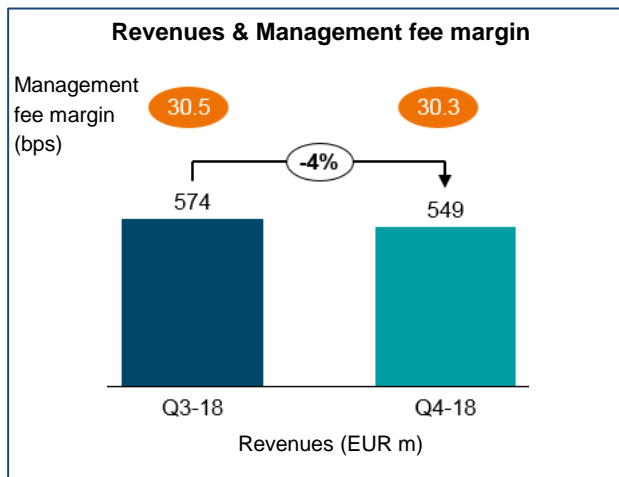


## DWS Q4: Costs down as full year guidance exceeded – challenging market conditions impact revenues and profits

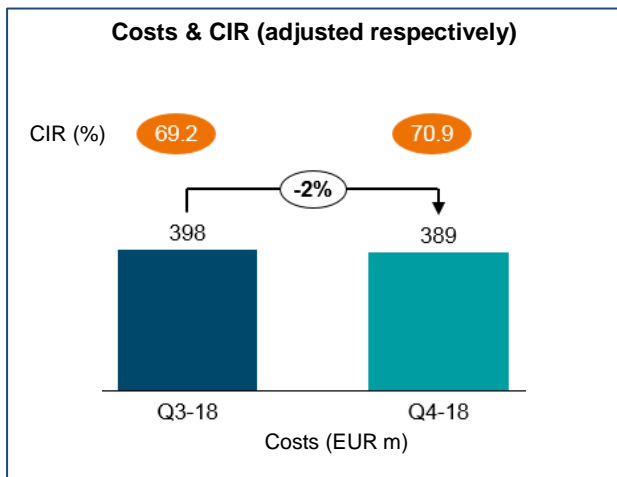
- Adjusted profit before tax at EUR 160m in Q4 2018 (Q3: EUR 177m; FY18: EUR 625m) – net income at EUR 80m (Q3: EUR 121m; FY18: EUR 391m)
- Cost efficiency program on track: adjusted costs down further by 2 percent q-o-q
- Adjusted cost income ratio (CIR) at 70.9 percent (Q3: 69.2 percent)
- Net flows of minus EUR 7.0bn (FY18: minus EUR 22.3bn) mainly from low-margin Cash and Insurance General Accounts mandates
- Total adjusted revenues at EUR 549m (Q3: EUR 574m; FY18: EUR 2,259m)
- Management fee margin at 30.3bps (FY18 at 30.6bps) – in line with medium-term target
- AuM at EUR 662bn (Q3: EUR 692bn), driven by negative market movements
- The Executive Board will propose a dividend of EUR 1.37 per share for the 2018 financial year



“The markets, and with them the asset management industry, are entering more challenging times after enjoying sustained favourable conditions since 2009. We are confident that with our global and diversified business across all asset classes, along with our accelerated focus on cost efficiency, we will withstand a tougher market environment.

In line with our commitment to a 65 to 75 percent dividend payout ratio, we are proposing a dividend of EUR 1.37 per share for 2018.”

**Asoka Woehrmann, CEO**



“We exceeded our 2018 cost savings guidance with significant reductions in the full year. And we expect this downward trend to continue in 2019 as we progress our successful cost efficiency initiatives.

Our Management fee margin was resilient with 30.3 basis points in the fourth quarter and 30.6 basis points for 2018 consistent with our medium-term target.

While we saw net outflows in the quarter, we registered a promising turnaround in the flows of important flagship funds.”

**Claire Peel, CFO**

## Business Development

Along with the wider asset management industry, DWS faced challenging market conditions and high volatility in the fourth quarter of 2018. An increase in political uncertainty both in Europe and globally along with market tensions as we enter the late-phase of the cycle made for a testing environment for the business.

