

## ■ Market Risk

### 1. Scope

The following approaches are used to calculate market risk equivalent amounts.

#### (1) Internal Models Method

General market risk of SMBC, Sumitomo Mitsui Banking Corporation Europe Limited, Sumitomo Mitsui Banking Corporation (China) Limited, SMBC Capital Markets, Inc., SMBC Nikko Capital Markets Limited, SMBC Derivative Products Limited, and SMBC Capital Markets (Asia) Limited

#### (2) Standardized Measurement Method

- Specific risk
- General market risk of consolidated subsidiaries other than SMBC, Sumitomo Mitsui Banking Corporation Europe Limited, Sumitomo Mitsui Banking Corporation (China) Limited, SMBC Capital Markets, Inc., SMBC Nikko Capital Markets Limited, SMBC Derivative Products Limited, and SMBC Capital Markets (Asia) Limited
- A portion of general market risk of SMBC

### 2. Valuation Method Corresponding to Transaction Characteristics

All assets and liabilities held in the trading book — therefore, subject to calculation of the market risk equivalent amount — are transactions with high market liquidity. Securities and monetary claims are carried at the fiscal year-end market price, and derivatives such as swaps, futures and options are stated at amounts that would be settled if the transactions were terminated at the consolidated balance sheet date.

### 3. VaR Results (Trading Book)

	Billions of yen	
	Fiscal 2010	Fiscal 2009
Fiscal year-end .....	¥1.3	¥1.5
Maximum.....	3.2	2.8
Minimum.....	1.1	1.2
Average .....	1.9	1.6

Notes: 1. The VaR results for a one-day holding period with a one-sided confidence interval of 99.0%, computed daily using the historical simulation method based on four years of historical observations.

2. Specific risks for the trading book are excluded.

3. Principal consolidated subsidiaries are included.

## ■ Interest Rate Risk in Banking Book

Interest rate risk in the banking book fluctuates significantly depending on the method of recognizing maturity of demand deposits (such as current accounts and ordinary deposits from which funds can be withdrawn on demand) and the method of predicting early withdrawal from fixed-term deposits and prepayment of consumer loans. Key assumptions made by SMBC in measuring interest rate risk in the banking book are as follows.

### 1. Method of Recognizing Maturity of Demand Deposits

The total amount of demand deposits expected to remain with the bank for the long term (with 50% of the lowest balance during the past 5 years as the upper limit) is recognized as a core deposit amount and interest rate risk is measured for each maturity with 5 years as the maximum term (the average is 2.5 years).

### 2. Method of Estimating Early Withdrawal from Fixed-term Deposits and Prepayment of Consumer Loans

The rate of early withdrawal from fixed-term deposits and the rate of prepayment of consumer loans are estimated and the rates are used to calculate cash flows used for measuring interest rate risk.

### 3. VaR Results (Banking Book)

	Billions of yen	
	Fiscal 2010	Fiscal 2009
Fiscal year-end .....	¥48.6	¥33.8
Maximum.....	50.9	44.0
Minimum.....	29.7	31.8
Average .....	40.5	37.7

Notes: 1. The VaR results for a one-day holding period with a one-sided confidence interval of 99.0%, computed daily using the historical simulation method based on four years of historical observations.

2. Principal consolidated subsidiaries are included.