HALF YEAR REPORT

01/2020

DWS Group GmbH & Co. KGaA

DWS

Content

Management Report

Introduction to DWS Group

Corporate Profile

We are a leading asset manager with € 745 billion in assets under management (AuM) as at June 30, 2020. We are headquartered in Germany but our approximately 3,330 employees operate globally, providing a range of traditional and alternative investment capabilities to clients worldwide.

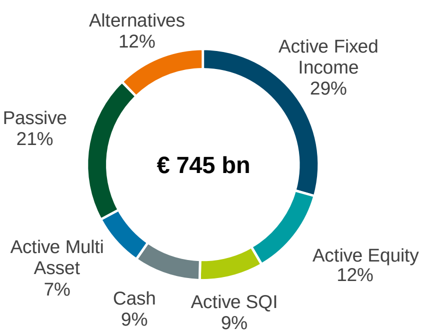
We have a fully integrated global investment group, supported by our Chief Investment Office which supplies the overarching framework that guides our investment decisions. Our offerings span all major asset classes including equity, fixed income, cash and multi asset as well as alternative investments. Our alternative investments include real estate, infrastructure, private equity, liquid real assets and sustainable investments. We also offer a range of passive investments. In addition, our solution strategies are targeted to client needs that cannot be addressed by traditional asset classes alone. Such services include insurance and pension solutions, asset-liability management, portfolio management solutions, asset allocation advisory, structuring and overlay.

Our product offerings are distributed across EMEA (Europe, Middle East and Africa), the Americas and Asia/Pacific (APAC) through our single global distribution network. We also leverage third-party distribution channels, including our largest shareholder, Deutsche Bank. While we aim to grow organically, we will continue to monitor the market for selective bolt-on opportunities to grow in priority areas, for example to complement our product range and our platform capabilities. We may consider consolidation opportunities prevailing in the industry, to establish our market positions in key growth areas, or for distribution access. Any merger and acquisition activity, will need to align with our strategic objectives be assessed a slow execution risk and will be measured against financial criteria such as return on investment (ROI) and earnings accretion.

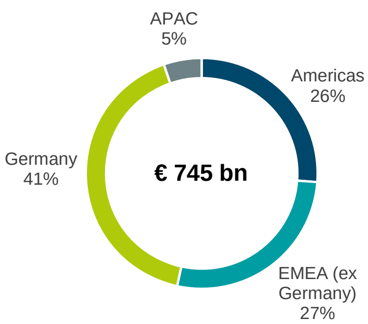
We serve a diverse client base of retail and institutional investors worldwide, with a strong presence in our home market in Germany. Our clients include government institutions, corporations and foundations as well as millions of individual investors. As a regulated asset manager, we act as a fiduciary for our clients and we are conscious of our impact on society. Responsible Investing has been a key part of our heritage for more than twenty years, because it serves the best interests of those who entrust us to manage their assets.

Diversified Business with Global Footprint

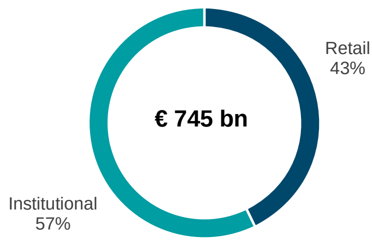
AuM by Asset Class



AuM by Region



AuM by Client Type



Internal Management System

DWS' Executive Board carefully reviewed its medium-term and long-term financial outlook as part of a broader review of priorities and initiatives which also considered more recent COVID-19 related market developments.

The adjusted cost-income ratio will remain the main priority to enable us to deliver maximum shareholder value in the market environment in which we operate. Despite challenging markets, our disciplined cost focus enables us to remain efficient and to compensate for anticipated lower revenues, mainly driven by the ongoing pandemic.

Assuming 2020 adjusted revenues will be lower compared to 2019, we have continued to focus on our strict efficiency target to achieve the € 150 million gross cost savings by 2021.

Whilst we cannot control movements in the wider markets, our continued focus on costs enables us to remain flexible and able to adapt accordingly. This was already evident in the first half of this year, where costs continued to decline, as we implemented planned efficiency initiatives. Additional cost saving opportunities could be identified for the rest of 2020 to ensure we remain on track to achieve our targeted adjusted cost-income ratio of below 65% in 2021.

We also remain committed to a dividend payout ratio of 65% to 75%.

For 2019, the Executive Board propose a dividend of € 1.67[1] per share, subject to approval at the Annual General Meeting, which has been postponed to November 18, 2020. The postponement of our Annual General Meeting was a decision by the Executive Board and Supervisory Board as a result of the COVID-19 pandemic and enables us to protect the health of our shareholders, employees and service providers.

Management uses the following Key Performance Indicators (KPIs). For detail on our Environmental, Social and Governance (ESG) -focused KPIs, please refer to the DWS Sustainability Report 2019.

FINANCIAL TARGETS	**2021**
Adjusted CIR	<65%
Net flows (% of BoP* AuM)	3-5% (on average**)
Dividend payout ratio	65% to 75%

* BoP – Beginning of period for each year
** In the medium term
Annual flows could be volatile depending on market circumstances.

– Adjusted cost-income ratio (adjusted CIR) is based on adjusted revenues and adjusted costs. Adjusted revenues presents revenues excluding non-recurring items, such as disposal gains and other non-recurring income items. We use this metric to show revenues on a continuing operations basis, in order to enhance comparability against other periods. Adjusted costs is an

[1] To be approved by the Annual General Meeting on November 18, 2020

expense measure we use to better distinguish between total costs (non-interest expenses) and our ongoing operating costs. It is adjusted for litigation, restructuring and severance costs as well as for material non-recurring expenses, including operational losses that are clearly identifiable one-off items which are not expected to recur.

- Net flows represent assets acquired or withdrawn by clients within a specified period. It is one of the major drivers of changes in AuM.
- Dividend payout ratio is the total amount of dividends paid out to the shareholder relative to the DWS Group annual consolidated net income.

Key Developments in the First Half of 2020

DWS achieved a number of significant milestones in the first half of 2020 and faced a challenging time due to an unpredictable pandemic with all its ramifications. We simplified our global organizational structure, established a new Product Division, adopted ESG "Smart Integration" and constituted a Group Sustainability Office, appointing a Group Sustainability Officer (GSO). Furthermore, our Chief Investment Officer (CIO) for Responsible Investments has become a member of the German Government's Sustainable Finance Advisory Council.

Despite COVID-19 and the resulting market turbulences, DWS successfully implemented a crisis management program which allowed robust business continuity and which ensured the delivery of our main objectives: The health and safety of all DWS' employees as well as operational stability and efficiency. Additionally, the challenge for us as a business in the first half of the year and beyond is to stay close to our clients, to help them successfully navigate the fast evolving situation. The basis for our ability to do so is our performance as fund managers. In light of the pandemic, the Executive Board and Supervisory Board decided to postpone our Annual General Meeting 2020 to November 18, 2020. The decision enables us to protect the health of our shareholders, employees and service providers.

As mentioned, the first half of 2020 saw the COVID-19 pandemic escalate globally and led to increased challenges due to heightened transaction volumes and market volatility, alongside increasing information security threats. Involving leaders from across the organisation, the crisis management measures we introduced focussed on the health of our employees, operational effectiveness and ongoing dialogue with our clients and also ensured sufficient fund liquidity to meet the needs of our clients and to identify and address potential portfolio risks as a result of the crisis. The effective management of these issues enabled DWS to respond to those challenges, protecting the interests of all stakeholders.

Our cost-income ratio proved resilient despite the severe economic slowdown and market volatility in the first half of 2020. Cost control continues to be fundamental to execute on our business strategy and we reduced total adjusted costs[1] in the period. Cost savings have been achieved through the continuous implementation of effective measures, and the acceleration of already planned efficiency initiatives to achieve the previously announced € 150 million efficiency savings by 2021. We expect a majority of these efficiencies to be achieved during 2020.

From an operational perspective, we have focused on implementing organisational changes over the past six months as part of DWS' strategic initiatives. To meet future challenges, we need to stay focussed on the efficiency and effectiveness of our operations. In June 2020 we announced the simplification of our global structure to become more integrated, removing silos, creating greater accountability, improving our efficiency and client-centricity, and adopting a more consistent model across the global business. For example, DWS' investment platform will operate as one global group with market-leading investment performance and expertise in every region. By moving to one unified global distribution team, we ensure a coherent approach to the way we cover our clients, while reflecting regional differences. Therefore, our Coverage teams will work globally integrated but still regionally aligned and more focused along client segments. In addition, we established a new product organization with responsibility for the entire product life-cycle. We also continued our staff engagement and regular communication to maintain a positive culture and foster teamwork. There was also a significant technology and operations exercise to successfully provide hardware and connectivity to 100% of DWS staff across the globe enabling effective working from home.

We can also reference several ESG achievements in the first half of 2020. DWS' Smart Integration is an approach to ESG integration that goes beyond previous industry standards and enhances the incorporation of sustainability factors into our investment processes and portfolios. It will help us delivering a more sophisticated approach that will improve sustainability standards in asset management. DWS has also been recognized externally for our strong ESG integration approach and have been identified as one of the top 20 asset managers globally in terms of robust ESG integration, according to London-based lobby group AODP (Asset Owner Disclosure Project). In addition, Morningstar has named DWS as the leading asset manager by ESG proxy voting in the US, being placed well ahead of its peers. The results of the Morningstar study reflect our continuous

[1] Further information can be found in the section 'Operating and Financial Review – DWS Performance'

strong support of shareholder resolutions addressing issues such as climate risk and other relevant climate, social and governance topics. DWS' incorporation of sustainability has also been awarded by the German rating agency TELOS, which gave DWS an "excellent" rating (AAA-) for taking ESG criteria into account in the investment process. In another important win for DWS, our 2019 Sustainability Report has received external recognition, winning the Environmental Finance award for "best sustainability reporting by an asset or fund manager" in the large (fixed income) category. The accolade is highly sought after this year, with DWS competing against a large number of high-quality entries from around the world. Furthermore, to mark the launch of our new Corporate Social Responsibility (CSR) programme at DWS with broader social commitment at its core, we committed to donate € 1 million to charitable organizations in countries around the world where DWS is active and which have been particularly hard hit by the pandemic. Donations are contributed by DWS as a firm, including private donations from DWS staff around the globe. Our contribution to society and decisive commitment to fight the fallout of the pandemic offered the chance for DWS to contribute towards the solution of a global problem while simultaneously mobilizing employees, who were called to submit ideas on which aid organisations DWS could support.

Our Brand

The company brand 'DWS' draws on our roots in the German market, going back over 60 years, and uses a name that is distinct in our industry globally. It stands for stability, a strong track record and for values that we attribute to the DWS brand and continuously aim to live up to: integrity, entrepreneurship, excellence, and sustainability. These are values that will remain central to our future success.

Our Values

Integrity first

Openness, transparency and accountability must define every relationship, whether with colleagues, investors, or society as a whole. In tandem, clients' best interests should always take precedence. This is how lasting value is created and how wealth is protected and grown.

Entrepreneurial minds

Many investors have an entrepreneurial outlook. The people they trust to look after their investments should share that perspective. Innovation, adaptability, agility, efficiency and collective intelligence are hallmarks of success, especially amid the risks and opportunities of an ever-changing world.

Demanding excellence

Expectations shall be exceeded rather than merely met. To achieve this, we strive for excellence in everything we do. Our fully integrated investment platform based on outstanding proprietary research, a unique precise decision-making process are the core components for us to apply this principle.

Inspiring sustainability

Forward thinking demands a long-term view - and a sense of consciousness and responsibility for the society we are part of. The long heritage of integrating our Responsible Investment philosophy across all asset classes demonstrates our conviction to contribute to a sustainable future by incorporating ESG considerations into investment decisions.

Operating and Financial Review

Economic Environment

Global Economy

Economic growth (in %)[1]	Jun 30, 2020[2,3]	Dec 31, 2019	Main driver
Global Economy	(4.8)	3.1	The COVID-19 pandemic and the measures implemented to contain the spread of the virus led to the sharpest decline in global economic activities in post-war history. By the end of the first half of 2020 economic activity has recovered to some extent following the substantial and unprecedented response by the global policy as well as the lifting of some regional lockdowns.
Thereof:			
Industrialized countries	(8.3)	1.7	A number of industrialized countries were among the first to be hit hard by the COVID-19 pandemic responding with far-reaching containment and extensive policy measures to counteract the economic downturn. By the end of first half of 2020 some industrialized countries appear to have successfully contained the spread of COVID-19.
Emerging markets	(2.6)	4.0	Emerging market economies had to cope with their own shocks and aftershocks from the COVID-19 pandemic as well as with spill-over effects of the oil price war. Latin America in particular has been hit rather late by the COVID-19 pandemic. Policy responses varied in this group of countries.
Eurozone Economy	(12.0)	1.2	For the Eurozone economy the COVID-19 shock has been enormous and instantaneous. Member states provided substantial fiscal stimulus packages and European Union (EU) leaders agreed to work towards a post-COVID-19 "recovery fund". With the easing of lockdown measures, activity has begun to recover, but was still far below normal by mid-year. The European Central Bank (ECB) responded to the COVID-19 shock with further monetary easing, in particular with the Pandemic Emergency Purchase Programme (PEPP) and its extension to € 1.35 trillion.
Thereof:			
German economy	(9.0)	0.6	The COVID-19 pandemic drove the German economy into a deep recession, with the trough reached in the second quarter of 2020. The German government has responded with broad range of measures and instruments, most notably with the € 130 billion stimulus package and extensive loan-guarantees through the Kreditanstalt für Wiederaufbau (KfW). The massive use of short-time work prevented a dramatic rise in unemployment. By the end of first half of 2020 economic activity was still below normal.
US Economy	(7.1)	2.3	The US economy was hit comparatively late by the COVID-19 pandemic, and towards the end of first half of 2020 the infections continued to spread. The labour market has been at the front edge of the impact, with jobless claims rising at a record rate. The Government responded with several fiscal packages and the Federal Reserve acted quickly and aggressively essentially to do whatever it takes to keep funds flowing freely in money and credit markets.
Japanese Economy	(5.9)	0.7	Japan has been successful in combating the COVID-19 pandemic, but is still hard hit by slumping export markets. The government delivered two large stimulus packages to counter the negative economic fallout of the pandemic.
Asian Economy[4]	(1.1)	5.2	Asian economies are mostly ahead of the curve in economic recovery as they had to cope with COVID-19 pandemic comparatively early in 2020 and managed to contain the spread of the infection.
Thereof:			
Chinese economy	1.6	6.1	China had to cope with COVID-19 pandemic since the very first months of 2020 and imposed very extensive quarantine measures in some areas. As the number of infections decreased, these measures were eased. By the end of first half of 2020 the industrial sector showed strong signs of recovery while the rebound in retail is subdued.

1 Annual Real GDP Growth (% Year over Year). Sources: National Authorities unless stated otherwise.
2 Sources: Deutsche Bank Research
3 Full year growth forecasts due to non-availability of half yearly numbers.
4 Including China, India, Indonesia, Republic of Korea, ex Japan.

Asset Management Industry

Following the market recovery in 2019, 2020 has seen the COVID-19 pandemic challenge the global economy causing stock markets to fall and risk averse investors to redeem or move to safe haven assets. However, despite the dramatic decline in March, funds returned to positive inflows in the second quarter of 2020 and growing investor confidence has benefitted long-term asset classes. There is still demand for passive and alternative investments but investors continue to be cautious.

Recognising that markets and investor sentiment may continue to fluctuate, we believe several major trends will continue to challenge the asset management industry:

- **Secular stagnation:** with the low interest rate environment starting to turn negative, there is a possibility that the asset management industry could be impacted by secular stagnation, creating significant consequences for investors and asset managers

- **Margin erosion:** continued pressure on fees and costs will persist, driven by heightened competition, particularly in passive products and as a result of growing regulatory and compliance requirements such as MiFID II

- **ESG as a license to operate:** demand for sustainable or environmental, social and governance investments is driving research, enhanced risk management and extensive product development as investors increasingly focus on issues such as climate change

- **Tech revolution:** the rapid advancement in technology is enabling asset managers to improve the value chain, as well as create operational efficiencies. Wider adoption of artificial intelligence and big data is expanding product choice and enhancing performance, while COVID-19 has increased focus on online communication and distribution

- **Geographic wealth shift:** emerging countries, primarily in Asia, will continue to be key drivers of future industry growth, offering new opportunities for asset managers as local investors expand their investment horizons globally

- **Investor sophistication:** investors are becoming increasingly sophisticated in their investment requests, demanding higher standards in product quality, performance and service. Demand for more sophisticated pension solutions is continuing to grow, driven by the shift from defined benefit to defined contribution schemes

- **Scale and diversified capabilities:** are becoming increasingly important attributes for asset managers to continue growing in a more challenging revenue environment and amid heightened competition

DWS Group

DWS Group is a global asset manager with diverse investment capabilities that span traditional active and passive strategies, as well as alternatives and bespoke solutions, which positions us well to address industry challenges and capture market opportunities. By anticipating and responding to investor needs, we aspire to be the investment partner of choice and to create sustainable value for our global client base.