During the quarter, there was a change in leadership, with Asoka Woehrmann appointed CEO of DWS on 25 October, replacing Nicolas Moreau. Subsequently, Asoka Woehrmann made two changes to the Executive Board, with Mark Cullen joining as COO and Dirk Goergen joining as Head of Coverage EMEA.

**Total adjusted revenues** in Q4 2018 decreased to EUR 549 million (Q3: EUR 574 million; FY18: EUR 2,259 million), mainly due to lower management fees as a result of weaker markets and outflows. **Adjusted profit before tax** therefore reduced to EUR 160 million, (Q3: EUR 177 million; FY18: EUR 625 million). After deduction of taxes, DWS posted a **net income** of EUR 80 million for the fourth quarter (Q3: EUR 121 million) and EUR 391 million for 2018. The Executive Board will propose a **dividend** of EUR 1.37 per share for the 2018 financial year.

The **management fee margin** decreased to 30.3 basis points in the fourth quarter (Q3: 30.5 basis points), burdened substantially by the market downturn. The **management fee margin stood at 30.6 basis points for full year 2018**, in line with our medium-term target of at least 30 basis points.

**Assets under Management (AuM)** decreased to EUR 662 billion in the fourth quarter of 2018. This was primarily driven by the negative market performance with a 13 percent decline of the Euro Stoxx50 and a 14 percent drop of the Dax, while net outflows were partly offset by a positive impact from exchange rate movements.

The fourth quarter saw **net flows** of minus EUR 7.0 billion (Q3: minus EUR 2.7 billion; FY18: minus EUR 22.3 billion). A single large low-margin insurance mandate outflow, which had already been highlighted following the third quarter, accounted for more than a third of the total net outflows.

Despite tough market conditions, we reported solid net flows into Passive Asset Management, a strategic growth area for DWS. In addition, our flagship funds DWS Top Dividende and DWS Concept Kaldemorgen both attracted net inflows, reversing a trend from previous quarters and compared with active outflows in the broader European market.

**Active Asset Management** had net flows of minus EUR 11.0 billion in the fourth quarter (FY18: EUR 31.1 billion). While Active Equity flows improved significantly quarter-on-quarter, Active Fixed Income and Cash products saw the opposite development.

**Passive Asset Management** saw net inflows of EUR 3.9 billion in the fourth quarter (FY18: EUR 8.1 billion), its best quarter of 2018. Sales continued to be driven by European-listed ETPs (exchange-traded funds and commodities). In addition, an ESG mandate for a Dutch pension fund alone accounted for EUR 1 billion. For the full year 2018, DWS ranked second in ETP net flows in Europe with an 17 percent flow market share according to ETFGI (Q4: 27 percent), surpassing our AuM market share significantly.

The net inflows into **Alternatives** were flat in the fourth quarter as sustained high demand for Real Estate products was offset by net outflows in Liquid Alternatives. For full year 2018, net inflows into Alternatives totaled EUR 0.7 billion, with strong real estate inflows more than compensating for liquid real asset outflows.

**Adjusted costs** decreased by EUR 9 million quarter-on-quarter to EUR 389 million (Q3: EUR 398 million; FY18: EUR 1,633 million), largely due to lower general and administrative expenses. With approximately EUR 65 million of gross efficiency savings we surpassed our guidance for 2018 of 20 to 30 percent of our medium-term target: EUR 125 to 150 million compared to full year 2017.

The **adjusted Cost-Income Ratio** (CIR) increased by 1.7 percentage points to 70.9 percent (Q3: 69.2 percent; FY18: 72.3 percent), with positive cost development in the fourth quarter offset by lower revenues.

## Growth Initiatives and Strategic Progress

In the fourth quarter we continued our digital growth strategy. We agreed to acquire a **15 percent equity stake in Neo Strategic Holding**, the holding company that owns Neo Technologies (Neo), a digital first-mover platform for investment services in the Middle East. In addition, a strategic partnership is part of the transaction, whereby DWS and Neo Strategic Holding agreed to collaborate on the expansion of the digital asset management services in the region.

Furthermore, we entered into a **strategic partnership** with and have become a **minority shareholder in Skyline AI**, a real estate asset management technology company. Skyline AI uses proprietary artificial intelligence (AI) to enhance the investment process for real estate investments throughout the United States.

Together with BNP Paribas Securities Services we jointly decided not to proceed with the transfer of our fund administration operations in Germany and Luxembourg to **BNP Paribas Securities Services** and the provision of depositary and custody services to our retail funds, as announced in June 2018. We will continue to explore all options to improve operational efficiency.

