Glossary

Asset Management: Portfolio management for private and institutional clients.

Aval loan: A bank loan in the form of guarantees, indemnities or other warranties.

BIS: Abbreviation for the Bank for International Settlements.

Bookbuilding: Method used for the placement of securities, where investors' subscriptions and price preferences are recorded centrally by the bookrunner (who is "building the book"). Information derived from this procedure is used to determine the terms of allocation.

Call option: The right to buy an underlying instrument (such as securities or foreign currencies) from a counterparty at a set price within a certain period of time, or on a certain date.

Capital ratio (BIS): An indicator 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 shareholders' equity to particular certain assets subject to risk.

Cash Management: Range of services that allows companies to optimise their liquidity and profitability management.

Commercial Banking: → Universal bank.

Corporate Finance: Company funding through shareholders' equity or debt financing; the term also refers to advisory services in this respect.

Cost-income ratio: The cost-income ratio relates the sum of administrative expenses and depreciation of goodwill to the sum of net interest and current income, net fee and commission income, net trading income and the balance from other income and expenses (excluding depreciation of goodwill).

Custody business: Services associated with the settlement, safe custody and administration of securities for institutional clients.

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

E-commerce: E-commerce describes the use of electronic media, such as the Internet, to settle business transactions. This comprises both "B2B" (business to business) transactions between enterprises, and "B2C" (business to consumer) transactions carried out by private individuals through the Internet.

Equity: Share of ownership in a company (vested by shares).

Equity method: A method for the consolidation of enterprises, i. e. accounting for them in the consolidated financial statements. Accounting "at equity" is based on the historical acquisition costs of the shareholding which will be carried in subsequent years in accordance with the pro-rata development of equity, as reported on the balance sheet.

Financial advisory: Advice to government authorities or private organisations, for example with respect to privatisation projects or planned investments.

Fund of funds: Investment fund where, in accordance with the investment objectives, a fund manager invests in a mix of other, usually specialised funds, rather than in individual equities or bonds.

Futures: Standardised forward contracts, where the contractual parties are obliged to buy or sell a certain underlying instrument (such as securities, foreign exchange, precious metals etc.) at a given date in the future, and at a price determined on an exchange.

Global Debt Origination: → Joint venture between the Investment Banking and Global Debt business lines in the Investment Banking division; GDO bids for mandates regarding structured financing, syndicated loans and bonds.

Goodwill: The value of a business or company.

IAS: International Accounting Standards. IAS are accounting principles which were drawn up by an international committee, in order to facilitate the international comparison of financial statements. The primary objective of the IAS is to provide information essential to decision making to a broad audience for financial statements, in particular investors.

Index: Statistical parameter designed to facilitate in particular the tracking of price movements – particularly with respect to securities or commodities – over a period of time.

Investment Banking: Dresdner Kleinwort Wasserstein (prior to 4 January 2001: Dresdner Kleinwort Benson) is Dresdner Bank Group's investment banking arm. Dresdner Kleinwort Wasserstein comprises five business lines: Investment Banking (including client-facing origination, mergers & acquisition, financial advisory), Global Equities (including equity trading, sales and research), Global Debt (including new bond issues, fixed-income trading and sales, foreign exchange, precious metals, project and structured finance), Online Markets (e-commerce), Dresdner Kleinwort Capital (equity and mezzanine funds, venture capital funds).

Investment fund: A set of diversified assets managed by an investment company (Kapitalanlagegesellschaft) and held in custody by a custodian bank. Under German investment law, these assets represent a separate legal entity (Sondervermögen).

Investor Relations: Communication with shareholders and investors with a view to expanding the mutual trust between the company and the investing public.

IPO: Initial public offering; an initial flotation on the (domestic) equity market in the form of a capital increase or share placement. In other words, the first public offering of a company's shares.

Joint venture: A company or virtual business unit founded and jointly managed by several, but usually two, companies.

Mergers & Acquisitions (M&A): Intermediation of shareholdings; the purchase and sale of companies and company units, usually with the objective of penetrating national or international markets, or with a view to product differentiation or access to technology.

Opération blanche: A method of calculating the return on investment of a share, assuming all earnings from dividends and subscription rights are reinvested.

Relationship management: Client management where a relationship manager acts as a central contact to co-ordinate the relationship between the bank and the respective client on a global level.

Replacement costs, positive: Positive replacement costs for derivative positions correspond to the additional expenditure or reduced revenue, which would result from the replacement of an equivalent position in the event of potential counterparty default.

Repurchase ("repo") transaction: An agreement involving the transfer of securities against payment to a counterparty and their repurchase at set terms at a later date. From the repo lender's perspective this is referred to as a "reverse repo" transaction.

Retail banking: Bank business with a large number of customers with relatively low business volume, offering a standardised product range.

Return on equity (RoE): An indicator that expresses the ratio of net income, or income before taxes, to average shareholders' equity.

Reverse repo transaction: → Repurchase transaction.

Scoring: A procedure whereby a risk profile is assessed on the basis of the risk factors of an investment or loan, applying qualitative and quantitative methods.

Segment reporting: Disclosure of results, assets and other financial information for individual business segments (divisions), and with respect to geographical regions. Segment reporting is an essential instrument to enhance corporate transparency.

Standard default costs: The estimated expected loss on receivables based on historical credit risk parameters such as default rates and recovery ratios. Since they represent operative lending costs, they must be taken into account as an operative cost component at the time of concluding the transaction.

Swaps: A general term used for the exchange of underlying instruments, rights etc., in particular the exchange of cash flows in the same currency (= interest rate swap) or in different currencies (= cross-currency swap).

Syndicated loan: Large-sized loan which is distributed ("syndicated") among several lenders for the purpose of diversification.

Transaction Banking: The combination of distribution, production and IT infrastructure to offer products and services in the areas of securities services/custody business, payment services, → cash management and → treasury services.

Treasury services: Services associated with the settlement of foreign currencies, cash, precious metals and off-exchange (OTC) derivatives.

Underwriting: Participation in a securities issue with the obligation to subscribe to ("underwrite") a certain share, should it not be possible to place the entire issue with investors.

Universal bank: A bank which unites all types of financial business under one roof. By contrast, banks subject to a statutory separation of different areas of banking are restricted to operating either only in lending and deposit-taking (→ "commercial banking") or only in securities and underwriting business (→ "investment banking").

Value-at-Risk (VaR): Value-at-risk is defined as the potential loss which may occur during a pre-defined period of time, based on a given confidence level and certain assumptions regarding changes of market parameters. This statistical figure is used to compare market risks across the bank's various portfolios.

Volatility: The extent and intensity of fluctuation with respect to market prices, interest rates or entire markets.

Xetra: Exchange Electronic Trading; Deutsche Börse AG's electronic securities trading platform.