- As markets become more challenging, we are able to offer clients a comprehensive range of investment solutions from our globally integrated investment platform spanning 15 countries and covering all major asset classes and investment styles;
- With a dynamic range of alternative investments including real estate, infrastructure, liquid real assets, private equity and sustainable investments, we are able to meet client demand for higher returns in the current low-yield environment helping investors meet their long-term investment goals;
- We are well positioned to take advantage of the shift to passive investments, offering passive mutual funds, mandates and ETFs. Xtrackers, our passive platform, is Europe's second-largest provider of ETFs with 10.7% market share, and the seventh-largest globally[1];
- Growing investor demand for wider adoption of ESG factors, particularly from European institutional investors, has long been recognised by DWS, which was among the early signatories of the UN-backed Principles for Responsible Investment (PRI) in 2008. We believe that our expertise and long experience in sustainable investing along with our increased range of products assist us to further protect and grow our clients' assets over the long term;
- As the asset management market continues to be shaped by advances in technology DWS has invested in new digital expertise, which is creating new distribution channels, products and services for our clients.

DWS Performance

In the first half of 2020 under the impact of the COVID-19 crisis, DWS proved its resilience. Despite the difficult starting conditions management fees were essentially flat year-on-year in the first half of 2020. Thanks to our diversified business, we were able to achieve positive net inflows of € 6.2 billion in the first half of the year.

[1] ETFGI H1 2020.

Our management focus on efficiency and cost measures continued to pay off, with our adjusted cost base[1] declining significantly year-on-year in the first half of 2020. We also remain well on track to achieve our gross cost savings objective of € 150 million by 2021. The adjusted cost-income ratio[1] improved further and is already close to our medium-term target ratio of below 65 percent.

Total revenues was € 1,074 million, a slight decrease of € 68 million, or 6% compared to the first half of 2019. Management fees were essentially flat, as a positive market performance in 2019 and growth in passive and alternatives compensating for the unfavourable effect from a decline in equity markets due to the COVID-19 pandemic and declining management fee margin. Net performance and transaction fees decreased significantly by € 39 million, or 51% mainly driven by a non-recurring alternatives performance fees recognized in the first half of 2019. Other revenues were € (23) million, a significant decrease of € 43 million compared to the first half in 2019, primarily driven by the unfavourable change in fair value of guarantees for the guaranteed products.

Adjusted profit before tax[1] increased by 9% to € 368 million for the first half of 2020 (first half of 2019: € 338 million) due to lower costs.

Assets under management were € 745 billion, a decrease of € 23 billion compared to December 31, 2019. The decrease was mainly driven by unfavourable market performance of € (23) billion partially offset by net inflows of € 6 billion.

Our Shares

DWS KGaA's shares are listed in the Prime Standard on the Frankfurt Stock Exchange, which has the most stringent transparency and disclosure requirements in Germany. The shares are also a component of the German SDAX, a market index composing of 70 small and medium-sized companies in Germany in terms of order book volume and market capitalisation. The index thus represents the 91st-160th largest publicly traded companies in Germany with regards to order book volume and market capitalisation. With a weighting of 2.2%, DWS KGaA was ranked 13 in the German SDAX at June 30, 2020.

The highest Xetra closing price for DWS shares in 2020 was € 39.65, reached on February 19, 2020, while the lowest closing price was on March 18, 2020 at € 18.04. Over the course of 2020, the share price posted a cumulative shareholder return of 2.1 percent compared to (7.8) percent decrease at the SDAX in the same period. Based on the 200 million outstanding bearer shares, the market capitalisation of DWS KGaA totalled € 6.5 billion on June 30, 2020.

Cumulative Shareholder Return in % in 2020

[1] Further information can be found in the section 'Financial Performance'.

Key Data Share

WKN	DWS100
ISIN	DE000DWS1007
Ticker symbol	DWS
Trading segment	Regulated market (Prime Standard)
Indices	SDAX
Class of shares	No par-value ordinary bearer shares
Number of shares as of June 30, 2020	200,000,000
Market capitalisation as of June 30, 2020 (in € bn)	6.5
Initial listing	March 23, 2018
Initial issue price in €	32.50
Share price in € as of June 30, 2020	32.36
Cumulative Shareholder Return (since January 1, 2020) in %	2.08
Period high (January - June 2020) in €[1]	39.65
Period low (January - June 2020) in €[1]	18.04

[1] Xetra Closing Price

Investor Relations Activity

Throughout 2020, the Group has been actively engaged in continuous dialogue with analysts, institutional and private investors to provide the latest developments on the group's business strategy.

Senior management, accompanied by the Investor Relations team, have participated in numerous industry and investor conferences. Due to COVID-19 and the resulting travel restrictions, the majority of those events have been held in a virtual format. Investor Relations successfully participated in virtual conferences and maintained regular contact with sell-side analysts and shareholders through frequent phone calls.

In these meetings, a range of topics were covered including business developments, cost efficiencies, financial targets, strategic alliances, regional strategies and asset management industry outlook. This year, there has been broad acknowledgement of the Group's accelerated cost initiatives, as well as DWS' resilience in the challenging market environment. Product innovation, particularly for ESG offerings, has also been a popular topic of discussion.

Every quarter, we host a conference call to present DWS' financial results to analysts, and we also provide public access to the corresponding documents on our website.

Financial Calendar 2020

Date	Event
July 29, 2020	Interim Report 2020 with Investor & Analyst Conference Call
October 28, 2020	Q3 2020 results with Investor & Analyst Conference Call
November 18, 2020	Annual General Meeting

Shareholder Structure

DB Beteiligungs-Holding GmbH, which has its registered seat in Frankfurt am Main, Germany and is registered with the commercial register of the local court of Frankfurt am Main, Germany, under HRB 87504, is the largest shareholder of DWS KGaA. As per April 20, 2018 DB Beteiligungs-Holding GmbH held 158,981,872 units or a 79.49% share in DWS KGaA. DB Beteiligungs-Holding GmbH is a wholly-owned subsidiary of Deutsche Bank AG. The second largest shareholder is Nippon Life Insurance Company with a 5% stake as notified to us in the voting rights announcement dated March 22, 2018. We have not been made aware of any changes in this ownership as per June 30, 2020. DWS KGaA's free float amounts to 15.51%.

Financial Performance

The alternative performance measures (APM) in the following table are not recognised under generally accepted accounting principles (GAAP) but are used to judge DWS Group's historical or future performance and financial position. These include assets under management (AuM) and net flows, which are important key performance indicators to evaluate revenue potential and business growth. In addition, non-recurring items are excluded from net revenues or total non-interest expenses in order to be able to review the revenue and cost development over longer periods. Our management uses APMs as supplemental information to develop a fuller understanding of the development of our business and the ability to generate profit. These APMs should not be considered in addition to net income or profit before tax as measures of our profitability. Similar APMs are used by our peers within the asset management industry, but these may be calculated differently and may not be comparable to the APMs we use, even if the names of such APMs and non-GAAP measures suggest that they are similar.

	Jan - Jun 2020	Jan - Jun 2019
Assets under management (AuM)[(1)] (in € bn)	**745**	**719**
Net flows[(2)] (in € bn)	6	7
Net flows[(2)] excluding cash (in € bn)	(4)	8
Management fee margin[(3)] (in basis points (bps))	28.6	30.2
Adjusted revenues[(4)] (in € m)	1,074	1,142
Adjusted costs[(5)] (in € m)	(707)	(804)
Cost-income ratio (CIR)[(6)] (in %)	68.0	73.3
Adjusted cost-income ratio[(7)] (in %)	**65.8**	**70.4**
Adjusted profit before tax[(8)] (in € m)	**368**	**338**

(1) Assets under management (AuM) is defined as (a) assets held on behalf of customers for investment purposes and/or (b) client assets that are managed by us on a discretionary or advisory basis. AuM represents both collective investments (including mutual funds and exchange-traded funds) and separate client mandates. AuM is measured at current market value based on the local regulatory rules for asset managers at each reporting date, which might differ from the fair value rules applicable under IFRS. Measurable levels are available daily for most retail products but may only update monthly or even quarterly for some products. While AuM does not include our investment in Harvest (DWS Group owns a 30% stake in Harvest Fund Management Co., Ltd.), they do include seed capital and any committed capital on which we earn management fees. Any regional cut of AuM reflects the location where the product is sold and distributed (i.e. sales view), which may deviate from the booking center view reflected for the revenues.

(2) Net flows represent assets acquired or withdrawn by clients within a specified period. It is one of the major drivers of changes in AuM.

(3) The management fee margin is calculated by taking the management fees and other recurring revenues for a period divided by average AuM for the same period. Annual average AuM are generally calculated using AuM at the beginning of the year and the end of each calendar month (e.g. 13 reference points for a full year). For periods of less than one year, management fees and other recurring revenues are annualized accordingly.

(4) Adjusted revenues present net interest and non-interest income excluding non-recurring items, such as disposal gains and other material non-recurring income items. We use this metric to show revenues on a continuing operating basis, in order to enhance comparability against other periods. There were no revenue adjustment items within the reporting periods.

(5) Adjusted costs are an expense measure we use to better distinguish between total costs (non-interest expenses) and our ongoing operating costs. It is adjusted for litigation, restructuring and severance costs as well as for material non-recurring expenses, including operational losses or transformational charges that are clearly identifiable one-off items which are not expected to recur. Adjusted costs are reconcilable to total non-interest expenses as shown below:

in € m.	Jan - Jun 2020	Jan - Jun 2019
Non-interest expenses	**(731)**	**(838)**
Litigation	(0)	(1)
Restructuring activities	10	29
Severance payments	14	5
Adjusted costs	**(707)**	**(804)**

(6) Cost-income ratio (CIR) is the ratio our non-interest expenses bear to our net interest and non-interest income.

(7) Adjusted cost-income ratio is based on adjusted revenues (see no. 4 above) and adjusted costs (see no. 5 above).

(8) Adjusted profit before tax is calculated by adjusting the profit before tax to account for the impact of the revenue and cost adjustment items as explained under footnotes (4) and (5) above.

Results of Operations

in € m. (unless stated otherwise)	Jan - Jun 2020	Jan - Jun 2019	Change from 2019 in € m.	Change from 2019 in %
Management fees income	1,586	1,556	30	2
Management fees expense	(525)	(510)	(15)	3
Net management fees	**1,061**	**1,046**	**15**	**1**
Performance and transaction fees income	40	77	(36)	(47)
Performance and transaction fees expense	(3)	(0)	(3)	N/M
Net performance and transaction fees	**37**	**76**	**(39)**	**(51)**
Net commissions and fees from asset management	**1,098**	**1,122**	**(24)**	**(2)**
Interest and similar income[1]	10	13	(3)	(26)
Interest expense	(8)	(9)	1	(9)
Net interest income	**2**	**5**	**(3)**	**(59)**
Net gains (losses) on financial assets/liabilities at fair value through profit or loss[2]	(157)	58	(216)	N/M
Net income (loss) from equity method investments	31	21	11	52
Provision for credit losses	0	0	(0)	(23)
Other income (loss)[2]	101	(63)	164	N/M
Total net interest and non-interest income	**1,074**	**1,142**	**(68)**	**(6)**
Compensation and benefits[3]	(376)	(440)	64	(15)
General and administrative expenses	(355)	(398)	43	(11)
Impairment of goodwill and other intangible assets	(0)	0	(0)	N/M
Total non-interest expenses	**(731)**	**(838)**	**107**	**(13)**
Profit (loss) before tax (PBT)	**343**	**305**	**39**	**13**
Income tax expense	(101)	(90)	(10)	11
Net income (loss)	**243**	**214**	**29**	**13**
Attributable to:				
Non-controlling interests	1	1	1	88
DWS Group shareholders	242	214	28	13

[1] Interest and similar income included € 5 million and € 7 million for the first half year ended June 30, 2020 and 2019, respectively, calculated based on effective interest method.
[2] Net gains (losses) in financial assets/liabilities at fair value through profit or loss including valuation adjustments of € (54) million on derivatives (€ (22) million for the first half of 2019) and valuation adjustments of € (93) million for the first half of 2020 (€ 66 million for the first half of 2019) on guaranteed funds and other income (loss) includes € 93 million for the first half of 2020 (€ (66) million for the first half of 2019) valuation adjustments on liabilities of guaranteed funds. DWS Group has no stake in these funds.
[3] Includes restructuring costs of € 10 million for the first half of 2020 (€ 29 million for the first half of 2019).

For the first half of 2020, we reported a higher profit before tax of € 343 million, an increase of € 39 million, or 13% compared to prior year's period. Our net interest and non-interest income was slightly lower, with flat management fees, significantly lower performance fees as well as significantly lower remaining revenues. Non-interest expenses were lower than in the first half of 2019.

Total net interest and non-interest income was € 1,074 million, a slight decrease of € 68 million, or 6% compared to the first half of 2019. Net performance and transaction fees decreased significantly by € 39 million, or 51% mainly driven by an alternatives performance fee recognized in 2019. Management fees were essentially flat, with a positive market performance in 2019 and growth in passive and alternatives compensating for the unfavourable effect from a decline in equity markets due to the COVID-19 pandemic and declining management fee margin. Other revenues were € (23) million, a significant decrease of € 43 million compared to the first half in 2019, primarily driven by the unfavourable change in fair value of guarantees for the guaranteed products.

Non-interest expenses of € 731 million are € 107 million or 13% lower compared to the first half of 2019. The decrease in compensation and benefits is mainly driven by lower equity-linked deferred compensation and a reduction in restructuring activities. General and administrative expenses decreased driven by lower charges for services provided by Deutsche Bank Group and reduced marketing and travel expenses as well as reductions in buildings and leases and communication and banking services.

Assets under Management

The AuM development in the first half year of 2020 is reflected in the table below:

	Dec 31, 2019				Jan - Jun 2020	Jun 30, 2020
in € bn.	AuM	Net flows	FX impact	Performance	Other	AuM
Product:						
Active Equity	96	3	(0)	(8)	0	91
Active Multi Asset	58	(1)	(0)	(3)	0	55
Active SQI[1]	71	(2)	0	(3)	0	66
Active Fixed Income	234	(9)	(1)	2	(8)	219
Active Cash	57	10	(1)	0	3	69
Passive	156	4	(0)	(8)	2	154
Alternatives	96	2	(0)	(4)	(2)	92
Total	**767**	**6**	**(2)**	**(23)**	**(4)**	**745**

[1] Systematic & quantitative investments.

Assets under management were € 745 billion, a decrease of € 23 billion compared to December 31, 2019. The decrease was mainly driven by the unfavourable market performance of € (23) billion. Net inflows of € 6 billion were offset by the unfavourable FX impact of € (2) billion and other movements of € (4) billion.

The level of AuM is a key factor affecting the results of operations because a significant percentage of management fees is predominantly charged as a proportion of AuM. Assuming management fee margins remain unchanged, an increase in the level of average AuM will generally lead to an increase in revenues, mainly management fees.

Net flows

In the first half of 2020 we generated net flows of € 6 billion mainly due to strong inflows into liquidity products and our targeted growth area of passive, partially offset by fixed income net outflows.

Net flows represent assets acquired from or withdrawn by clients within a specified period.

FX impact

FX impact represents the currency movement of products denominated in local currencies against the Euro. It is calculated by applying the change in FX rate to the ending period assets and is calculated on a monthly basis.

Performance

The market performance in the period led to a decrease in AuM of € (23) billion particularly in equity and passive products.

Performance primarily represents the underlying performance of the assets, which is driven by market effects (equity indices, interest rates, foreign exchange rates) as well as fund performance.

Financial Position

Liquidity

We principally fund our business through equity and cash generated by our operations. To ensure that the Group can fulfil its payment obligations at all times and in all currencies, we established a liquidity risk management framework that includes stress-testing of our current and forecasted liquidity position. As part of the annual strategic planning process, we project the development of the key liquidity and funding metrics based on the underlying business plans to ensure the plan is in compliance with our risk appetite. As of June 30, 2020 we held cash, bank balances, government bonds and money market funds totalling € 3,025 million. To further diversify our funding capabilities, we have a € 500 million multicurrency revolving credit facility in place, under which there were no drawings as of June 30, 2020.

Capital Management

We maintain a forward-looking capital plan to assess the development of capital supply and demand and the projected capitalization of the Group from an accounting, regulatory and economic perspective. Capital planning is embedded into the Group's overall strategic planning process to ensure an integrated financial and risk planning approach. Results of the planning process will inform and enable management decisions such as the strategic direction of the Group and taking advantage of profitable business growth or investment opportunities. Capital management further safeguards the delivery of our targeted dividend payout ratio of 65 to 75% (as a percentage of annual IFRS net income).

Capital Expenditures

During first half year 2020 the Group made no material capital expenditures in intangibles and property and equipment. Contingent liabilities and other obligations decreased by € 6 million from € 119 million in 2019 to € 113 million as of June 30, 2020 mainly driven by capital calls from strategic investments.

Net Assets

The table below shows selected items within our financial position:

			Change from 2019	
in € m. (unless stated otherwise)	Jun 30, 2020	Dec 31, 2019	in € m.	in %
Assets:				
Cash and bank balances	2,340	2,086	254	12
Financial assets at fair value through profit or loss	2,828	3,419	(592)	(17)
Goodwill and other intangible assets	3,756	3,781	(25)	(1)
Remaining assets[1]	2,021	1,666	355	21
Total assets	**10,944**	**10,952**	**(8)**	**(0)**
Liabilities and equity:				
Financial liabilities at fair value through profit or loss	685	663	22	3
Remaining liabilities[2]	3,234	3,436	(202)	(6)
Total liabilities	**3,919**	**4,100**	**(181)**	**(4)**
Equity	**7,025**	**6,852**	**173**	**3**
Total liabilities and equity	**10,944**	**10,952**	**(8)**	**(0)**

[1] Sum of financial assets at fair value through other comprehensive income, equity method investments, loans, property and equipment, right-of-use assets, assets held for sale, other assets, assets for current tax, and deferred tax assets.
[2] Sum of deposits, other short-term borrowings, lease liabilities, liabilities held for sale, other liabilities, provisions, liabilities for current tax, deferred tax liabilities and long-term debt.

