Glossary

A

Accruals
Sub-category of financial liabilities according to IFRS. They are distinguishable from provisions by a significantly higher degree of certainty in terms of amount or time of settlement obligation.

Act on the Appropriateness of Management Board Compensation (VorstAG)
Amendment of the German Stock Corporation Act in the wake of the financial market crisis. The regulations are intended to provide incentives for measures in favour of sustainable company development, for example by making it easier to cut salaries of management board members if the company's situation deteriorates.

Advanced Internal Ratings Based Approach (AIRB)
Advanced approach to calculating the minimum capital requirements for credit risk in accordance with the Solvency Regulation (SolvV)/Basel III.

Advanced Measurement Approach (AMA)
Advanced approach for calculating the minimal capital requirements for operational risks in accordance with the Solvency Regulation (SolvV)/Basel II.

Available-for-sale
IAS 39 classification which describes financial instruments available to sell immediately.

Available net liquidity concept
Instrument used to manage liquidity risk. The available net liquidity is determined and monitored for both a basic scenario taking account of current market conditions as well as stress scenarios.

B

Banking book
All balance sheet and off-balance sheet items of a bank that cannot be allocated to the trading book.

Basel II
Capital Accord published by the Basel Committee on Banking Supervision which stipulates how much equity banks require to cover risks, which methods should be used to assess risks and how risks are to be published. The Accord also defines standards for the risk management of banks and its appraisal by the banking supervisory authority.

Basel III
Additional regulations published by the Basel Committee on Banking Supervision which specify new requirements regarding the capital requirements, the leverage ratio and the liquidity standards of banks. These regulations are to be successively introduced as of 2013.

C

Capital Requirements Directive (CRD III)
Third revision of the EU capital requirements for credit institutions. The CRD III specifies higher capital requirements for securitisation transactions, increased disclosure requirements for securitisation transactions, adjustment of the risk assessment of assets in trading books and changes in the remuneration policy.

Close-out risks
Risks associated with the premature termination of financial assets due to an unexpectedly high outflow of customer deposits.

Committee of European Banking Supervisors (CEBS-Guidelines)
Independent committee of the European banking supervisors, which advises the EU Commission, advances the implementation of the EU guidelines and contributes to the cross-border exchange of information.

Confidence level
Indicates the probability that a potential loss will not exceed a specified amount.

Contracts for Difference (CFD)
An OTC derivative enabling investors to participate in rising and falling prices of an underlying asset.

Conversion factor
This parameter forecasts over a 12-month period the proportion of an open credit line that will additionally be utilised at the time of default.

Core capital
Bank regulatory core capital essentially comprises the paid-up capital, contributions by silent partners, general reserves, special reserve for general banking risks in accordance with Section 340g German Commercial Code (HGB) and, to a limited extent, innovative capital instruments such as hybrid capital. Also known as Tier 1 capital. The core capital ratio shows the core capital in relation to the weighted risk positions of a bank (for comdirect this applies without silent capital contributions, special reserves, innovative instruments).

Cost/income ratio
Used to measure cost efficiency. The relationship between administrative expenses and earnings recorded in a financial year.

Credit spread
Measure of the premium or discount on a reference interest rate whose level depends on the credit rating and market positioning of the respective debtor.

Credit value-at-risk (CVaR)
Risk indicator. Unexpected, maximum, anticipated loss from credit risks, which is determined using the VaR concept (see Value-at-risk).

D

DAXSector Financial Services Performance Index
One of 18 sector indices which make up Deutsche Börse's Prime Standard. Various financial service providers are listed in the index, including comdirect bank AG.

Deferred compensation
Deferred remuneration. Under an occupational old age pension, part of an employee's salary is invested to later be converted into pension payments.

Deferred taxes
Income taxes to be paid or received in the future, which mainly result from the different valuation bases used for the tax balance sheet and the commercial balance sheet. They do not constitute actual tax office claims or liabilities at the time the balance sheet is prepared.

E

Economically required capital
The amount that with a high level of certainty covers unexpected losses from risk carrying positions. Not identical to balance sheet or regulatory capital.

ErC allocation
Allocation of economically required capital (ErC).

European Interbank Offered Rate (EURIBOR)
The rate at which a prime bank is willing to lend funds in euro to another prime bank. The EURIBOR is calculated daily for interbank deposits with a maturity of one week and one to 12 months as the average of the daily offer rates of a representative panel of prime banks, rounded to three decimal places.

Exchange Traded Commodities (ETC)
Open-ended securities enabling investors to invest in commodities. They are traded on the stock exchange like equities, have an unlimited term and offer a high degree of liquidity.