## **Organizational changes**

Following the appointment of Asoka Woehrmann as CEO during the fourth quarter, two further changes were made to DWS's Executive Board. **Mark Cullen** became **Chief Operating Officer** and **Dirk Goergen** became **Head of EMEA Coverage**. Jon Eilbeck and Thorsten Michalik left the company. Both Mark Cullen and Dirk Goergen bring a diverse set of qualities to their roles.

In order to further improve our regional management structure, we appointed **dedicated Regional Heads for EMEA and APAC**, in addition to the existing Head of Americas role, who are responsible for interlinking our individual business lines, from the investment platform to distribution, operations and the administration of our regional legal entities.

## **Outlook**

Following the IPO in March, we introduced key growth initiatives in 2018. We focused on products and services where we can differentiate ourselves in a competitive market like ESG or Alternatives and agreed on strategic partnerships and alliances with Nippon Life, Tikehau Capital and Generali. We also worked diligently to improve our cost efficiency and sustainably lower our cost base over the last year.

In 2019, we intend to intensify all of these efforts. This will be supported by recent changes to our organizational structure, such as the strengthening of the regional leadership structure and important new hires to our coverage and our investment platform. All in all, the strategic progress we achieved in 2018 will help us to ensure sustained success for our business in the future. We will hold our strong position in our home market, building on our success in Germany across all markets as a global asset manager.

In the fourth quarter of 2018, we saw **strong improvement in the performance and flows of important flagship funds**. This, we believe will be an important driver for net flows in 2019 along with our expertise in the increasingly important ESG area, which we see leading to a growing number of related mandates. Furthermore, we do not expect the scale of insurance mandate outflows of EUR 10 billion, the effect of the US tax reform redemptions of EUR 11 billion or the negative impact of the MiFID II introduction on inflows to repeat in 2019.

Last but not least, DWS's management has accelerated **the successful cost efficiency initiatives** – which helped us lower our cost base significantly in 2018 – in order to **further reduce our cost base in 2019** and move towards the target CIR of below 65% in the medium term. In 2019, we aim to **reach the top end of our gross efficiency savings target** of EUR 125 to 150 million compared to full year 2017 ahead of our medium-term schedule.

## Appendix

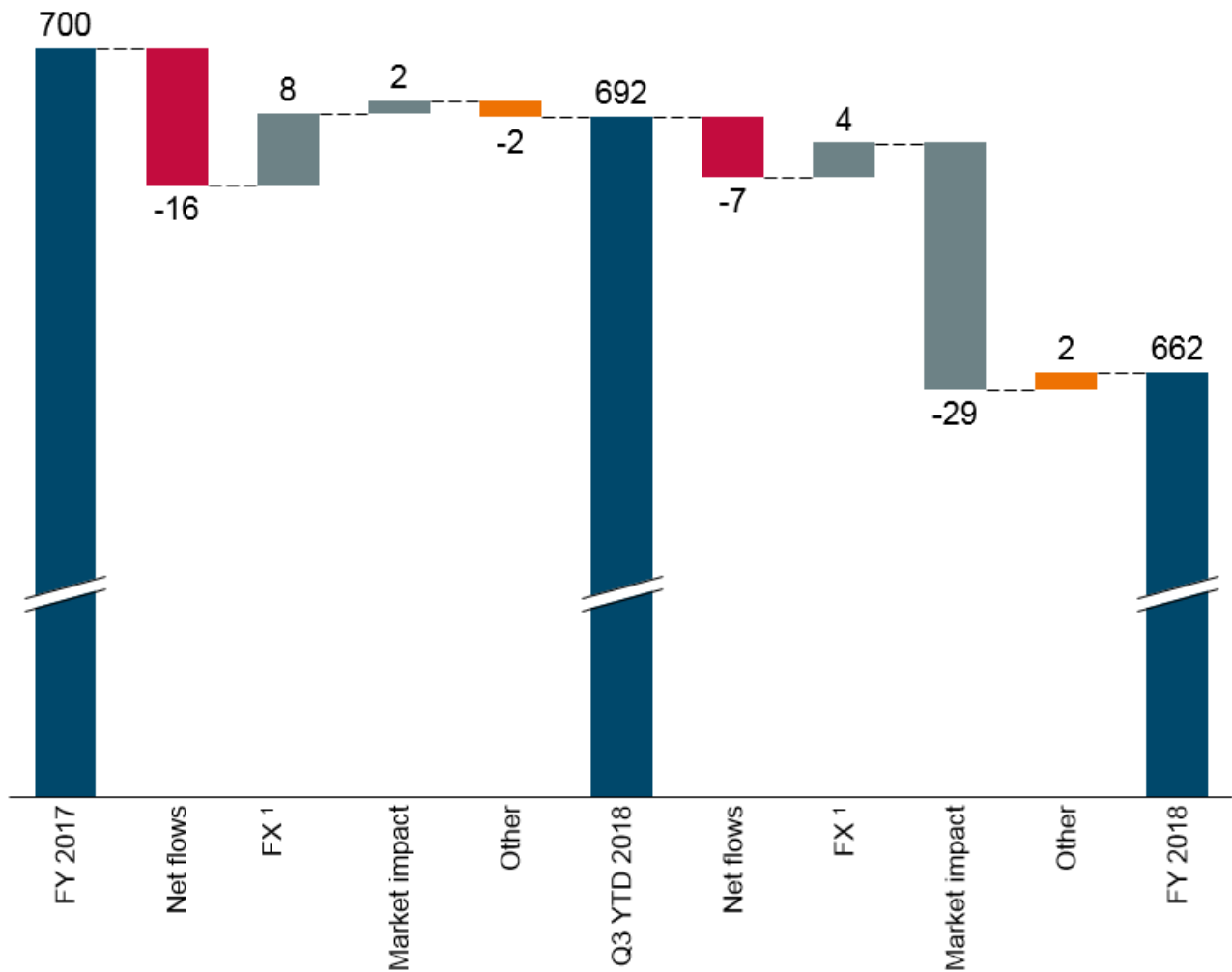
### Profit & Loss Statement and Key Performance Indicators (in EUR m)