As of June 30, 2020, total assets decreased by € 8 million (or 0%) compared to year-end 2019.

Cash and bank balances increased by € 254 million. The increase is mainly driven by proceeds from the sale of money market funds and maturity of government bonds in the amount of € 275 million, regular net settlements of € 345 million offset by investments in German sub-sovereign bonds of € 196 million and net tax payments of € 170 million. The decrease in financial assets at fair value through profit and loss of € 592 million mainly relates to sales in money market funds and maturity of government bonds of € 275 million and decrease in guaranteed funds and investment contract assets of € 342 million. Remaining assets increased by € 355 million mainly driven by increase in financial assets at fair value through other comprehensive income of € 186 million due to purchase of German sub-sovereign bonds, increase in equity method investments of € 27 million and an increase in other receivables of € 142 million.

As of June 30, 2020, total liabilities decreased by € 181 million (or 4%) compared to year-end 2019. The overall decrease was primarily driven by a decrease in guaranteed funds and investment contract liabilities of € 354 million offset by an increase in negative market value from derivatives of € 53 million and increase of other payables of € 120 million.

Equity

The total equity as of June 30, 2020 was € 7,025 million compared to € 6,852 million as of December 31, 2019. The increase of € 173 million is mainly driven by the net income after tax for the period January to June 2020 of € 243 million and negative impact from foreign exchange rate movements on capital denominated in currencies other than the Euro of € (48) million.

Regulatory Capital

Our fully loaded Common Equity Tier 1 (CET 1) capital according to CRR/CRD IV as of December 31, 2019 increased during first half of 2020 by € 51 million to € 2,879 million. The increase was mainly driven by the recognition of 2019 profits, net of dividend accruals, which was partially offset by FX movements as well as a regulatory deduction item due to our stake in Financial Sector Entities, the latter predominantly as a result of the equity pick-up from our investment in Harvest Asset Management. Risk-weighted assets (RWA) according to CRR/CRD IV were € 9,452 million as of June 30, 2020, increased by € 265 million compared with € 9,187 million at the end of 2019. The CRR/CRD IV CET 1 capital ratio was 30.5% as of June 30, 2020, compared with 30.8% at the end of 2019, as shown in the table below. With that we comply with the overall regulatory capital requirements.

in € m. (unless stated otherwise)	Jun 30, 2020 CRR / CRD IV	Dec 31, 2019 CRR / CRD IV
Regulatory capital:		
Common Equity Tier 1 capital (CET1)	2,879	2,828
Tier 1 capital (CET1 + AT1)	2,879	2,828
Tier 2 capital	0	0
Total regulatory capital	**2,879**	**2,828**
Risk weighted assets:		
Credit risk	5,363	5,108
Credit Value Adjustment (CVA)	0	0
Market risk	4,089	4,080
Operational risk[1]	0	0
Total risk weighted assets	**9,452**	**9,187**
Overall capital ratio (in %)[2]	**30.5**	**30.8**
CET1 ratio (in %)[2]	**30.5**	**30.8**

[1] As the rules for CRR investment firms are applicable, the Group does not have to cover risk-weighted assets for operational risks.
[2] The Group currently has only CET1 capital.

The table below shows a reconciliation of IFRS equity to regulatory capital:

in € m.	Jun 30, 2020 CRR / CRD IV	Dec 31, 2019 CRR / CRD IV
Shareholders' equity, as defined by IFRS, regulatory basis of consolidation	6,885	6,717
Elimination of net income, net of profit recognition	(569)	(454)
Goodwill and intangible assets (net of related deferred tax liabilities)	(3,381)	(3,405)
Deferred tax assets on unused tax losses	(3)	(3)
Prudent valuation	(26)	(16)
Defined benefit pension plan assets	(12)	(12)
Other regulatory adjustments[1]	(16)	0
Regulatory capital	**2,879**	**2,828**

[1] Includes regulatory deduction items related to significant holdings of CET 1 instruments of financial sector entities and deferred tax assets arising from temporary differences.

Executive Board and Supervisory Board

Managing Directors of the General Partner (Executive Board)

In the first half of 2020, DWS changed its organization and leadership team to become leaner with now six globally integrated divisions. Pierre Cherki, Robert Kendall and Nikolaus von Tippelskirch stepped down as Managing Directors of the General Partner, effective June 10, 2020. Manfred Bauer joined as Managing Director of the General Partner and Head of the newly established dedicated Product Division, effective July 1, 2020.

The Managing Directors of the General Partner, collectively referred to as the Executive Board, are jointly responsible for managing the business activities of the General Partner – and with regard to the position of DWS Management GmbH as the General Partner of DWS KGaA – of DWS KGaA. However, the business allocation plan (Geschäftsverteilungsplan) of the Executive Board assigns each Managing Director specific areas of functional responsibility.

Effective July 1, 2020, the areas of responsibilities of the current Managing Directors changed as follows:

Asoka Woehrmann, the Chief Executive Officer and Chairman of the Executive Board, assumed the responsibilities for Brand & Marketing as well as the APAC region. His responsibilities for Group Strategy, Group Sustainability and ESG Strategy, Audit, Human Resources, Communications and Group Governance have remained unchanged.

Claire Peel, the Chief Financial Officer and Head of the Finance Division has assumed the responsibilities for Risk Management and the EMEA region. Her other key areas of responsibility continue to include Group Finance, Financial Accounting, Financial Planning, Tax, Capital and Liquidity Management and Investor Relations.

Mark Cullen, the Chief Operating Officer and Head of the COO Division has added Legal, Compliance, Anti Financial Crime and Data Protection to his areas of responsibility. He is also the Regional Head of the Americas. His functional responsibilities for Information Technology, Operations and Corporate Services remain unchanged.

Stefan Kreuzkamp remains the Global Chief Investment Officer and heads the Investment Division, now including all Active, Passive and Alternatives portfolio management activities.

Dirk Goergen now leads the Client Coverage Division globally, consolidating all global distribution teams and activities.

Manfred Bauer as the Head of the new Product Division is responsible for the product value chain along its entire life-cycle, including product strategy and innovation, structuring and product management.

Supervisory Board

Since Sylvie Matherat's resignation from her position as member of the Supervisory Board effective July 10, 2019, the composition of the Supervisory Board has been incomplete. When Hiroshi Ozeki stepped down from his office, effective at the end of April 10, 2020, a second position on the Supervisory Board became vacant.

On July 21, 2020, Bernd Leukert was appointed by the court as shareholders' representative, succeeding Ms Matherat, until the end of the DWS Annual General Meeting 2020. At this meeting Mr Leukert will be proposed for election as shareholders' representative to the DWS shareholders.

In addition, DWS KGaA has filed for the appointment of a successor for Mr Ozeki's position on the Supervisory Board with the responsible court. The successor will subsequently also be proposed for election to the Annual General Meeting 2020.

Our Strategy

DWS is a leading asset manager with € 745 billion in assets under management as at June 30, 2020. We are headquartered in Germany and operate globally, serving a range of traditional and alternative investment capabilities to institutional and retail clients worldwide.

The asset management industry is evolving, with greater competition, continued margin pressure, and technological disruption amid heightened geopolitical tensions and increased market volatility. As a result, we have implemented a number of strategic initiatives to support our medium-term targets by 2021 and continue delivering shareholder value through net flows, cost discipline and dividend distributions. We believe our diverse range of well-performing products and investment solutions give us a strong basis for growing assets and profitability regardless of the market in which we operate.

Our main strategic initiatives include:

- Make ESG the core of what we do
- Increase operational efficiency
- Bolster investment capabilities
- Focus on targeted growth
- Enhance our performance-driven culture

Global COVID-19 Situation

The continuing COVID-19 pandemic and its impact on the global economy presents challenges and some opportunities to the AM Industry (asset management industry) and to DWS. We responded rapidly to the pandemic by preparing and implementing robust business continuity management to ensure all employees could remain operational in these unprecedented circumstances. As a corporate, we are playing our humble part by donating € 1 million to a number of charities with our employees also making personal donations. As a fiduciary, we have temporarily changed the way we work, as we cannot meet or travel as we are accustomed, but this has not changed our commitment to clients or shareholders.

Progress on Strategy Implementation

At the same time, we at DWS, we have continued execution of our strategic agenda in the first half of 2020, making significant progress in all areas of our business:

- We have continued to build on our ESG heritage as part of ongoing efforts to become a leading ESG-integrated asset manager. In response to the COVID-19 pandemic, we expect ESG to become increasingly important to the AM industry since ESG topics remain key focus areas for investors. Product innovation continues to be our focus, as reflected by the launch of the DWS Invest ESG Next Generation Infrastructure Fund as well as other ESG-focused product launches in the pipeline this year. In 2020, we introduced ESG Smart Integration, a new approach that further incorporates sustainability factors into our investment processes and portfolios. As a result of these efforts, DWS was recognized as one of the top 20 asset managers globally in terms of strongest ESG integration, according to London-based lobby group AODP (Asset Owner Disclosure Project). DWS' first Group Sustainability Officer will start work in August 2020 and will focus on putting ESG at the core of everything we do and to embed ESG into all of our corporate activities.

- In the first half of 2020, we maintained our strict cost discipline, a key strength of DWS, achieved through efficiency initiatives. We focused on our operational efficiency through better alignment of internal capabilities, such as the consolidation of technology and operations into one function in 2019 which has helped to deliver a lower cost run-rate in 2020. Further saves have come through strategic vendor management, as we continuously review, renegotiate and consolidate vendor contracts where possible to ensure the services we receive are competitively priced. In addition, we continue to review our real estate portfolio in all locations to ensure we are optimizing our office footprint.

- Organic growth remains a top priority at DWS. In the first half of 2020, we have continued to increase our focus on the targeted asset classes of Passive, Active Multi-Asset and Alternatives, as well as strengthening our strategic partnerships. In the APAC region for example, we have launched a Kokusai ETF together with Nippon Life. Across our Global platform we also started to adopt technology more broadly to help enable our staff as well as create efficiencies across the operating platform. In addition, we continue to evolve our own governance framework, which delivers a leaner, more independent platform suitable for an asset management business. We are initiating a multi-year program to implement an independent IT infrastructure and application suites that is modern, efficient and fit for purpose to support the strategy of DWS.

- As an independent listed asset manager, our own distinct company culture is important to us. In this respect, we continue to progress to adopting a functional role framework. We aim to have this fully implemented in 2020 to remove hierarchical management layers and enhance our performance-based culture.
- To ensure DWS is strongly positioned to execute our strategic priorities, and to tackle the long-term challenges facing the asset management industry, we simplified our global business structure to become even more client-centric, flexible, efficient and effective. The new organizational design is intended to enhance collaboration and remove silos so that DWS is able to fully focus on our most important responsibilities as a fiduciary asset manager: strong investment performance, best-in-class client services and product innovation.

We will hold our Annual General Meeting 2020 (AGM), originally planned for June 18, 2020, now on November 18, 2020 following a decision of the Executive Board and the Supervisory Board. The delayed AGM was as a result of the COVID-19 pandemic and has enabled us to protect the health of our shareholders, employees and service providers. With regard to the dividend, the Executive Board has decided to keep its proposal of a dividend per share of € 1.67 for financial year 2019. However, the 2020 AGM ultimately decides on the amount of the dividend distribution.

Outlook

Global Economy

Global Economy Outlook

Economic growth (in %)[1]	2020[2]	2019	Main driver
Global Economy			Global economy is expected to sharply contract in 2020. Economic activity is set to recover as soon as the virus has been sustainably contained in the affected countries and social distancing measures have been eased. But the COVID-19 shock is likely to leave permanent scars with a substantial retrenchment of global goods and services trade in 2020 and in the coming years. Consumer behaviour and spending patterns will not be able to fully normalize until a vaccine is developed and widely available.
GDP	(4.8)	3.1	
Inflation	2.5	3.0	
Thereof:			
Industrialized countries			Industrialized countries were severely hit by the COVID-19 pandemic. The lockdown measures brought the services sector in particular to a sudden standstill. Since households' purchases were reduced to bare necessities, this made the economic slump all the more severe. The recovery in the second half of the year will be largely determined by a normalization of private consumption patterns, the resurgence of global value chains and trade activity overall.
GDP	(8.3)	1.7	
Inflation	0.5	1.4	
Emerging markets			In aggregate the Asian emerging market economies are faring relatively well after the COVID-19 shock, but this is mainly due to the expectation of a positive growth rate in China already in 2020. As certain Emerging economies are still struggling to contain the spread of the virus, this will protract their recovery.
GDP	(2.6)	4.0	
Inflation	3.8	4.0	
Eurozone Economy			Eurozone activity is recovering after the easing of lockdown measures, albeit with different intensity across countries, but the next stages of normalization will be slower and level of activity is expected to remain below normal. The ECB announced to do whatever is necessary to achieve a policy stance appropriate for the weak inflation trajectory.
GDP	(12.0)	1.2	
Inflation	0.3	1.2	
Thereof:			
German economy			Due to the COVID-19 crisis Germany experienced a deep slump in the first half of 2020 and worst recession since World War 2. But with lockdown measures eased a recovery is gaining further momentum by mid-year. This is supported by the fiscal response that has been quick, decisive and unprecedented in size and scope. The short-term work scheme prevented a dramatic rise in unemployment. The asynchronous global development of the COVID-19 pandemic and lasting impediments to global trade are set to make the recovery less dynamic than expected earlier.
GDP	(9.0)	0.6	
Inflation	0.4	1.3	
US Economy			The US economy faces the worst contraction since the Great Depression and the recovery is expected to be gradual and uneven as many small businesses have been hit hard by the COVID-19 crisis. The labour market is moderately improving from post-World War 2 highs of unemployment, but consumer spending patterns will not normalize until a widely available vaccine is developed. The Federal Reserve has made clear that it will use all of its tools for as long as it takes to support the recovery.
GDP	(7.1)	2.3	
Inflation	0.7	1.8	
Japanese Economy			The Japanese economy has incurred a smaller initial drop reflecting the success in acting relatively swiftly and effectively to contain COVID-19. Although Japanese domestic demand is picking up, the weakness of global trade is still an obstacle to economic recovery for the export-oriented Japanese economy.
GDP	(5.9)	0.7	
Inflation	(0.2)	0.5	
Asian Economy[3]			In the Asian economies, the recovery already began in the first half of the year, as COVID-19 crisis was brought under control early on. Trade between the economies of this region is already picking up. An asynchronous recovery of global trading partners would, however, limit the catch-up process.
GDP	(1.1)	5.2	
Inflation	3.0	2.8	
Thereof:			
Chinese economy			The Chinese economy is continuing its V-shaped recovery from the COVID-19 shock. In second half of 2020 domestic demand is catching up further, while industrial production already mostly recovered in first half of 2020. Fiscal policy is set to support the economy with a further fiscal package, while there is less room for additional monetary easing. A large part of the gain in economic momentum will depend on the recovery in global trade.
GDP	1.6	6.1	
Inflation	3.0	2.9	

[1] Annual Real GDP Growth (% Year over Year). Sources: National Authorities unless stated otherwise.
[2] Sources: Deutsche Bank Research.
[3] Including China, India, Indonesia, Republic of Korea, and Taiwan, ex Japan.

Our forecasts could be affected by a number of risks. While we expect the global economy to regain momentum in the second half of 2020, resurgence of infections could lead to regional lockdowns and thus affect economic activities. In addition, the search for effective vaccines could take longer than expected or even be unsuccessful. The disruption of global value chains could threaten the business models of companies and prolong the recession.

Asset Management Industry

Despite ongoing economic challenges and more recently the impact of COVID-19 on global markets, we believe that the asset management industry will continue to grow in terms of assets under management over the long-term. However, in the near term the industry may face stronger headwinds from lower asset balances and a shift to lower margin products as a result of the pandemic. Nevertheless, the asset management industry continues to be shaped by developing economies growing and increasing in wealth, offering new opportunities for managers as local investors expand their investment horizons globally. In developed markets, declining interest rates have caused a shift from unmanaged assets, such as cash and deposit accounts, into managed portfolios. New digital technology is enhancing distribution capabilities giving investors online access, while the wider adoption of artificial intelligence is expanding product choice and enhancing investment performance. Asset managers are playing a progressively larger role in providing capital to the economy, taking advantage of bank retrenchment due to regulatory and capital constraints and the diminished ability of national governments to fund infrastructure investment. Additionally, growing mainstream interest in ESG topics will create new opportunities for asset managers to develop new products and services that help mitigate ESG risks, such as carbon transition risk, support innovation to combat climate change, and to generally make more socially responsible and sustainability-focused investment portfolios. We believe that the license to operate for asset managers in the future will include ESG on a fundamental level.

DWS Group

While we are cautiously optimistic on equity markets, we also want to insulate our business from the prospect of continued volatility and potential market challenges. For this reason, we have prioritised our adjusted cost-income ratio target to ensure we are able to generate maximum shareholder value regardless of the environment in which we operate.

We expect AuM at the end of 2020 to be essentially flat compared to the end of 2019. Positive net flows are expected to be offset by the negative market development.

