect debtors who have the potential to have problems early in relation to improving the reporting process, which can be processed and presented in real-time. BMPK monitoring and limit management to provide early warning if the limit is close to a violation to prevent excessive risks. Improving the reporting process carried out by BBNI, namely, monitoring the debtor's current business and financial conditions. Monitor compliance with the terms of the credit agreement. Collateral adequacy assessment to ensure that the collateral provided remains sufficient to guarantee the loan.

- Abstrusely disclosed is carried out by 1 bank.

2) Market Risk

Full disclosure is carried out by 4 banks. All elements in BBRI involved in credit risk monitoring in the front office, middle office, and back office contribute to the improvement of the reporting process related to material changes in business activities, products, transactions, risk factors, information technology, and the bank's risk management information system. BMRI monitors by applying several types of transaction limits at the dealer level to ensure that exposure to trading transactions remains in accordance with risk appetite management.

Market risk monitoring (exchange rates and interest rates is carried out by BBCA based on the full historical valuation method based on 250 days of windows data and a confidence level of 99%. Meanwhile, BBNI has improved the reporting process such as monitoring and reporting the magnitude of market uncertainty, compliance with the Market Risk limit, and follow-up recommendations for exceeding the limit.

3) Liquidity Risk

Full disclosure is carried out by all banks. BBRI has a liquidity early warning indicators (EWI) system. BMRI uses a limit system to monitor liquidity uncertainty indicators. Liquidity uncertainty monitoring is carried out by BBCA by paying attention to early warning indicators. BBNI maintains and maintains secondary reserves to ensure liquidity is at a safe level. Determination and monitoring of limits, namely BNI Wide Cash Ceiling limits, Safety Level limits, Maturity Profile limits, and foreign exchange credit restrictions based on the availability of funds.

Bank should perform uncertainty control process

1) Credit Risk

Full disclosure is carried out by 4 banks. BBRI conducts credit risk control including procedures for improving credit quality through restructuring, procedures for minimizing credit quality losses through restructuring, procedures for writing off non-performing loans. Credit risk management and mitigation are carried out by BMRI at every stage of credit distribution. Credit uncertainty control is carried out by BBCA through the establishment of an independent internal credit review system. BBNI determines the level of credit approval authority, determines concentration risk targets in the Bank's Business Plan, and analyzes concentration risks.

2) Market Risk

Full disclosure is carried out by 4 banks. Market risk control carried out by BBRI includes the preparation of creating and evaluating regular reports on outputs from internal models, including market risk exposure reports, daily reports on net foreign exchange position, and the establishment of the Asset & Liability Committee and Market Risk Management Committee forums. By using hedging or asset and liability recomposition techniques, BMRI manages and reduces interest rate risks. BBCA to mitigate IRRBB, the Bank sets nominal limits for loans and fixed-interest banking book securities, IRRBB limits and pricing strategies. BBNI through the determination of market risk limits in the Treasury Division and Foreign Office.

3) Liquidity Risk

Full disclosure is carried out by 4 banks. BBRI's liquidity risk control includes a Protocol Liquidity Contigency Plan. BMRI regularly prepares and reviews the Liquidity Contingency Plan (LCP) and Recovery Plan to reduce the impact of deteriorating liquidity conditions. Liquidity risk measurement and control is carried out by BBCA through fund development reports and monitoring of liquidity reserves (secondary reserves) and liquidity ratios such as Loan to Deposit Ratio (LDR), Liquidity while Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) through cash flow projections and stress testing. BBNI sets limits on liquidity risk monitoring.

5. Discussion

Based on the result, the disclosure of risk management among the banks studied shows variations in the level of information transparency (fully disclosed, not disclosed, and abstrusely disclosed) for different types of risks, including credit risk, market risk, and liquidity risk.

The disclosure of credit, market, and liquidity risks varies across banks. Most banks tend to fully disclose market and liquidity risks but are more cautious about credit risk. This indicates that banks have a tendency to be more transparent regarding risks that have a more direct impact on liquidity and the market compared to credit risk, which is more complex and requires careful management. These findings align with the study by (Makkawi, 2021), which states that effective risk management can increase profits and reduce costs, as transparency in managing market and liquidity risks attracts stakeholder interest.

