

Glossary

Asset-backed securities (ABSs): Tradable securities whose interest and principal repayments are secured by an underlying pool of receivables. Usually issued by a special purpose vehicle as part of a securitisation programme.

Associate: Enterprise over which the parent exerts a significant influence but not control. Such enterprises are accounted for in the consolidated financial statements using the equity method.

Backtesting: Procedure for monitoring the quality of value at risk (VaR) models. Backtesting is used retrospectively over a longer period of time to check whether the estimated potential losses based on the VaR approach were actually exceeded substantially more regularly than would be expected given the confidence level applied.

Banking book: Risk positions which are not allocated to the trading book.

Basel II: The Basel Committee for Banking Supervision's new regulatory standards.

BIS: Bank for International Settlements.

Capital ratio (BIS): A ratio calculated by banks conducting international business, in accordance with the Basel Capital Accord drawn up under the guidance of the Bank for International Settlements. It expresses the ratio of liable capital to certain risk-bearing assets.

Cash flow hedge: A derivative hedging transaction for non-trading positions designed to offset changes in volatility in the cash flows of financial assets, liabilities, off-balance sheet commitments and future transactions.

Confidence level: The probability that a potential loss will not exceed an upper limit defined by the value at risk.

Cost-income ratio: The ratio of administrative expenses to the sum of net interest income, net fee and commission income, and net trading income.

Credit default swap: Purchased credit default swaps have the same economic function as financial guarantees received if they demonstrably serve to hedge against interest and principal repayment defaults on loans.

Derivatives (derivatives business): Financial products which are derived from underlying instruments (such as equities, bonds, foreign exchange, or indices), the price of which can be calculated from the price of another security or financial product. The most frequently used forms of derivatives are swaps, options and futures.