As a consequence of the market downturn in the first half of 2020, we expect 2020 adjusted revenues to be lower than in 2019. Management fees are assumed to be essentially flat year-over-year. Performance and transaction fees are expected to be significantly lower than in 2019, which benefitted from significant performance fees that are not expected to reoccur in 2020. As a result, we expect normalized performance and transaction fees of 3%-5% of our total adjusted revenues in 2020 after 8.6% in 2019. Other revenues are expected to be significantly lower mainly due to the negative change in fair value of guarantees as a consequence of the lower interest rate environment.

2020 adjusted costs are expected to be lower than in 2019 due to a decline in adjusted compensation and benefits costs related to the DWS share price as well as lower general and administrative expenses.

We remain on track to achieve our € 150 million efficiency initiatives by the end of 2021 and we expect a majority of these efficiencies to be achieved during 2020. This will help to achieve an adjusted CIR in 2020 lower than in 2019 which keeps us on a glide path to achieve the target of <65% in 2021.The adjusted profit before tax for 2020 is expected to be essentially flat compared to 2019.

Due to our diverse range of investments and solutions, DWS Group is well-positioned to grow market share, supported by our broad distribution reach, global footprint and digital capabilities.
Our diversified business model enables inflows despite the adverse industry trends since the beginning of 2020.
However, wider industry challenges such as fee compression, rising costs of regulation and competitive dynamics are also likely to remain.

In the face of these challenges as well as the ongoing global pandemic, DWS Group intends to focus on innovative products and services where we can differentiate and best serve clients in a late cycle market environment, while also maintaining a disciplined cost approach.

Risks and Opportunities

We have reflected in our Outlook risks and opportunities that we believe are likely to occur for a period of one year. The following section focuses on certain future trends or events that may result in downside risk or upside potential from what we have anticipated in our Outlook.

Risks

If macro-economic and market conditions and growth prospects worsen compared to the expectation in our Outlook, this could adversely affect our business, results of operations or strategic plans.

The economic disruption caused by the rapid spread of the COVID-19 pandemic has resulted in a sharp slowdown in global GDP growth, at least temporarily. If the pandemic is prolonged this could amplify the current negative demand and supply chain effects as well as the negative impact on global growth and global financial markets. Despite the business continuity and crisis management policies currently in place, travel restrictions or potential impacts on personnel may disrupt our business. In addition, the related economic slowdown could negatively impact our revenues, assets and liabilities.

The ongoing COVID-19 pandemic and its impact on the global economy may affect our ability to meet our financial targets. While the long-term impact of the pandemic on our business and financial targets is not yet known, we may be materially adversely affected by a protracted downturn in local, regional or global economic conditions.

Continued elevated levels of political uncertainties worldwide, protectionist and anti-trade policies, further exacerbated by Hong Kong's new security status, and the ongoing transition period negotiations following the United Kingdom's departure from the European Union could have unpredictable consequences on the economy, market volatility and investors' confidence, which may lead to declines in business and could affect our revenues and profits as well as the execution of our strategic plans.

Brexit

As a result of Brexit and the transition period negotiations, some of our UK counterparties may lose their MiFID passport, and UK-based trading platforms, exchanges, and clearing venues may become third-country venues vis-à-vis the EU, and vice versa. In particular, UK-based brokers are establishing EU entities, or extending the scope of existing EU entities to ensure they can continue to service their EU clients, and this may entail operational changes and repapering of certain trading documentation. In such an eventuality, we have already taken actions to ensure we can continue to trade in accordance with regulatory requirements and fulfil client obligations by actively engaging with our key counterparties, platforms and venues. As the Group is headquartered in Frankfurt and operates with a significant European footprint, our operating model positions us well to continue our current business and operations even in the event of a "No-Deal" or partial "No-Deal" scenario. This risk may adversely impact our medium-term target for net flows and cost-income ratio.

Economic Environment

Unfavourable market conditions, increasing volatility, as well as cautious investor and client sentiment may materially and adversely affect our financial performance as well as the timely achievement of our strategic aspirations. At the beginning of 2020, global growth was reversed by the COVID-19 pandemic and the related negative impact on economic activity. Problems with the pandemic containment efforts globally and the prospect of second waves of infection have curbed economic recovery, although, should health risks decrease, a relatively rapid recovery can still be expected. In addition, changes in the interest rate environment may have an impact on our Fixed Income strategies as well as on the fair value of the guarantees we have sold. These changes in the fair value of the guarantees will be reflected in Other Revenues. These risks may adversely impact our medium-term target for net flows, cost-income ratio, and dividend payout ratio.

Digitalisation

Digitalisation offers new competitors market entry opportunities and we expect our businesses to have an increased need for investment in digital product and process resources to mitigate the risk of a potential loss of market share. This risk may adversely impact our medium-term target for net flows.

In addition, with increasing levels of digitalisation, cyber-attacks could lead to technology failures, security breaches, unauthorized access, loss or destruction of data or unavailability of services. Any of these events could involve litigation or cause us to suffer financial loss, disruption of our business activities, liability to our customers, government intervention or damage to our reputation.

Regulation

The regulatory reforms enacted and proposed in response to weaknesses in the financial sector together with the increased regulatory scrutiny will impose regulatory compliance costs on us, create significant uncertainty for us and may adversely affect our business plans as well as our ability to execute our strategic plans. Those changes that require us to maintain increased capital may significantly affect our business model, financial condition and results of operations as well as the competitive environment generally. In addition, investigations which may be conducted by regulatory agencies can negatively impact our financial performance. This risk may adversely impact our medium-term target for net flows, cost-income ratio and dividend payout ratio.

Regulators and central banks globally have set the goal of improving the robustness of financial benchmarks, especially interest rate benchmarks. As a result, the ongoing availability of, among other benchmarks including the London Interbank Offered Rate (LIBOR) and the Euro Overnight Index Average rate (EONIA and, together, IBORs) are planned to be discontinued by latest end 2021 – with the exact market transition expected to occur before then. These reforms are expected to cause at least some interest rate benchmarks to perform differently to the way that they do currently or to disappear, which may impact our current products and services and those we may provide in the future. The discontinuation of these IBORs and the potential transition to “risk-free-rates” (RFRs) pose a variety of risks to us. Depending on how these matters and the related risks develop, and the adequacy of the response of the industry, the market, regulators and us to them, the reform and discontinuation of IBORs and transition to RFRs could have adverse effects on our business, results of operations, capital requirements and profitability.

If we are unable to implement our strategy successfully, which is also subject to the previously mentioned factors, we may be unable to achieve our financial objectives, or we may incur losses or low profitability or erosion of our capital base, and our financial condition, results of operations and share price may be materially and adversely affected.

Although we have established comprehensive risk management policies, procedures and methods, including with respect to non-financial, market, credit, and liquidity risk, they may not be fully effective in mitigating our risk exposures in all economic market environments or against all types of risk, including risks that we fail to identify or anticipate.

For further details on risk management techniques and approaches please refer to the ‘Risk Report’.

Opportunities

Changing market conditions and investor needs have created significant opportunities for the Group and the asset management industry. Future asset growth is expected to be driven by the rapid increase in personal wealth in developing countries, as well as by pension funds, sovereign wealth funds, defined contribution plans, and insurers.

Our strategy has evolved through several major developments taking place in the asset management industry, all of which contribute, directly and indirectly, to anticipated growth rates:

- Demand for ESG investments is driving research, enhanced risk management and extensive product development, contributing favourably to our medium-term net flows target;
- Asset managers are developing new digital distribution capabilities as a way of accessing retail / direct-to-consumer channel, such as robo-advisory, particularly among younger customers, contributing favourably to our medium-term net flows target;
- Strong growth in outcome-oriented products, such as multi asset, is driven by a combination of demographics (the “baby boomer” generation demands increasingly sophisticated retirement solutions) and the shift from “defined benefit” to “defined contribution” pension funding, contributing favourably to our medium-term net flows target;
- Asset managers are playing a progressively larger role in providing capital to the economy, taking advantage of bank retrenchment due to regulatory and capital constraints and diminished ability of national governments to fund infrastructure investment, contributing favourably to our medium-term net flows target;
- Low interest rates are causing a shift from unmanaged assets, such as cash and deposit accounts, into managed portfolios, contributing favourably to our medium-term net flows target;
- Regulatory changes are stimulating demand for greater transparency and choice for the end consumer, contributing favourably to our medium-term net flows target.

Our strategy includes the deployment of capital to achieve both organic and inorganic growth. Our medium-term business plan includes an increase in our seed and co-investments to grow our business organically while continuing to align our interests with clients'. We also believe the trend of consolidation in the asset management industry will continue. We intend to deploy growth capital for mergers and acquisitions in a disciplined way by considering consolidation opportunities prevailing in the industry that enhance our market position in key growth areas, and/or for distribution access. Any merger and acquisition activity, in addition to meeting strategic objectives, would envisage prioritization of shareholder value creation and be measured against financial criteria such as attractive return on investment (ROI) and earnings accretion. Depending on the particular merger and acquisition opportunity pursued, its impact will contribute to our medium-term targets for net flows, cost-income ratio, and/or dividend payout ratio.

Overall Assessment

We believe DWS is well positioned to capture market opportunities and address asset management industry challenges. As illustrated above, changing market conditions and investor needs have created significant opportunities for us and the asset management industry, yet also require us to continuously monitor risks and run stress test scenarios.

Risk Report

Risk in DWS Group

We are continuously exposed to a variety of risks as a result of our business activities; these risks include non-financial risk, market risk, credit risk, strategic risk and liquidity risk. The corporate risk profile is driven by various external and internal factors. A key influence factor is fiduciary risk. As an asset manager, our fiduciary obligation is paramount and requires us to put the interests of our clients first. We achieve this by risk managing investment portfolios on behalf of clients and by complying with regulatory requirements and contractual obligations.

In this context, there are two core principles we embrace in our risk governance: every employee needs to manage risk and is obligated to ensure that we act in the best interest of our clients and our franchise; and we have a strict segregation of duties enabling us to operate a control environment that is designed to protect the franchise, our clients and shareholders.

Overall Risk Assessment

Material corporate risk categories include 1) non-financial risks (NFRs) including reputational risk and operational risk (with important sub-categories such as compliance risk, information security risks, technology operations risk, transaction processing, vendor and model risk) and 2) financial risks such as market risk associated with our co-investments, seed investments, guaranteed products, credit risk, liquidity risk and strategic risk. We manage the identification, assessment and mitigation of key risks through an internal governance process and the use of risk management tools and processes. We have a clearly defined risk appetite and our approach to identifying and assessing the impact aims to ensure that we mitigate the impact of these risks on our financial results, long-term strategic goals and reputation.

External factors outside of our control can have a significant effect. The continued elevated levels of political uncertainty worldwide, protectionism and increased tensions regarding trade and tariff negotiations, coupled with uncertainty around possible Brexit scenarios could have unpredictable consequences on the global economy, markets and investor confidence, which could lead to declines in business levels and could affect our revenues and profits as well as the execution of our strategic plans.

In addition to these geo-political risks, the first half of 2020 saw the COVID-19 pandemic escalate globally and lead to increased challenges due to higher transaction volumes, market volatility, and increasing information security threats. We invoked crisis management measures involving senior leaders from across the organisation, and focused on all aspects of our business, ranging from fund liquidity and identifying potential portfolio risks as a result of the crisis, through to ensuring the ongoing stability of our operations and technology platform as well as protecting our staff. At the height of the crisis, 95% of our staff globally were working from home utilising secure remote access allowing us to seamlessly continue to service our clients’ interests. As such, the business proved to be resilient and the key drivers for our risk profile have not changed in terms of themes and inherent risk exposure. All our portfolios were able to facilitate client redemptions, where some investors sought to reposition their portfolio(s) towards safety.

During these unprecedented times, having a clear action plan to ensure business continuity for our clients, colleagues and stakeholders has been more important than ever.

In 2020 our risk governance structure, framework, risk appetite and capacity remained unchanged. Please refer to the risk report in the 2019 full year accounts for details.

Update on Brexit

We have established a comprehensive, dedicated Brexit program focused on the planning and implementation of our Brexit contingency plans, with the objective of ensuring that we are able to continue to conduct our business and service clients, compliant with a post-Brexit regulatory environment, irrespective of the outcome of the Brexit process. As part of this program, an extensive analysis of our business operations, and how they may be impacted by Brexit, and a ‘No-Deal’ scenario in particular, was carried out, and measures were implemented ahead of the UK’s exit day from the EU to ensure we are prepared for all outcomes.

We continue to monitor the development in Brexit negotiations, as well as measures taken by EU regulators and national competent authorities of EU member states and of the UK, and are adjusting our Brexit response accordingly.

Whilst we have been focused on mitigating the impact of Brexit on our business and operations, potential changes in the regulatory environment may lead to increased compliance requirements and additional operating costs for us. Other risks that could have a material adverse effect on our business and financial position, particularly in the short to medium term, include (i) increased uncertainty and volatility in UK and EU financial, real estate and infrastructure markets; (ii) fluctuations in exchange rates between sterling, euro and other currencies; (iii) increased illiquidity of investments located or listed within the UK or the EU; (iv) the willingness of financial counterparties to enter into transactions, or the price at which they are prepared to transact.

Update on Risk and Capital Overview

Key Risk Metrics

We are required to adhere to the capital requirements applicable to Capital Requirements Regulation (CRR) investment firms, as outlined in Articles 95 and 98 of EU Regulation 575/2013 CRR.

Additionally, we manage our capital so as to satisfy the levels of regulatory capital defined in the EU Directive 2013/36 (CRD IV) and CRR and required by the relevant authority, BaFin, to cover risk weighted assets (RWA) for credit risks and market risks. RWA for operational risks are not required to be covered under the CRR rules applicable to DWS.

The Common Equity Tier 1 ratio (CET 1) and Risk Weighted Assets (RWA) metrics form part of our holistic risk management across individual risk types. Internal Capital Adequacy ratio (ICA), Economic Capital and Stressed Net Liquidity Position (SNLP) are DWS specific risk metrics in addition to the above described regulatory metrics.

Common Equity Tier 1 ratio	
June 30, 2020	30.5%
December 31, 2019	30.8%

Risk weighted assets	
June 30, 2020	€ 9,452 million
December 31, 2019	€ 9,187 million

Stressed net liquidity position	
June 30, 2020	€ 1,963 million
December 31, 2019	€ 2,018 million

As of June 30, 2020, our Common Tier 1 capital amounted to € 2,879 million which was € 51 million or 2% above the € 2,828 million Common Tier 1 capital as of December 31, 2019.

Update on Risk Management and Key Risk Drivers

Non-Financial Risk

Non-financial risk is comprised of operational risk and reputational risk.

In the first half of 2020, there have been no material changes to the governance structure, risk appetite, risk drivers or capacity in relation to our non-financial risks.

Financial Risk

Market Risk

In the first half of 2020, there have been no changes to the processes governing the identification, measurement, mitigation, reporting and monitoring of our market risk exposure. The primary objective in the management of our market risk remains to ensure that our risk exposure is within the approved appetite commensurate with its defined strategy.

In comparison to December 2019, there have been no material changes to the fair value of the main market risk related portfolios other than as described below.

Co-Investments: The fair value of the co-investment portfolio was € 404 million as of June 30, 2020 and € 403 million as of December 31, 2019, an increase by € 1 million in the first half of 2020 driven by net new capital investments of € 11 million, negatively offset by € 10 million in foreign exchange movements and the effects of the COVID-19 pandemic on the market values of some co-investment positions. These effects materialised due to the severe downturn in economic activity during the first half of 2020 but have been lessened as businesses start to resume operations, albeit not as per pre-COVID-19. The diversified nature of the co-investment portfolio has resulted in a lesser impact to values than would be the case for a more concentrated exposure. As of June 30, 2020, the portfolio also included € 90 million of unfunded commitments (€ 91 million as of December 31, 2019).

Guaranteed Products: The guarantee shortfall is particularly sensitive to movements in long-term interest rates. Consequently, the reduction in long term rates during the first half of 2020 resulted in a € 53 million increase in the shortfall provision from € 108 million as of December 31, 2019 to € 161 million as of June 30, 2020.

Credit Risk

The key driver of credit risk is the credit quality of the third party institutions in which overnight deposits and term deposits (up to one year) are placed. In the first half of 2020, the rating quality of our counterparty banks have been monitored. In addition, and recognising the current interest rate environment, alternatives to traditional bank continue to be considered. This has resulted in investments in US Treasuries/European Sovereign Bonds (€ 419 million) and money market funds (€ 266 million) thus reducing the credit risk of counterparty banks. Additionally, through the purchase of German sub-sovereign bonds the credit risk has been further diversified. As of 30 June 2020 the fair value of these bonds amounts to € 186 million. Due to the ultra-long maturity of these instruments, they simultaneously serve as a proxy hedge to the interest rate risk of our Guaranteed Products. Overall, our exposure to government bonds and money market funds is at a similar level to what was in place at 31 December 2019.