The lack of full disclosure of credit risk indicates banks' concerns about the potential negative impact on market and customer perceptions. However, most banks fully disclose market risk, suggesting that managing market risk is considered more important for maintaining stakeholder trust. These findings support the perspective of (Wahyuni & Oktavia, 2020) which states that extensive disclosure of Enterprise Risk Management (ERM) enhances transparency and attracts stakeholder interest.

Full disclosure of periodic evaluations demonstrates banks' commitment to proactive risk management. For instance, BBRI routinely applies stress testing methods for market risk, reflecting comprehensive risk management implementation. This supports the study by (Bata & Sofian, 2022), which asserts that risk management disclosure positively affects corporate profitability, as good risk management increases investor confidence and financial stability.

All banks fully disclose improvements in measuring credit, market, and liquidity risks. For example, BBRI adopts a Basel III-based approach for liquidity risk, indicating compliance with international regulations and integrated risk management. This approach supports the findings of (Chen & Wu, 2022), who state that companies that effectively manage risks within their capacity can achieve better returns.

The more transparent disclosure of market and liquidity risks compared to credit risk suggests that banks prioritize managing risks with more immediate impacts. For example, BBCA and BBNI conduct daily market risk monitoring. This highlights the importance of effective market risk management in maintaining financial stability. These findings support the research by (Mwenda & Ibrahim, 2023) which asserts that risk management disclosure is crucial for improving corporate profitability.

Improvements in reporting processes demonstrate banks' efforts to enhance transparency and accuracy in risk information. For instance, BBRI utilizes Monitoring Portfolio Risk Analysis to identify potential losses in real time. This approach aligns with the findings of (Azfatya & Bahiyyah, 2024), which state that highly profitable companies tend to have better risk management disclosure levels.

All banks fully disclose credit, market, and liquidity risk control measures. For instance, BBRI implements a Liquidity Contingency Plan as part of its liquidity risk control. This approach supports the view of (Makkawi, 2021) that effective risk management can increase profits and reduce costs.

The findings of this study indicate that good risk management disclosure has the potential to enhance bank profitability. Transparent and structured risk management can increase stakeholder confidence and maintain financial stability. To improve financial performance, banks are advised to enhance the transparency of credit risk disclosure by expanding information related to risk management and mitigation.

Strengthen the implementation of market risk management by utilizing more diverse and scenario-based measurement methods. Integrate liquidity risk management with long-term strategic planning to address market uncertainties.

6. Conclusions

The results of the analysis found that the bank that excelled in full disclosure was BBRI with the disclosure of 6 categories out of the 7 categories that should have been disclosed in the disclosure of the risk management process for market risk. Banks are only lacking in the disclosure of the characteristics of the risks inherent in Banks. The advantages obtained are according to the bank's guidelines success in achieving the first position in obtaining profits.

Disclosure of the credit risk management process, BBNI is superior to 5 categories than it should be 7 categories, namely the use of stress testing in periodic evaluations in measuring risk, banks can face the worst scenario so that financial conditions will be stable. Improving the risk measurement system, the bank develops various tools and systems to manage and assess risk so as to increase efficiency, resilience, and competitive advantage. Evaluation of risk exposure, banks conduct monitoring at the individual and overall levels, so that risks can be monitored comprehensively and integrated. Improvement of the reporting process in the event of changes at both the individual and portfolio levels. Risk Control uses strategic measures to minimize potential losses. Meanwhile, in liquidity risk, BBNI's disclosure is at least 4 categories out of 7 categories, other banks reveal 5 categories out of 7 categories. In line with BBNI which won the last place in profit gain.

Based on the level and breadth of disclosure, full disclosure is carried out in the category of improvement of the risk measurement system in the event that there is a change in the bank's business activities, products, transactions and risk factors, which are material. Not disclosed in the Bank category is required to carry out a uncertainty control process to manage certain risks that can endanger the bank's business continuity and abstrusely disclosed in the uncertainty identification category.

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