Exchange Traded Funds (ETF)
ETFs are traded on the stock exchange and track an index (e.g. share, bond or commodities index).

Exchange Traded Notes (ETN)
Stock exchange traded debt securities which track the performance of underlying reference indices.

Executive compensation regulation for banks (InstitutsVergV)
Regulation governing the regulatory requirements for the compensation system of banks aimed at preventing incentives for excessive risk-taking.

F

Fair value
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Forward Rate Agreement (FRA)
An agreement whereby one party undertakes to pay another party a certain interest rate on a certain principal amount for a certain period of time beginning at some point in the future.

H

Hedge accounting
Accounting for hedging relationships between hedge items (e.g. fixed income securities) and derivative financial instruments used for hedging purposes (e.g. interest rate swaps), in order to minimise the effects of changes in value in the income statement.

I

Impairment
Unscheduled write-down in the value of assets as a result of an anticipated decrease in value.

Interest rate swap
Contractual agreement between two parties relating to the exchange of differently structured payment flows for a specific period of time. Interest rate swaps can be used to hedge against an increase or decrease in interest rates.

Internal Capital Adequacy Assessment Process (ICAAP)
Key element of the second pillar of Basel II regulated by Section 25a German Banking Act (KWG) in conjunction with the Minimum Requirements for Risk Management (MaRisk). ICAAP comprises all procedures to identify and measure the relevant banking risks and their appropriate backing with internal capital.

Investment Grade
Upper ratings categories of a rating scale, e.g. at Moody's ratings Aaa to Baa.

L

Leverage ratio (LR)
Ratio within the framework of Basel III which limits the banks' level of indebtedness and stipulates that the ratio of Tier I capital to total lending may not fall below 3%.

Liquidity coverage ratio (LCR)
New liquidity ratio in Basel III which describes the short-term liquidity risk profile of the banks. In future, the bank must maintain a minimum portfolio of highly liquid assets to safeguard their liquidity requirement in stress situations for at least 30 days.

M

Minimum Requirements for Risk Management (MaRisk)
These include, in particular, setting up a proper business organisation (e.g. function separation of sales and back office) and implementing a system of appropriate internal controls for the trading and lending divisions.

Multi-tier server structure
Multi-layered software infrastructure in which the software components are shared between several systems.

N

Net Stable Funding Ratio (NSFR)
Ratio in Basel III which describes the ratio of the available amount of stable funding to the required amount of stable funding.

O

Order Desk Depot custody account
Individualised ebase collective custody account with open fund spectrum and SWIFT connection.

P

PIIGS
Acronym for the five euro countries Portugal, Ireland, Italy, Greece and Spain.

Prime Standard
Sub-segment of the Regulated Market with additional admission requirements compared with the General Standard. Prime Standard companies must comply with high international transparency standards.

Projected unit credit method
Method used to determine pension obligation, which takes account of future rates of increase in salaries and pensions among other factors.

R

Revaluation reserve
The market value changes in securities and participations are shown in the revaluation reserve with an income-neutral effect. The figures shown in the balance sheet net of deferred taxes.

Risk assets
Risk-weighted positions, which have to be backed by regulatory capital. At comdirect bank, risk assets are calculated taking account of Section 10c German Banking Act (KWG) (zero weighting of intragroup receivables).

Risk-bearing capacity
The risk-bearing capacity is adequate if the economically required capital is sufficiently covered by the available risk cover potential.

Risk cover potential
These comprise the maximum available equity, which can be used to hedge against unexpected losses.

S

Sales follow-up commission
Annual fee paid by an investment company to the brokers of its funds.

Solvency Regulation (SolvV)
Regulation governing the capital adequacy of institutions, groups of institutions and financial holding groups which came into force on 1 January 2007.

Stop loss/Take profit
Lower price limit (stop loss) or upper price limit (take profit) at which the sell order is automatically executed.

Stress test
Simulation of impact of crisis situations in the capital market on the risk and earnings position.

T

Trailing stop
Lower price limit for selling (stop loss), which is automatically adjusted upwards when prices are rising, or upper price limit for buying (stop buy) which is automatically adjusted downwards when prices are falling.

V

Value-at-risk (VaR)
The maximum loss of value of a portfolio in line with a specific probability and within a specific holding period.

W

Waiver regulation
Exemption of subsidiaries of a banking group from certain regulatory requirements (for example capital requirements and major loan provisions) in accordance with Section 2a of the German Banking Act (KWG).

Warrant
The owner of a warrant is entitled (but not obliged) to buy (call option) or sell (put option) a certain number of shares or other securities at a stipulated price within a certain period of time.

White labelling
Sale of a product under a name other than the company's own brand name.