Consolidated Financial Statements

Consolidated Statement of Income (unaudited)

in € m.	Notes	Jan - Jun 2020	Jan - Jun 2019
Management fees income		1,586	1,556
Management fees expense		(525)	(510)
Net management fees	4	**1,061**	**1,046**
Performance and transaction fee income		40	77
Performance and transaction fee expense		(3)	(0)
Net performance and transaction fees	4	**37**	**76**
Net commissions and fees from asset management	4	**1,098**	**1,122**
Interest and similar income[1]		10	13
Interest expense		(8)	(9)
Net interest income		**2**	**5**
Net gains (losses) on financial assets/liabilities at fair value through profit or loss[2]		(157)	58
Net income (loss) from equity method investments		31	21
Provision for credit losses		0	0
Other income (loss)[2]		101	(63)
Total net interest and non-interest income		**1,074**	**1,142**
Compensation and benefits[3]		(376)	(440)
General and administrative expenses	5	(355)	(398)
Impairment of goodwill and other intangible assets	11	0	0
Total non-interest expenses		**(731)**	**(838)**
Profit (loss) before tax		**343**	**305**
Income tax expense	15	(101)	(90)
Net income (loss)		**243**	**214**
Attributable to:			
Non-controlling interests		1	1
DWS shareholders		242	214

[1] Interest and similar income included € 5 million and € 7 million for the first half year ended June 30, 2020 and 2019, respectively, calculated based on effective interest method.
[2] Net gains (losses) in financial assets/liabilities at fair value through profit or loss are impacted by valuation adjustments of € (54) million on derivatives (€ (22) million for the first half of 2019) and valuation adjustments of € (93) million for the first half of 2020 (€ 66 million for the first half of 2019) on guaranteed funds. Other income (loss) includes € 93 million for the first half of 2020 (€ (66) million for the first half of 2019) valuation adjustments on liabilities of guaranteed funds. DWS Group has no stake in these funds.
[3] Includes restructuring costs of € 10 million for the first half of 2020 (€ 29 million for the first half of 2019).

Consolidated Statement of Comprehensive Income (unaudited)

in € m.	Jan - Jun 2020	Jan - Jun 2019
Net income (loss) recognised in the income statement	**243**	**214**
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Remeasurement gains (losses) related to defined benefit plans, before tax	(1)	(30)
Total of income tax related to items that will not be reclassified to profit or loss	0	10
Items that are or may be reclassified to profit or loss		
Financial assets mandatory at fair value through other comprehensive income		
Unrealized net gains (losses) arising during the period, before tax	(10)	0
Realized net (gains) losses arising during the period (reclassified to profit or loss), before tax	0	0
Foreign currency translation		
Unrealized net gains (losses) arising during the period, before tax	(48)	18
Realized net (gains) losses arising during the period (reclassified to profit or loss), before tax	0	0
Equity method investments		
Net gains (losses) arising during the period	0	0
Total of income tax related to items that are or may be reclassified to profit or loss	3	0
Other comprehensive income (loss), net of tax	**(56)**	**(2)**
Total comprehensive income (loss), net of tax	**186**	**212**
Attributable to:		
Non-controlling interests	1	1
DWS shareholders	185	212

Earnings per Common Share (unaudited)

	Jan - Jun 2020	Jan - Jun 2019
Earnings per common share:		
Basic	€ 1.21	€ 1.07
Diluted	€ 1.21	€ 1.07
Number of common shares (in million)	200	200

Consolidated Balance Sheet (unaudited)

in € m.	Notes	Jun 30, 2020	Dec 31, 2019
ASSETS			
Cash and bank balances	10	2,340	2,086
Financial assets at fair value through profit or loss	7,9		
Trading assets		1,132	1,422
Positive market values from derivative financial instruments		0	2
Non-trading financial assets mandatory at fair value through profit or loss		1,190	1,452
Investment contract assets mandatory at fair value through profit or loss		506	544
Total financial assets at fair value through profit or loss	7,9	2,828	3,419
Financial assets at fair value through other comprehensive income	8,9	186	0
Equity method investments		303	276
Loans at amortized cost	10	3	3
Property and equipment		31	28
Right-of-use assets		125	130
Goodwill and other intangible assets	11	3,756	3,781
Assets held for sale		0	8
Other assets	10,12	1,147	1,079
Assets for current tax	15	87	18
Deferred tax assets	15	140	124
Total assets		**10,944**	**10,952**
LIABILITIES AND EQUITY			
Deposits	10	0	0
Financial liabilities at fair value through profit or loss	7,9		
Trading liabilities		17	9
Negative market values from derivative financial instruments		163	110
Investment contract liabilities designated at fair value through profit or loss		506	544
Total financial liabilities at fair value through profit or loss	7,9	685	663
Other short-term borrowings	10	84	83
Lease liabilities		135	140
Liabilities held for sale		0	2
Other liabilities	9,10,12	2,669	2,874
Provisions	13	12	15
Liabilities for current tax	15	115	102
Deferred tax liabilities	15	218	220
Long-term debt	10	0	0
Total liabilities		**3,919**	**4,100**
Common shares, no par value, nominal value of € 1.00	14	200	200
Additional paid-in capital		3,466	3,480
Retained earnings		3,063	2,823
Accumulated other comprehensive income (loss), net of tax		272	327
Total shareholders' equity		**7,002**	**6,830**
Non-controlling interests		24	23
Total equity		**7,025**	**6,852**
Total liabilities and equity		**10,944**	**10,952**

Consolidated Changes in Equity (unaudited)

	Shareholders' equity									Non-controlling interest	Total equity
					Accumulated other comprehensive income, net of tax[1]						
					Unrealized net gains (losses)						
in € m.	Common Stock	Additional paid in capital	Share awards	Retained earnings	On financial assets mandatory at fair value through other comprehensive income, net of tax	From equity method investments	Foreign currency translation net of tax	Total	Total		
Balance as of January 1, 2019	**200**	**3,358**	**114**	**2,612**	**0**	**19**	**210**	**229**	**6,514**	**20**	**6,534**
Total comprehensive income (loss), net of tax	0	0	0	214	0	0	18	18	232	0	233
Remeasurement gains (losses) related to defined benefit plans, net of tax	0	0	0	(20)	0	0	0	0	(20)	0	(20)
Common shares issued	0	0	0	0	0	0	0	0	0	0	0
Cash dividends paid	0	0	0	(274)	0	0	0	0	(274)	0	(274)
Net change in DB share awards in the reporting period, net of tax	0	0	(7)	0	0	0	0	0	(7)	0	(7)
Other	0	0	0	0	0	0	0	0	0	(1)	(2)
Balance as of June 30, 2019	**200**	**3,358**	**107**	**2,532**	**0**	**19**	**228**	**248**	**6,444**	**19**	**6,463**
Balance as of January 1, 2020	**200**	**3,358**	**122**	**2,823**	**0**	**19**	**308**	**327**	**6,830**	**23**	**6,852**
Total comprehensive income (loss), net of tax	0	0	0	242	(7)	(0)	(48)	(55)	186	1	188
Remeasurement gains (losses) related to defined benefit plans, net of tax	0	0	0	(1)	0	0	0	0	(1)	(0)	(1)
Cash dividends paid	0	0	0	0	0	0	0	0	0	0	0
Net change in DB share awards in the reporting period, net of tax	0	0	(13)	0	0	0	0	0	(13)	(0)	(13)
Other	0	0	0	0	0	0	0	0	0	(0)	(0)
Balance as of June 30, 2020	**200**	**3,358**	**109**	**3,063**	**(7)**	**19**	**259**	**272**	**7,002**	**24**	**7,025**

[1] Excluding remeasurement gains (losses) related to defined benefit plans, net of tax.

Consolidated Statement of Cash Flows (unaudited)

Cash flows are classified into operating activities, investing activities and financing activities with regard to the activities of the Group. The Group's cash flow statement presented below is prepared using the indirect method for cash flows from operating activities.

Cash Flows from Operating Activities

Operating activities cover mainly the commission and fee cash flows from customers as well as compensation and benefits and general and administrative expenses. In addition, operating activities include cash flows from other operating assets and liabilities on own account, which are excluded from investing and financing activities. Cash flows relating to trading assets and liabilities and derivative financial instruments are also reported net in a separate item under operating activities. Cash flows on taxes, interest and received dividends are included in operating activities. Cash flows for paid dividends are allocated to financing activities, as these are related to equity.

Cash Flows from Investing Activities

Investing activities contain cash flows resulting from purchase, sale and maturities of non-trading financial assets, financial assets mandatory at fair value through other comprehensive income, tangible and intangible assets. Non-trading financial assets include mainly treasury bonds, investments in money market funds and activities in co- and seed investments. Financial assets mandatory at fair value through other comprehensive income comprise government bonds. In addition, cash flows related to equity method investments are shown under investing activities.

Cash Flows from Financing Activities

Financing activities show cash flows from transactions related to equity and other borrowings including long term debt and other short-term borrowings. The principal payments of the lease liabilities are also allocated to financing activities, while the interest payments for lease liabilities are included in interest paid in operating activities.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash and bank balances on demand.

in € m.	Jan - Jun 2020	Jan - Jun 2019
Cash flows from operating activities:		
Net income (loss)	**243**	**214**
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Restructuring activities	10	29
(Gain) loss on sale of financial assets from investing activity	2	(9)
Deferred taxes, net	(10)	(10)
Impairment, depreciation, other amortization and (accretion)	35	35
Share of net loss (income) from equity method investments	(31)	(21)
Other non-cash movements	9	8
Income (loss) adjusted for non-cash charges, credits and other items	**258**	**248**
Adjustments for net change in operating assets and liabilities:		
Interest-earning time deposits with banks	(21)	19
Other assets	(113)	225
Financial liabilities designated at fair value through profit or loss and investment contract liabilities	(39)	45
Other liabilities	(99)	(208)
Trading assets and liabilities, pos. and neg. market values from derivative financial instruments, net[1]	353	(80)
Other, net	(169)	(169)
Net cash provided by (used in) operating activities	**170**	**82**
Thereof: Net cash provided by (used in) operating activities of guaranteed funds	(4)	(31)
Cash flows from investing activities:		
Proceeds from sale and maturities of:		
Non-trading financial assets mandatory at fair value through profit or loss	989	437
Purchase of:		
Non-trading financial assets mandatory at fair value through profit or loss	(735)	(696)
Financial assets mandatory at fair value through other comprehensive income	(196)	0
Equity method investments	0	(3)
Property and equipment	(5)	0
Additional intangible assets	(10)	(15)
Repayment of loans at amortized cost made to other parties	0	1
Net cash provided by (used in) investing activities	**43**	**(276)**
Cash flows from financing activities:		
Cash dividends paid to DWS shareholders	0	(274)
Repayment of other borrowings	4	(21)
Repayment of lease liabilities (principal)	(17)	(8)
Net change in non-controlling interests	1	(1)
Net cash provided by (used in) financing activities	**(11)**	**(304)**
Net effect of exchange rate changes on cash and cash equivalents	**28**	**14**
Net increase (decrease) in cash and cash equivalents	**230**	**(484)**
Cash and cash equivalents at beginning of period	1,987	2,186
Net increase (decrease) in cash and cash equivalents	230	(484)
Cash and cash equivalents at end of period	**2,217**	**1,701**

[1] The item mainly comprises trading assets from the consolidated guaranteed funds. The decrease of trading assets is driven by fund liquidation (€ 157 million), mark-to-market valuation losses (€ 93 million), and net disposals (€ 54 million) as of June 30, 2020. As of June 30, 2019, the increase of trading assets is driven by mark-to-market valuation gains (€ 67 million) and net purchases (€ 9 million).

in € m.	Jan - Jun 2020	Jan - Jun 2019
Supplemental cash flow information:		
Net cash provided by (used in) operating activities includes		
Income taxes paid (received), net	170	190
Interest paid	8	9
Interest received	7	11
Dividends received	3	3
Cash and cash equivalents comprise		
Cash and bank balances (excluding time deposits)[2]	2,217	1,701
Total cash and cash equivalents	**2,217**	**1,701**

[2] The balance sheet item cash and bank balances of € 2,340 million (June 30, 2019: € 1,807 million) comprises time deposits of € 122 million (June 30, 2019: € 106 million), bank balances on demand of € 2,217 million (June 30, 2019: € 1,701 million) and cash of € 0 million (June 30, 2019: € 0 million). The cash flow statement shows only cash and bank balances on demand.

Notes to the Consolidated Financial Statements (unaudited)

01 – Basis of Preparation

The accompanying half-yearly consolidated financial statements include DWS Group GmbH & Co. KGaA (DWS KGaA) and its subsidiaries (collectively the "Group" or "DWS Group") and were approved by the Executive Board on July 24, 2020.

They are stated in euros, the presentation currency of the Group except when otherwise indicated and are rounded to the nearest million. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figure. "N/A" means "not applicable".

The half-yearly consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU). The Group's application of IFRS results in no differences between IFRS as issued by the IASB and IFRS as endorsed by the EU. They comprise the reporting period from January 1, 2020 to June 30, 2020 with comparison period from January 1, 2019 to June 30, 2019 and as per December 31, 2019 where applicable. The presentation of this information is in compliance with IAS 34 "Interim financial reporting" and in accordance with Section 115 of the German Securities Trading Act (WpHG) in conjunction with Section 117 No. 2 WpHG.

Some IFRS disclosures incorporated in the Management Report are an integral part of the half-yearly consolidated financial statements. These include the results of operations which is presented in the 'Operating and Financial Review' and risk related information which is presented in the 'Risk Report'. The presentation of this information is in compliance with IFRS 8 "Operating segments".

The Group's half-yearly consolidated financial statements are unaudited and include supplementary disclosures on income statement, balance sheet and other financial information. They should be read in conjunction with the audited consolidated financial statements of DWS Group for 2019, for which the same accounting policies and critical accounting estimates have been applied with the exception of the newly adopted accounting pronouncements outlined in section 'Impact of Changes in Accounting Principles'.

There are no material changes in the composition of the Group compared to the period ending December 31, 2019.

The preparation of financial information under IFRS requires management to make estimates and assumptions for certain categories of assets and liabilities. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's estimates, especially in relation to the COVID-19 crisis, and the results reported should not be regarded as necessarily indicative of results that may be expected for the entire year.

The estimates and their underlying assumptions are based on past experience and are continually reviewed. In particular, the following changes were made for the reporting period:

Change in estimate of the service period for certain compensation awards

As a result of recent developments and historical experience, the Group has changed its estimate of the service period for certain compensation awards granted to employees to recognize compensation expense over the respective vesting periods in which the related employee services are rendered in the second quarter of 2020. As a result of the change in estimate, the Group's net award liability reduced by € 21 million as of June 30, 2020.

Adjustment of discount rate applied to the Group's pension obligations

The Group has changed its estimate of the discount rate at measurement date by adjusting the liquidity weighting applied to the underlying bonds to normalise increased spread of bond yields. Due to the change in discount rate approach the Group's net pension liability for the German pension plans reduced by € 6 million as of June 30, 2020.

Update on Financial Assets and Liabilities, Financial Instruments

IAS 32 “Financial instruments: presentation” defines financial instruments as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity, i.e. any contract representing contractual rights or obligations to pay or receive cash or other financial assets.

Derivative instruments are financial assets or liabilities that derive their value from an underlying, which require little or no initial investment and which are settled at a future date. The Group does not apply hedge accounting.

Financial assets and liabilities are recognized in the financial statements in accordance with the provisions of IFRS 9 as adopted by the European Union.

IFRS 9 Classification and Measurement

IFRS 9 “Financial Instruments” sets out requirements for recognizing and measuring financial instruments. IFRS 9 requires the classification of financial assets to be determined based on both the business model used for managing the financial assets and contractual cash flow characteristics of the financial assets (also known as SPPI - Solely Payments of Principal and Interest). The classification and measurement of financial liabilities under IFRS 9 are unchanged compared to IAS 39 “Financial instruments: recognition and measurement”.

Financial assets and financial liabilities are recognized in the Group’s consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Financial Assets

Non-derivative financial assets (debt or equity instruments) are classified in accounting categories in the financial statements that determine their accounting treatment and their subsequent measurement method. These financial assets are classified in one of the following three categories:

- financial assets at fair value through profit or loss
- financial assets at amortized cost
- financial assets at fair value through other comprehensive income (with and without recycling)

Business Model

There are three business models defined under IFRS 9 for financial assets which the Group applies all:

- hold to collect – Financial assets held with the objective to collect contractual cash flows
- hold to collect and sell – Financial assets held with the objective of both collecting contractual cash flows and selling financial assets
- other – Financial assets held with trading intent or that do not meet criteria of either “hold to collect” or “hold to collect and sell”

For “hold to collect” instruments the primary objective is to collect the nominal value of the receivable and any interest payable on these instruments, they are measured at amortized cost.

Since the first half of 2020, the Group also applies the business model “hold to collect and sell” for instruments where the primary objective is to both collect contractual cash flows and sell financial assets, the assigned debt instruments are measured at fair value through other comprehensive income. Interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of income. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

The remaining Group’s assets under IFRS 9 mainly comprises of consolidated funds under IFRS 10, co-investments and seed investment as well instruments to further diversify our liquidity and funding capabilities they are considered as “other business model” measured at fair value through profit and loss.

02 – Impact of Changes in Accounting Principles

Recently Adopted Accounting Pronouncements

Except as described below, the accounting policies applied in these consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended December 31, 2019.

The Group has adopted the amendment to IFRS 3 "Business combinations" and the Amendment to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors"" effective January 1, 2020. They did not have an impact on the Group's consolidated financial statements.

IFRS 3 "Business combinations"

On January 1, 2020, the Group adopted amendments to IFRS 3 "Business Combinations". These amendments clarify the determination of whether an acquisition made is of a business or a group of assets. The amended definition of a business emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. Distinguishing between a business and a group of assets is important because an acquirer recognizes goodwill only when acquiring a business. The adoption of the amendments did not have an impact on the Group's consolidated financial statements.

Amendment to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors"

On January 1, 2020, the Group adopted amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors". The amendments align the definition of 'material' across the standards and clarify certain aspects of the definition. The new definition states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

New Accounting Pronouncements

The following accounting pronouncements were not effective as of June 30, 2020 and therefore have not been applied in the first half year 2020.

IFRS 16 "Leases"

In May 2020, the IASB issued amendments to IFRS 16 "Leases" that include COVID-19-Related Rent Concessions to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendments are effective for annual periods beginning on or after June 1, 2020 with early adoption permitted including financial statements not yet authorized for issue at 28 May 2020. The amendment is also available for interim reports. The amendments will not have a material impact on the Group's consolidated financial statements. These amendments have yet to be endorsed by the EU.

IFRS 3 "Business combinations"

In May 2020, the IASB issued amendments to IFRS 3 "Business combinations". The amendments update an outdated reference in IFRS 3 without significantly changing its requirements. The amendments are effective for annual periods beginning on or after January 1, 2022 with early adoption permitted. The amendments will not have a material impact on the Group's consolidated financial statements. These amendments have yet to be endorsed by the EU.

IAS 37 "Provisions, contingent liabilities and contingent assets"

In May 2020, the IASB issued amendments to IAS 37, "Provisions, contingent liabilities and contingent assets" to clarify what costs an entity considers in assessing whether a contract is onerous. The amendments specify that the 'cost of fulfilling' a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments are effective for annual periods beginning on or after January 1, 2022 with early adoption permitted. The amendments will not have a material impact on the Group’s consolidated financial statements. These amendments have yet to be endorsed by the EU.

IAS 16 “Property, plant and equipment”

In May 2020, the IASB issued amendments to IAS 16 “Property, plant and equipment”. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022 with early adoption permitted. The amendments will not have a material impact on the Group’s consolidated financial statements. These amendments have yet to be endorsed by the EU.

Classification of Liabilities as Current or Non-current (amendments to IAS 1 “Presentation of Financial Statements”)

In January 2020, the IASB issued amendments to IAS 1 “Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current”. They clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. The amendments also clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments will be effective for annual periods beginning on or after January 1, 2022 with early adoption permitted. The amendments will not have a material impact on the Group’s consolidated financial statements. These amendments have yet to be endorsed by the EU.

Improvements to IFRS 2018-2020 Cycles

In May 2020, the IASB issued amendments to multiple IFRS standards, which resulted from the IASB’s annual improvement project for the 2018-2020 cycles. This comprises amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to IFRS 1 “Presentation of Financial Statements - First-time Adoption of International Financial Reporting Standards”, IFRS 9 “Financial Instruments”, IFRS 16 “Leases” and IAS 41 “Agriculture”. The amendments to IFRS 9 clarify which fees an entity includes when it applies the 10 per cent test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf. The amendments will be effective for annual periods beginning on or after January 1, 2022 with early adoption permitted. The amendments will not have a material impact on the Group’s consolidated financial statements. These amendments have yet to be endorsed by the EU.

03 – Business Segment and Related Information

The Group’s segmental reporting has been prepared in accordance with the “management approach”, which requires presentation of segments on the basis of the internal management report of the entity that are regularly reviewed by the Chief Operating Decision Maker (CODM).

The term CODM identifies a function, not necessarily a manager with a specific title. Although an entity cannot have more than one CODM, the CODM can be a group of persons. Generally, an operating segment has a segment manager who is directly accountable to and maintains regular contact with the CODM to discuss operating activities, financial results, forecasts, or plans for the segment. The term ‘segment manager’ also identifies a function, not necessary a single manager with a specific title.

The Group - based on this “management approach” - operates a single business segment for reporting and controlling purposes.

The Executive Board will be responsible as CODM for reviewing and monitoring the results of the Group and making strategic decisions around asset allocation and resources. The segment manager is the Executive Board.

The Group's operating activity is managed using one globally integrated investment group targeting the same client segments, distribution channels and asset classes. There is one centrally managed sales force servicing all of the business units / products and negotiating prices with clients and the Group is using largely shared infrastructure and support services (such as marketing, product strategy, product development and finance).

The management of the Executive Board extends to the steering and oversight of the entire Group such as strategy, planning, major personnel decisions, organisation, risk management and compliance systems.

Subsequently, the Executive Board sets strategy for the Group and its individual parts including the one centrally managed sales force and the largely shared infrastructure and support services. Although revenues will be monitored by the different asset classes - i.e. Traditional (Active/Passive) and Alternatives, all other direct and allocated costs, along with assets and liabilities, but also full-time employee and capital ratios will be analysed and monitored on an aggregated basis.

The following table presents total net interest and non-interest income by geographic area – based on the management approach of the Group:

in € m.	Jan - Jun 2020	Jan - Jun 2019
Germany	446	452
Europe (excluding Germany), Middle East and Africa	318	383
Americas	244	254
Asia/Pacific	67	54
Total net interest and non-interest income	**1,074**	**1,142**

Notes to the Consolidated Income Statement (unaudited)

04 – Net Commissions and Fees from Asset Management

Management fees are recognised as and when the service is performed and are charged largely as a percentage of AuM and are generally received on a monthly or quarterly basis. They mainly relate to gross fund management fees received and gross expenses mainly relate to distribution fees paid.

Performance fees are recognised based on the fund's performance relative to a benchmark/target return or the realized appreciation of the fund's investments. Variable performance fees based on specific contractual terms and fees from transaction related contracts (such as for real estate transactions for alternative funds) are further components of the performance and transaction fees.

The split of net commissions and fees from asset management by product and type is as follows:

in € m.	Jan - Jun 2020	Jan - Jun 2019
Management fees:		
Management fee income	1,586	1,556
Management fee expense	(525)	(510)
Net management fees	**1,061**	**1,046**
Thereof:		
Active Equity	325	325
Active Multi Asset	91	87
Active SQI[1]	93	91
Active Fixed Income	147	144
Active Cash	14	12
Passive	140	145
Alternatives	240	232
Other[2]	10	10
Performance and transaction fees:		
Performance and transaction fee income	40	77
Performance and transaction fee expense	(3)	(0)
Net performance and transaction fees	**37**	**76**
Thereof:		
Alternatives	29	67
Active and Other	9	9
Total net commissions and fees from asset management	**1,098**	**1,122**

[1] SQI stands for Systematic & Quantitative Investments.
[2] Other recurring fees include ongoing fees for products not captured in a product mix, for example, custody fees for client accounts.

The split of total commission and fee income from asset management by geography as booked in regions is as follows:

in € m.	Jan - Jun 2020	Jan - Jun 2019
Commission and fee income from asset management:		
Germany	680	642
Europe (excluding Germany), Middle East and Africa	613	653
Americas	307	312
Asia/Pacific	26	27
Total commission and fee income from asset management	**1,626**	**1,633**
Commission and fee expense from asset management	**(528)**	**(511)**
Net commissions and fees from asset management	**1,098**	**1,122**

05 – General and Administrative Expenses

in € m.	Jan - Jun 2020	Jan - Jun 2019[1]
General and administrative expenses:		
IT costs	(55)	(58)
Professional service fees	(22)	(19)
Communication and data services	(34)	(39)
Occupancy, furniture and equipment expenses	(22)	(31)
Banking and transaction charges	(97)	(101)
Marketing expenses	(9)	(14)
Travel expenses	(5)	(11)
Charges from Deutsche Bank Group[2]	(69)	(82)
Other expenses	(43)	(43)
Total general and administrative expenses	**(355)**	**(398)**

[1] Prior year numbers have been restated to reflect the shift of representation expenses from travel expenses (€ 4 million) to marketing expenses (€ (2) million) and other expenses (€ (2) million), and outsourced operations from professional service fees (€ 3 million) to banking and transaction charges (€ (3) million).
[2] Thereof € (55) million related to infrastructure charges from DB Group for the first half year 2020 (€ (63) million for the first half year 2019) and € (14) million related to DWS functions in DB entities for the first half year 2020 (€ (19) million for the first half year 2019).

06 – Restructuring

The Group has defined and implemented measures as part of our cost efficiency plan and thereby is targeting to transform DWS into a leaner and more agile organization.

Restructuring expense is comprised of termination benefits, additional expenses covering the acceleration of deferred compensation awards not yet amortized due to the discontinuation of employment and contract termination costs related to real estate.

in € m.	Jan - Jun 2020	Jan - Jun 2019
Restructuring – staff related	(10)	(29)
Thereof:		
Termination benefits	(6)	(27)
Retention acceleration	(4)	(3)
Social security	(0)	(0)
Restructuring – non-staff related	0	0
Total net restructuring charges	**(10)**	**(29)**

Notes to the Consolidated Balance Sheet (unaudited)

07 – Financial Assets/Liabilities at Fair Value through Profit or Loss

in € m.	Jun 30, 2020	Dec 31, 2019
Financial assets classified as held for trading:		
Trading assets	1,132	1,422
Thereof:		
Held by consolidated guaranteed mutual funds	1,001	1,305
Positive market values from derivative financial instruments	0	2
Total financial assets classified as held for trading	**1,132**	**1,423**
Non-trading financial assets mandatory at fair value through profit or loss	1,190	1,452
Investment contract assets mandatory at fair value through profit or loss	506	544
Total financial assets at fair value through profit or loss	**2,828**	**3,419**
Financial liabilities classified as held for trading:		
Trading liabilities	17	9
Negative market values from derivative financial instruments	163	110
Total financial liabilities classified as held for trading	**180**	**119**
Financial liabilities designated at fair value through profit or loss:		
Investment contract liabilities designated at fair value through profit or loss	506	544
Total financial liabilities designated at fair value through profit or loss	**506**	**544**
Total financial liabilities at fair value through profit or loss	**685**	**663**

Trading assets mainly comprise the consolidated guaranteed mutual funds excluding cash and bank balances. The decrease in guaranteed mutual funds is mainly driven by liquidation of one fund (€ 157 million), mark-to-market valuation losses (€ 93 million), and net disposals (€ 54 million). The funds' assets belong to investors and are consolidated under IFRS 10 even though DWS is not an investor. The Group reports the corresponding liabilities (including cash and bank balances) as financial liabilities held at fair value in the position 'Payables from guaranteed and other consolidated funds' under financial instruments carried at fair value (see note 9 'Financial Instruments carried at Fair Value').

The non-trading financial assets mandatory at fair value through profit or loss include co-investments and seed investments, corporate cash invested into money market funds, and government bonds mainly held for regulatory purposes. The non-trading financial assets mandatory at fair value through profit or loss decreased by € 262 million primarily driven by a reduction of corporate cash invested into money market funds (€ 266 million as of June 30, 2020, € 518 million as of December 31, 2019) and a decrease of government bonds (€ 419 million as of June 30, 2020, € 443 million as of December 31, 2019).

The investment contract assets are matched by the respective liabilities at fair value through profit or loss (€ 506 million as of June 30, 2020, € 544 million as of December 31, 2019). The decrease is mainly driven by negative performance of € 35 million within the related investment funds and net redemptions of € 4 million. This net movement for the year is reflected in both investment contract assets and liabilities.

The negative market values from derivative financial instruments mainly include the change in fair value of guaranteed contracts which do not qualify as a financial guarantee (€ 161 million as of June 30, 2020, € 108 million as of December 31, 2019).

Further details of the financial assets/liabilities including a breakdown into classes of financial instruments are shown in note 10 'Fair Value of Financial Instruments not carried at Fair Value'. All classes are reflected at fair value in the consolidated financial statements.

08 – Financial Assets at Fair Value through Other Comprehensive Income

in € m.	Jun 30, 2020	Dec 31, 2019
Financial assets at fair value through other comprehensive income:		
Debt instruments:		
German sub-sovereign bonds	186	0
Total financial assets at fair value through other comprehensive income	**186**	**0**

During the second quarter 2020, the Group acquired long term German sub-sovereign bonds with an amortised cost value of € 196 million in order to manage the interest-rate exposure resulting from guaranteed retirement products. The carrying value as of June 30, 2020 was € 186 million.

09 – Financial Instruments carried at Fair Value

Overview

The Group classifies its financial assets and liabilities carried at fair value into the following categories:

- trading assets and trading liabilities, measured at fair value through profit or loss
- positive market value from derivative financial instruments, measured at fair value through profit or loss
- non-trading financial assets mandatory at fair value through profit or loss,
- investment contract assets mandatory at fair value through profit or loss,
- debt instruments mandatory at fair value through other comprehensive income,
- negative market value from derivative financial instruments, measured at fair value through profit or loss
- investment contract liabilities, designated at fair value through profit or loss, and
- payables from guaranteed and other consolidated funds, measured at amortized cost

Appropriate classification of financial assets and liabilities at fair value is determined at the time of initial recognition or when reclassified in the balance sheet.

Financial instruments classified at fair value through profit or loss are recognised or derecognised on trade date, which is the date on which the Group commits to purchase or sell the asset or issue or repurchase the financial liability.

Payables from guaranteed and other consolidated funds are shown in other liabilities in the balance sheet. The valuation basis of the other liabilities reflected at amortized cost is the fair value of the respective assets. The Group reflects these liabilities with their implied fair value.

Fair Value Hierarchy

The financial instruments carried at fair value have been categorised under the three levels of the IFRS fair value hierarchy as follows:

Level 1 - Instruments valued using quoted prices in active markets are instruments where the fair value can be determined directly from prices which are quoted in active, liquid markets and where the instrument observed in the market is representative of that being priced in the Group's inventory.

These include: government bonds and equity instruments and derivatives traded on active, liquid exchanges.

Level 2 - Instruments valued with valuation techniques using observable market data are instruments where the fair value can be determined by reference to similar instruments trading in active markets, or where a technique is used to derive the valuation but where all inputs to that technique are observable.

These include: mainly trading assets in guaranteed funds and their corresponding payables from guaranteed and other consolidated funds, investment contract assets mandatory at fair value through profit or loss and the investment contract liabilities designated at fair value through profit or loss as well as seed investments and German sub-sovereign bonds.

Level 3 - Instruments valued using valuation techniques using market data which is not directly observable are instruments where the fair value cannot be determined directly by reference to market-observable information, and some other pricing technique must be employed. Instruments classified in this category have an element which is unobservable and which has a significant impact on the fair value.

These mainly include co-investments.

The following table shows the fair values for each class of financial assets and financial liabilities at fair value, including their levels in the fair value hierarchy. It does not include fair value information of financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of its fair value.

				Jun 30, 2020
				Fair value
in € m.	Quoted prices in active market (Level 1)	Valuation technique observable parameters (Level 2)	Valuation technique unobservable parameters (Level 3)	Total
Financial assets held at fair value:				
Trading assets:				
Debt instruments	15	62	0	78
Investment funds	0	995	0	995
Equity instruments	58	0	0	58
Total trading assets	**74**	**1,058**	**0**	**1,132**
Positive market values from derivative financial instruments	0	0	0	0
Non-trading financial assets mandatory at fair value through profit or loss:				
Debt instruments	419	0	15	434
Investment funds	24	315	408	747
Equity instruments	0	0	8	8
Total non-trading financial assets mandatory at fair value through profit or loss	**443**	**315**	**432**	**1,190**
Investment contract assets mandatory at fair value through profit or loss:				
Investment funds	0	506	0	506
Financial assets at fair value through other comprehensive income				
Debt instruments	0	186	0	186
Total financial assets held at fair value	**517**	**2,064**	**432**	**3,013**
Financial liabilities held at fair value:				
Trading liabilities:				
Debt instruments	0	0	0	0
Equity instruments	17	0	0	17
Total trading liabilities	**17**	**0**	**0**	**17**
Negative market values from derivative financial instruments	0	1	161	163
Investment contract liabilities designated at fair value through profit or loss	0	506	0	506
Payables from guaranteed and other consolidated funds	0	1,051	0	1,051
Total financial liabilities held at fair value	**17**	**1,558**	**161**	**1,737**

				Dec 31, 2019
				Fair value
in € m.	Quoted prices in active market (Level 1)	Valuation technique observable parameters (Level 2)	Valuation technique unobservable parameters (Level 3)	Total
Financial assets held at fair value:				
Trading assets:				
Debt instruments	8	58	0	67
Investment funds	0	1,251	0	1,252
Equity instruments	103	0	0	103
Total trading assets	**112**	**1,310**	**0**	**1,422**
Positive market values from derivatives	0	2	0	2
Non-trading financial assets mandatory at fair value through profit or loss:				
Debt instruments	443	0	16	459
Investment funds	2	580	403	984
Equity instruments	0	0	8	8
Total non-trading financial assets mandatory at fair value through profit or loss	**446**	**580**	**427**	**1,452**
Investment contract assets mandatory at fair value through profit or loss:				
Investment funds	0	544	0	544
Financial assets at fair value through other comprehensive income				
Debt instruments	0	0	0	0
Total financial assets held at fair value	**557**	**2,435**	**427**	**3,419**
Financial liabilities held at fair value:				
Trading liabilities:				
Debt instruments	0	0	0	0
Equity instruments	9	0	0	9
Total trading liabilities	**9**	**0**	**0**	**9**
Negative market values from derivative financial instruments	1	2	108	110
Investment contract liabilities designated at fair value through profit or loss	0	544	0	544
Payables from guaranteed and other consolidated funds	0	1,356	0	1,356
Total financial liabilities held at fair value	**10**	**1,901**	**108**	**2,019**

Valuation Methods and Controls

The valuation methods and controls of the Group are noted below. All valuations are performed on a recurring basis.

Prices quoted in active markets – The fair value of instruments that are quoted in active markets is determined using the quoted prices where they represent prices at which regularly and recently occurring transactions take place.

Valuation techniques using observable market data – The Group uses valuation techniques to establish the fair value of instruments where prices quoted in active markets are not available. Valuation techniques used for financial instruments include modelling techniques, the use of indicative quotes for proxy instruments, quotes from recent and less regular transactions and broker quotes.

For some financial instruments a rate or other parameter, rather than a price is quoted. Where this is the case then the market rate or parameter is used as an input to a valuation model to determine fair value. For some instruments, modelling techniques follow industry standard models, for example, discounted cash flow analysis and standard option pricing models. These models are dependent upon estimated future cash flows, discount factors and volatility levels.

Frequently, valuation models require multiple parameter inputs. Where possible, parameter inputs are based on observable data or are derived from the prices of relevant instruments traded in active markets. Where observable data is not available for parameter inputs, then other market information is considered. For example, indicative broker quotes and consensus pricing information are used to support parameter inputs where they are available.

Valuation techniques using unobservable market data - Where no observable information is available to support parameter inputs then they are based on other relevant sources of information such as prices for similar transactions, historic data, economic fundamentals, and research information, with appropriate adjustment to reflect the terms of the actual instrument being valued and current market conditions.

Significant unobservable inputs and valuation adjustments are subject to regular reviews. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation control group assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Validation and control - The Group has an established valuation control framework which governs internal control standards, methodologies, and procedures over the valuation process. The Principal Valuation Control Council (PVCC) is a key forum for the Group to review the completeness control results and ensure that all fair value assets and liabilities have been subject to the appropriate valuation control process. In addition, the PVCC ensures review and appropriateness of various detailed aspects of the controls such as Independent Price Verification classification, testing thresholds and market data approvals.

DB Group has an independent specialised valuation control group within its Finance function which governs and develops the valuation control framework and manages the valuation control processes which covers the valuation of financial instruments across all levels of the fair value hierarchy. The mandate of this specialist function includes the performance of the independent valuation control process for all businesses including DWS Group, the continued development of valuation control methodologies and techniques, as well as devising and governing the formal valuation control policy framework. A key focus of this independent valuation control group is directed to areas where management judgment forms part of the valuation process, including regular review of significant unobservable inputs and valuation adjustments mentioned above. The PVCC oversees the valuation control processes performed by DB Group's specialist valuation function on behalf of the Group.

Results of the valuation control process are collected and analysed as part of a standard monthly reporting cycle. Variances outside of pre-set and approved tolerance levels are escalated both within the Finance function and Senior Business Management for review, resolution and, if required, adjustment. This process is summarised in the Valuation Control Report, and reviewed by the PVCC.

For instruments where fair value is determined from valuation models, the assumptions and techniques used within the models are independently validated by DB Group's independent specialist model validation group.

Valuation Techniques

The following are explanations of the valuation techniques used in establishing the fair value of the different classes and types of financial instruments that the Group trades.

Trading assets and Payables from guaranteed and other consolidated funds

Guaranteed Funds – the assets are reflected under trading assets and valuation follows the valuation prepared by the consolidated guaranteed fund and includes relevant IFRS adjustments if applicable. The liabilities are reflected under payables from guaranteed and other consolidated funds and the valuation of the implied fair value is based on the valuation of the respective assets.

Derivatives

The Group manages guaranteed retirement accounts which provide a full or partial notional guarantee at maturity. This guarantee is not considered as a financial guarantee but as a derivative. Depending on the account, guarantee level and on the maturity of the account, all accounts are invested in a combination of dedicated government bond funds with fixed duration and dedicated equity and balanced target funds. The valuation of accounts is dependent on the valuation of the underlying target funds. The fair value for the accounts shortfall is calculated with option pricing models using Monte-Carlo simulations including the behavioural risk of the client.

Non-trading financial assets mandatory at fair value through profit or loss

Where there are no recent transactions then fair value may be determined from the last market price adjusted for all changes in risks and information since that date. Where a close proxy instrument is quoted in an active market then fair value is determined by adjusting the proxy value for differences in the risk profile of the instruments. Where close proxies are not available then fair value is estimated using more complex modelling techniques. These techniques include discounted cash flow models using current market rates for credit, interest, liquidity and other risks. For equity instruments and investment funds modelling techniques may also include those based on earnings multiples.

Investment contract assets mandatory at fair value through profit or loss and investment contract liabilities designated at fair value through profit or loss

Assets reflected under Financial Assets mandatory at fair value through profit or loss which are matched to the investment contract liabilities designated at fair value through profit or loss are owned by the Group. The investment contract obliges the Group to use these assets to settle these liabilities. Therefore, the fair value of investment contract liabilities is determined by the fair value of the underlying assets based on the published fund price.

Financial assets at fair value through other comprehensive income

The valuation of the bond is based on observed market prices as well as broker quotes.

Transfers

Transfers between levels 1 and 2 take place when there is a change in the inputs that is relevant to categorization in the fair value hierarchy.

Where applicable, transfers between levels 1, 2 and 3 are assumed to take place at the beginning of the year.

There were no transfers between level 1 and 2 in the first half of 2020 and in the first half of 2019 respectively.

Level 3 Transfers

There were transfers into level 3 in the amount of € 1 million during the six months period ending June 30, 2020 (€ 0 million for the six months period ending June 30, 2019).

Analysis of Financial Instruments with Fair Value Derived from Valuation Techniques Containing Significant Unobservable Parameters (Level 3)

Financial assets/liabilities at fair value categorised in this level of the fair value hierarchy are valued based on one or more unobservable parameters.

Non-trading financial assets mandatory at fair value through profit or loss include unlisted equity instruments where there is no close proxy and the market is illiquid.

Reconciliation of financial instruments classified in Level 3

									Jun 30, 2020
in € m.	Balance, beginning of year	Changes in the group of consolidated companies	Total gains (losses)	Purchases	Sales	Settle-ments	Transfers into Level 3	Transfers out of Level 3	Balance, end of period
Financial assets held at fair value:									
Non-trading financial assets mandatory at fair value through profit or loss:									
Debt Instruments	16	0	(0)	0	0	0	0	0	15
Investment Funds	403	0	(8)	16	(2)	0	1	0	408
Equity Instruments	8	0	(1)	1	0	0	0	0	8
Total non-trading financial assets mandatory at fair value through profit or loss	**427**	**0**	**(9)**	**16**	**(2)**	**0**	**1**	**0**	**432**
Total financial assets held at fair value	**427**	**0**	**(9)**	**16**	**(2)**	**0**	**1**	**0**	**432**
Financial liabilities held at fair value:									
Negative market values from derivative financial instruments	108	0	53	0	0	0	0	0	161
Other financial liabilities at fair value	0	0	0	0	0	0	0	0	0
Total financial liabilities held at fair value	**108**	**0**	**53**	**0**	**0**	**0**	**0**	**0**	**161**

									Jun 30, 2019
in € m.	Balance, beginning of year	Changes in the group of consolidated companies	Total gains (losses)	Purchases	Sales	Settle-ments	Transfers into Level 3	Transfers out of Level 3	Balance, end of period
Financial assets held at fair value:									
Non-trading financial assets mandatory at fair value through profit or loss:									
Debt Instruments	8	0	(0)	2	(8)	0	0	0	1
Investment Funds	322	0	15	52	(29)	0	0	0	359
Equity Instruments	8	0	(1)	3	(3)	0	0	0	8
Total non-trading financial assets mandatory at fair value through profit or loss	**337**	**0**	**14**	**57**	**(40)**	**0**	**0**	**0**	**368**
Total financial assets held at fair value	**337**	**0**	**14**	**57**	**(40)**	**0**	**0**	**0**	**368**
Financial liabilities held at fair value:									
Negative market values from derivative financial instruments	79	0	21	0	0	0	0	0	100
Other financial liabilities at fair value	0	0	0	0	0	0	0	0	0
Total financial liabilities held at fair value	**79**	**0**	**21**	**0**	**0**	**0**	**0**	**0**	**100**

Sensitivity Analysis of Unobservable Parameters

The value of level 3 financial instruments is dependent on unobservable parameter inputs from a range of reasonably possible alternatives. Appropriate levels for these unobservable input parameters are selected to ensure consistency with prevailing market evidence. Where the Group has marked the financial instruments using parameter values drawn from the extremes of the range of reasonably possible alternatives, then as of June 30, 2020 it could have increased fair value by as much as € 12 million or decreased fair value by as much as € 57 million. As of December 31, 2019 it could have increased fair value by as much as € 2 million or decreased fair value by as much as € 35 million.

The changes in sensitivities from December 31, 2019 to June 30, 2020 show an increase to the negative fair value movement from using reasonable possible alternatives by € 22 million mainly driven by market movements including updates to the cancellation rate.

The sensitivity calculation aligns to the approach used to assess valuation uncertainty for prudent valuation purposes. Prudent valuation is a mechanism for quantifying valuation uncertainty and assessing an exit price with a 90% certainty. Under EU regulation, the additional valuation adjustments (AVAs) would be applied as a deduction from Tier 1 capital (CET1).

The Group has limited potential impact from the relative uncertainty in the fair value of financial instruments for which valuation is dependent on unobservable parameters.

	Jun 30, 2020		Dec 31, 2019	
in € m.	Positive fair value movement from using reasonable possible alternatives	Negative fair value movement from using reasonable possible alternatives	Positive fair value movement from using reasonable possible alternatives	Negative fair value movement from using reasonable possible alternatives
Non-trading financial assets mandatory at fair value through profit or loss:				
Debt instruments	0	1	0	0
Investment funds	1	44	1	33
Equity instruments	0	1	0	1
Negative market values from derivative financial instruments:				
Other derivatives	11	11	1	1
Total	**12**	**57**	**2**	**35**

Quantitative Information about the Sensitivity of Significant Unobservable Inputs

The range of values shown below represents the highest and lowest inputs used to value the exposures within Level 3.

As of June 30, 2020 (December 31, 2019 respectively) the fair value of the non-trading financial assets mandatory through profit or loss under IFRS 9 “Financial Instruments” are based on the net asset value of the underlying asset.

For other derivatives, the range for the cancellation rate is mainly driven by the different distribution channels and product types. The methodology to determine the input for the cancellation rates parameter was refined to more appropriately reflect emerging trends. This had a positive P&L impact of € 24 million the first half of 2020.

Financial instruments classified in Level 3 and quantitative information about unobservable inputs

						Jun 30, 2020
	Fair value					
in € m. (unless stated otherwise)	Assets	Liabilities	Valuation technique(s)	Significant unobservable input(s) (Level 3)	Range	
Financial instruments held at fair value – held for trading and mandatory at fair value through profit or loss:						
Non-trading financial assets mandatory at fair value through profit or loss:	432	0				
Debt instruments	15	0	Intex model	Credit Spread	2%	10%
				Recovery rate	75%	75%
				Default rate	1%	1%
				Pre-payment rate	10%	25%
Investment funds	404	0	Market approach	Price per net asset value	100%	100%
	5	0	Intex model	Credit Spread	11%	14%
				Recovery rate	75%	75%
				Default rate	1%	1%
				Pre-payment rate	10%	25%
Equity instruments	8	0	Market approach	Price per net asset value	100%	100%
Total non-derivative financial instruments held at fair value	**432**	**0**				
Financial instruments held at fair value - derivative financial instruments:						
Market values from derivative financial instruments:						
Other derivatives	0	161	Option pricing model	Cancellation rate	1%	15%
Total market values from derivative financial instruments	**0**	**161**				

in € m. (unless stated otherwise)	Fair value Assets	Fair value Liabilities	Valuation technique(s)	Significant unobservable input(s) (Level 3)	Range	Dec 31, 2019
Financial instruments held at fair value – held for trading and mandatory at fair value through profit or loss:						
Non-trading financial assets mandatory at fair value through profit or loss:	427	0				
Debt instruments	16	0	Intex model	Credit Spread	1%	8%
				Recovery rate	60%	60%
				Default rate	3%	3%
				Pre-payment rate	24%	24%
Investment funds	398	0	Market approach	Price per net asset value	100%	100%
	5	0	Intex model	Credit Spread	13%	13%
				Recovery rate	60%	60%
				Default rate	1%	1%
				Pre-payment rate	24%	24%
Equity instruments	8	0	Market approach	Price per net asset value	100%	100%
Total non-derivative financial instruments held at fair value	**427**	**0**				
Financial instruments held at fair value - derivative financial instruments:						
Market values from derivative financial instruments:						
Other derivatives	0	108	Option pricing model	Cancellation rate	0%	15%
Total market values from derivative financial instruments	**0**	**108**				

Unrealised Gains or Losses on Level 3 Instruments held or in Issue at the Reporting Date

The unrealised gains or losses on level 3 instruments are not due solely to unobservable parameters. Many of the parameter inputs to the valuation of instruments in this level of the hierarchy are observable and the gain or loss is partly due to movements in these observable parameters over the period.

in € m.	Jan - Jun 2020	Jan - Jun 2019
Financial assets held at fair value:		
Non-trading financial assets mandatory at fair value through profit or loss :		
Debt Instruments	(0)	0
Investment Funds	(4)	13
Equity Instruments	(1)	(1)
Total non-trading financial assets mandatory at fair value through profit or loss	(5)	13
Total financial assets held at fair value	**(5)**	**13**
Financial liabilities held at fair value:		
Negative market values from derivative financial instruments	(53)	(21)
Total financial liabilities held at fair value	**(53)**	**(21)**
Total	**(58)**	**(9)**

10 – Fair Value of Financial Instruments not carried at Fair Value

The Group classifies its financial assets and liabilities not carried at fair value into the following categories: cash and bank balances, loans, assets held for sale, other financial assets, deposits, other short-term borrowing, liabilities held for sale, long-term debt, and other financial liabilities. Appropriate classification of financial assets and liabilities not carried at fair value is determined at the time of initial recognition or when reclassified in the balance sheet.

The valuation techniques used to establish fair value for the Group's financial instruments which are not carried at fair value in the balance sheet and their respective IFRS fair value hierarchy categorization are consistent with those outlined in Note 9 'Financial Instruments carried at Fair Value'.

Other financial instruments not carried at fair value are not managed on a fair value basis, for example, loans and deposits. For these instruments, fair values are calculated for disclosure purposes only and do not impact the balance sheet or income statement. Additionally, since the instruments generally do not trade, there is significant management judgment required to determine these fair values.

Short-term financial instruments – The carrying value represents a reasonable estimate of fair value for the following classes of financial instruments which are predominantly short-term:

Assets	Liabilities
Cash and bank balances	Deposits
Assets held for sale	Other short-term borrowings
Other financial assets	Liabilities held for sale
	Other financial liabilities

Long-term financial instruments – Within these categories, fair value is determined by discounting contractual cash flows using rates which could be earned for assets with similar remaining maturities and credit risks such as loans and in the case of long-term liabilities, rates at which the liabilities with similar remaining maturities could be issued, at the balance sheet date.

Loans – The difference between the carrying value and fair value is due to market risk or credit risk that is dependent on the terms of the loan including interest rates, that has insignificant impact on the current positions.

Estimated fair value of financial instruments not carried at fair value on the balance sheet

	Jun 30, 2020		Dec 31, 2019	
in € m.	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Cash and bank balances	2,340	2,340	2,086	2,086
Loans	3	3	3	3
Assets held for sale	0	0	8	8
Other financial assets	1,077	1,077	1,020	1,020
Thereof: receivables from				
Brokerage and securities	435	435	307	307
Commissions/Fees	228	228	217	217
Remaining other financial assets	414	414	496	496
Financial liabilities:				
Other short-term borrowings	84	84	83	83
Liabilities held for sale	0	0	2	2
Other financial liabilities	1,430	1,430	1,333	1,333
Thereof: payables from				
Brokerage and securities	426	426	266	266
Performance related payments	176	176	258	258
Commissions/Fees	161	161	179	179
Remaining other financial liabilities	667	667	631	631
Long-term debt	0	0	0	0

As of June 30, 2020, the Group's balance of receivables from commission and fee income was € 228 million (€ 217 million as of December 31, 2019). As of June 30, 2020, the Group's balance of liabilities associated with commission and fee income was € 161 million (€ 179 million as of December 31, 2019). The Group has no contract liabilities as of June 30, 2020 and as of December 31, 2019 respectively which arise from the Group's obligation to provide future services to a customer for which it has received consideration from the customer prior to completion of the services. The balances of receivables and liabilities do not vary significantly from period to period reflecting the fact that they predominately relate to recurring service contracts with service periods of less than one year such as monthly and quarterly asset management services. Customer payment in exchange for services provided are generally subject to performance by the Group over the specific service period such that the Group's right to payment arises at the end of the service period when its performance obligations are fully completed.

11 – Goodwill and Other Intangible Assets

DWS Group has one cash-generating unit (CGU) for the purpose of impairment testing since the Group is managed as a single business segment for controlling and reporting purposes.

Goodwill, indefinite and definite life intangible assets are tested for impairment annually in the fourth quarter or more frequently if there are indications that the carrying value may be impaired.

Goodwill is tested for impairment purposes at the cash-generating unit (CGU) level. Definite life intangible assets are also tested for impairment purposes at the cash-generating unit (CGU) level since they typically do not generate cash inflows that are independent of those from other assets. Indefinite life intangible assets are tested at individual asset level.

As of June 30, 2020, an assessment was performed to evaluate if there is an indication that impairment existed at that date. This assessment did not result in any indication of impairment of the Group's goodwill and the retail investment management agreements shown under unamortized intangible assets.

As part of the assessment the assumptions and their sensitivities of the annual goodwill impairment test were reviewed and did not indicate an impairment. The assessment of the main input parameters and their sensitivities of the retail investment management agreements indicated that the recoverable amount approximates the carrying amount. Accordingly, management will continue to monitor key assumptions (e.g. assets under management) and their sensitivities on a frequent basis as changes could cause an impairment loss in the future.

Goodwill

Changes in Goodwill

The changes in the carrying amount of goodwill, as well as gross amounts and accumulated impairment losses of goodwill, for the period ended June 30, 2019 and June 30, 2020, are as follows.

in € m.	
Balance as of January 1, 2019	**2,843**
Exchange rate changes	10
Balance as of June 30, 2019	**2,853**
Gross amount of goodwill	2,853
Accumulated impairment losses	0
Balance as of January 1, 2020	**2,881**
Exchange rate changes	(7)
Balance as of June 30, 2020	**2,874**
Gross amount of goodwill	2,874
Accumulated impairment losses	0

As of June 30, 2020, changes relate to foreign exchange rate movements of € (7) million (June 30, 2019: € 10 million).

Other Intangible Assets

Changes in Other Intangible Assets

	Purchased intangible assets							Internally generated intangible assets	Total other intangible assets
	Unamortized			Amortized				Amortized	
in € m.	Retail Investment Management Agreements	Other	Total unamortized purchased intangible assets	Customer-related intangible assets	Contract-based intangible assets	Software and other	Total amortized purchased intangible assets	Software	
Cost of acquisition/manufacture:									
Balance as of January 1, 2019	**1,010**	**0**	**1,010**	**111**	**20**	**88**	**220**	**200**	**1,430**
Additions	0	0	0	0	0	0	0	15	15
Exchange rate changes	5	0	5	1	0	0	1	0	6
Balance as of June 30, 2019	**1,015**	**0**	**1,016**	**112**	**20**	**88**	**221**	**215**	**1,451**
Balance as of January 1, 2020	**1,030**	**0**	**1,031**	**114**	**20**	**88**	**222**	**226**	**1,479**
Additions	0	0	0	0	0	0	0	10	10
Exchange rate changes	(3)	0	(3)	0	0	0	0	(4)	(7)
Balance as of June 30, 2020	**1,027**	**0**	**1,028**	**113**	**20**	**88**	**222**	**231**	**1,481**
Accumulated amortization and impairment:									
Balance as of January 1, 2019	**255**	**0**	**255**	**108**	**20**	**88**	**216**	**53**	**524**
Amortization for the year	0	0	0	2	0	0	2	20	22
Impairment losses	0	0	0	0	0	0	0	1	1
Exchange rate changes	1	0	1	0	0	0	0	0	2
Balance as of June 30, 2019	**256**	**0**	**256**	**110**	**20**	**88**	**219**	**74**	**549**
Balance as of January 1, 2020	**260**	**0**	**260**	**113**	**20**	**88**	**222**	**97**	**579**
Amortization for the year	0	0	0	0	0	0	0	22	22
Impairment losses	0	0	0	0	0	0	0	1	1
Exchange rate changes	(1)	0	(1)	0	0	0	0	(2)	(3)
Balance as of June 30, 2020	**260**	**0**	**260**	**113**	**20**	**88**	**222**	**117**	**599**
Carrying amount:									
As of January 1, 2019	**755**	**0**	**755**	**3**	**0**	**0**	**4**	**147**	**906**
As of June 30, 2019	**759**	**0**	**759**	**2**	**0**	**0**	**2**	**141**	**902**
As of January 1, 2020	**770**	**0**	**771**	**0**	**0**	**0**	**0**	**129**	**900**
As of June 30, 2020	**768**	**0**	**768**	**0**	**0**	**0**	**0**	**114**	**882**

As of June 30, 2020, there was an impairment loss on internally generated software amounting to € 1 million (June 30, 2019: impairment loss of € 1 million) reflected under general and administrative expenses in the consolidated statement of income.

12 – Other Assets and Other Liabilities

in € m.	Jun 30, 2020	Dec 31, 2019
Other assets:		
Brokerage and securities related receivables:		
Cash/margin receivables	7	9
Receivables from unsettled regular way trades	428	297
Total brokerage and securities related receivables	**435**	**307**
Accrued interest receivable	2	3
Other[1]	711	769
Total other assets	**1,147**	**1,079**
Other liabilities:		
Brokerage and securities related payables:		
Cash/margin payables	0	2
Payables from unsettled regular way trades	426	264
Total brokerage and securities related payables	**426**	**266**
Accrued interest payable	0	0
Other[1]	2,243	2,607
Total other liabilities	**2,669**	**2,874**

[1] Other includes other financial assets and liabilities not carried at fair value (please refer to note 10 'Fair Value of Financial Instruments not carried at Fair Value').

Other within other liabilities include the liabilities of the consolidated guaranteed funds and other consolidated funds of € 1,051 million as of June 30, 2020 and € 1,356 million as of December 31, 2019 carried at amortized cost and reflected with their implied fair value of the respective trading assets carried at fair value through profit or loss. The decrease of € 304 million is mainly driven by liquidation, disposals and market movements in the underlying funds.

13 – Provisions

Movements by class of provision

in € m.	Operational risk	Civil litigations	Restructuring - staff related	Other	Total
Balance as of January 1, 2019	**7**	**5**	**2**	**28**	**42**
New provisions	1	1	27	1	29
Amounts used	0	3	8	8	18
Unused amounts reversed	0	2	0	2	4
Effects from exchange rate fluctuations/unwind of discount	0	0	(0)	0	(0)
Balance as of June 30, 2019	**8**	**1**	**21**	**19**	**49**
Balance as of January 1, 2020	**4**	**1**	**3**	**6**	**15**
New provisions	3	0	6	1	11
Amounts used	0	1	7	4	13
Unused amounts reversed	0	0	0	0	1
Effects from exchange rate fluctuations/unwind of discount	0	(0)	(0)	(0)	(0)
Balance as of June 30, 2020	**6**	**0**	**2**	**3**	**12**

Classes of Provisions

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The definition used for the purposes of determining operational provisions differs from the risk management definition, as it excludes risk of loss resulting from civil litigations or regulatory enforcement matters. For risk management purposes, operational risk includes legal risk, as payments to customers, counterparties and regulatory bodies in civil litigations or regulatory enforcement matters constitute loss events for operational shortcomings, but excludes business and reputational risk.

Civil litigation provisions arise out of current or potential claims or proceedings alleging non-compliance with contractual or other legal or regulatory responsibilities, which have resulted or may result in demands from customers, counterparties or other parties in civil litigations.

Restructuring provisions arise out of restructuring activities. The Group aims to enhance its long-term competitiveness through reductions in costs, duplication and complexity in the years ahead. For details see note 6 ‘Restructuring’.

Other provisions include several specific items arising from a variety of different circumstances, including a provision for a right to tender on a closed-end fund and provisions for regulatory enforcement. The provision for the right to tender on a closed-end fund in the amount of € 19 million was partly used and released in December 2019.

Current Individual Proceedings

By the nature of our business, the Group is involved in litigation and arbitration proceedings and regulatory investigations, but none of such proceedings is currently expected to have a significant impact on the Group’s financials.

14 – Equity

Capital Management

The Group maintains a forward-looking capital plan to assess the development of capital supply and demand and the projected capitalization of the Group from an accounting, regulatory and economic perspective. Capital planning is embedded into the Group’s overall strategic planning process to ensure an integrated financial and risk planning approach. Results of the planning process will inform and enable management decisions such as the strategic direction of the Group and taking advantage of profitable business growth or investment opportunities. Capital management further safeguards the delivery of our targeted dividend payout ratio of 65 to 75% (as a percentage of annual IFRS net income).

Common Shares

The company’s share capital consists of common shares issued in registered form without par value. As of June 30, 2020 the share capital of the company amounts to € 200 million and is divided into up to 200,000,000 ordinary bearer shares. Under German law, each share represents an equal stake in the subscribed capital. Therefore, each share has a nominal value of € 1.00, derived by dividing the total amount of share capital by the number of shares.

Number of shares	
Common shares as at December 31, 2019	**200,000,000**
Changes	-
Common shares as at June 30, 2020	**200,000,000**

There are no issued ordinary shares that have not been fully paid.

Authorized Capital

The General Partner is authorized to increase the share capital of the company on or before January 31, 2023 once or more than once, by up to a total of € 40 million through the issuance of new shares against cash payment or contribution in kind (“Authorized Capital 2018/I”). The General Partner is further authorized to increase the share capital of the company on or before January 31, 2023 once or more than once, by up to a total of € 60 million through the issuance of new shares against cash payment (“Authorized Capital 2018/II”). Further details are governed by Section 4 of the Articles of Association.

Authorized capital	General Description	Expiration date
€ 40,000,000	Authorized Capital 2018 / I	January 31, 2023
€ 60,000,000	Authorized Capital 2018 / II	January 31, 2023

Conditional Capital

The General Partner is authorized to issue, once or more than once, on or before May 31, 2024 bonds with warrants and/or convertible bonds with a fixed maturity not exceeding 20 years or with a perpetual maturity, and to grant option rights to the holders of bonds with warrants and conversion rights (in conjunction with a conversion obligation if applicable) to the holders of convertible bonds in respect of new shares in the company, subject to the terms and conditions governing the bonds with warrants or convertible bonds. The total nominal amount of the bonds with warrants and convertible bonds may not exceed a total value of € 600 million. Option and conversion rights may only be issued in respect of company shares nominally representing up to € 20 million of the share capital. For this purpose share capital may be increased by up to € 20 million by issuing up to 20,000,000 new no par value bearer shares (conditional capital). Further details are governed by Section 4 of the Articles of Association.

Conditional capital	General Description	Expiration date
€ 20,000,000	Conditional Capital 2019 / I	May 31, 2024

Dividends

The following table presents the amount of dividend proposed for the year ended December 31, 2019:

	2019 (proposed)
Cash dividend (in € m.)	334
Cash dividend per common share (in €)	1.67

The Executive Board and Supervisory Board will recommend a dividend payment of € 1.67 per share for the financial year 2019 at the Annual General Meeting on November 18, 2020.

Additional Notes (unaudited)

15 – Income Taxes

Income tax expense in the first half of 2020 was € 101 million (first half of 2019: € 90 million). The effective tax rate of 29.3% (first half of 2019: 29.7%) was mainly impacted by non-deductible expenses, partly offset by tax exempt income.

16 – Related Party Transactions

Related parties are considered as a person or entity who has the ability to directly or indirectly control the other party or exercise significant influence over the other party in making financial or operational decisions. The Group's related parties include:

- Key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by, or for which significant voting power is held by key management personnel or their close family members,
- Deutsche Bank AG and its subsidiaries including DB Beteiligungs-Holding GmbH, joint ventures, associates and their respective subsidiaries, and
- Post-employment benefit plans for the benefit of DWS KGaA and its related party entities employees.

Transactions with Related Party Persons

Related party persons are key management personnel who have directly or indirectly authority and responsibility for planning, directing and controlling the activities of DWS Group as well as their close family members. DWS Group considers the members of the Executive Board and of the Supervisory Board to constitute key management personnel.

As of June 30, 2020, transactions with related party persons were loans and commitments of € 6 million and deposits of € 2 million. As of June 30, 2019, transactions with key management personnel were loans and commitments of € 9 million and deposits of € 2 million.

Transactions with Related Party Entities

Transactions between DWS KGaA and its subsidiaries meet the definition of related party transactions. If these transactions are eliminated on consolidation, they are not disclosed as related party transactions. Transactions between DWS Group and Deutsche Bank Group entities, including its associates and joint ventures and their respective subsidiaries also qualify as related party transactions.

Transactions with Deutsche Bank AG and other Deutsche Bank Group entities are presented in the below table:

				Jan - Jun 2020
in € m.	Net interest and non-interest income	Non-interest expenses	Assets	Liabilities
DB AG	(45)	(31)	346	119
Other DB Group entities	(93)	(57)	397	400

				Jan - Jun 2019
in € m.	Net interest and non-interest income	Non-interest expenses	Assets	Liabilities
DB AG	(47)	(34)	269	91
Other DB Group entities	(93)	(65)	599	562

The decrease in assets with related parties is mainly driven by cash management initiatives and changes in other receivables from DB AG and other DB Group entities.

On June 10, 2019, DWS KGaA paid a dividend of € 218 million for the fiscal year 2018 to DB Beteiligungs-Holding GmbH, a wholly-owned subsidiary of Deutsche Bank AG.

DWS Group has no transactions as of June 30, 2020 and June 30, 2019 respectively with joint ventures and associates of DB Group.

17 – Events after the Reporting Period

After June 30, 2020, there were no reportable events of particular significance for the net assets, financial position and results of operations of the Group.

Confirmations

Responsibility Statement by the Executive Board

To the best of our knowledge, and in accordance with the applicable reporting principles for half-yearly financial reporting, the half-yearly consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Frankfurt am Main, July 24, 2020

Dr Asoka Woehrmann

Claire Peel

Manfred Bauer

Mark Cullen

Dirk Goergen

Stefan Kreuzkamp

Independent Auditor's Review Report

Note: This is a translation of the German original. Solely the original text in German language is authoritative.

To DWS Group GmbH & Co. KGaA, Frankfurt am Main

We have reviewed the interim condensed consolidated financial statements of DWS Group GmbH & Co. KGaA, Frankfurt am Main, which comprise the consolidated statement of income, consolidated statement of comprehensive income, consolidated balance sheet, consolidated changes in equity, consolidated statement of cash flows and selected explanatory notes, and the interim group management report for the period from January 1, 2020 to June 30, 2020, which are part of the half-year financial report pursuant to Sec. 115 WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]. The members of the Executive Board are responsible for the preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and of the interim group management report in compliance with German Generally Accepted Standards for the Review of Financial Statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report is not prepared, in all material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of the Company's employees and analytical assessments and therefore does not provide the assurance obtainable from an audit of financial statements. Since, in accordance with our engagement, we have not performed an audit of financial statements, we cannot issue an auditor's report.

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU or that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Eschborn/Frankfurt am Main, July 24, 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Heist Wirtschaftsprüfer	Rehm Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

Glossary

Term	Meaning
AGM	Annual General Meeting
AM Industry	Asset management industry
APAC	Asia-Pacific
APMs	Alternative Performance Measures
AuM	Assets under management
BaFin	The Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht)
BoP	Beginning of period
CET 1	Common Equity Tier 1
CGU	Cash Generating Unit
CIO	Chief Investment Officer
CIR	Cost-income ratio
CODM	Chief Operating Decision Maker
Company	DWS Group GmbH & Co. KGaA, a German partnership limited by shares (Kommanditgesellschaft auf Aktien)
COO	Chief Operating Officer
COVID-19	Corona Virus Disease 2019
CRR	Capital Requirements Regulation
CRR/CRD IV	Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation - CRR) and Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (Capital Requirement Directive IV - CRD IV)
DB Group	Deutsche Bank AG and its subsidiaries
DWS Group	DWS Group GmbH & Co. KGaA and its subsidiaries (collectively the Group / DWS Group)
DWS KGaA	DWS Group GmbH & Co. KGaA
ECB	European Central Bank
EMEA	Europe, Middle East and Africa
EONIA	Euro Overnight Index Average rate
ESG	Environment, social and governance
ETF	Exchange traded funds
EU	European Union
EUR	Euro
EY	Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft
FX	Foreign exchange
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
Harvest	Harvest Fund Management Co., Ltd.
HRB	Number in the German Commercial Register in section B; incorporated companies are covered in section B of the register
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IBOR	Interbank offered rate
IFRS	International Financial Reporting Standards of the International Accounting Standards Board (IASB)
IPV	Independent price verification
ISIN	International Securities Identification Number
IT	Information Technology
KfW	Kreditanstalt für Wiederaufbau (promotional bank of the Federal Republic of Germany)
KPIs	Key Performance Indicators
MiFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.
N/M	Not meaningful (in the management report)
NFR	Non-financial risk
P&L	Profit or loss
PBT	Profit before tax
PRI	Principles for responsible investment
PVCC	Principal Valuation Control Council
RFR	Risk-free rate
RI	Responsible investment
ROI	Return on investment
RWA	Risk weighted assets
SDAX	The German SDAX is a stock market index composed of 70 small and medium-sized companies in Germany in terms of order book volume and market capitalization

Term	Meaning
SPPI	Solely payments of principal and interest
SQI	Systematic & quantitative investments
UK	United Kingdom
UN	United Nations
US	United States of America
WKN	Securities identification number (Wertpapierkennnummer)
WpHG	German Securities Trading Act (Wertpapierhandelsgesetz)
Xetra	Xetra is an all-electronic trading system operated by Frankfurter Wertpapierbörse.

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This report contains forward-looking statements. Forward-looking statements are statements that are not historical facts; they include statements about our beliefs and expectations and the assumptions underlying them. These statements are based on plans, estimates and projections as they are currently available to the management of DWS. Forward-looking statements therefore speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.
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