	Q4 2018	Q3 2018	FY 2018	FY 2017	Q4 2018 vs. Q3 2018	FY 2018 vs. FY 2017
Management Fees and other recurring revenues	519	532	2,092	2,195	-2%	-5%
Performance & Transaction Fees and other non-recurring revenues	23	20	89	196	14%	-55%
Other Revenues	7	22	78	118	-70%	-34%
<b>Total net revenues</b>	<b>549</b>	<b>574</b>	<b>2,259</b>	<b>2,509</b>	-4%	-10%
<i>Revenue adjustments</i>	-	-	-	52	N/M	N/M
<b>Adjusted revenues</b>	<b>549</b>	<b>574</b>	<b>2,259</b>	<b>2,456</b>	-4%	-8%
Compensation and benefits	183	179	715	772	3%	-7%
General and administrative expenses	229	223	946	947	3%	-0%
Restructuring activities	4	1	14	6	N/M	N/M
<b>Total noninterest expenses</b>	<b>417</b>	<b>403</b>	<b>1,676</b>	<b>1,725</b>	4%	-3%
<i>Cost adjustments</i>	28	5	42	16	N/M	N/M
<b>Adjusted cost base</b>	<b>389</b>	<b>398</b>	<b>1,633</b>	<b>1,710</b>	-2%	-4%
<b>Profit before tax</b>	<b>132</b>	<b>172</b>	<b>583</b>	<b>783</b>	-23%	-26%
<b>Adjusted Profit before tax</b>	<b>160</b>	<b>177</b>	<b>625</b>	<b>747</b>	-10%	-16%
<b>Net income</b>	<b>80</b>	<b>121</b>	<b>391</b>	<b>634</b>	-34%	-38%
Cost/income ratio	75.9%	70.1%	74.2%	68.8%	5.8ppt	5.4ppt
<i>Adjusted Cost/income ratio</i>	<i>70.9%</i>	<i>69.2%</i>	<i>72.3%</i>	<i>69.6%</i>	1.7ppt	2.7ppt
FTE	3,443	3,422	3,443	3,901	1%	-12%
Assets under management (in EUR bn)	662	692	662	700	-4%	-5%
Net flows (in EUR bn)	-7.0	-2.7	-22.3	15.8		
Net flows (% of BoP AUM - annualized)	-4.1	-1.5	-3.2	2.3		
Management fee margin (bps annualized)	30.3	30.5	30.6	31.5		

N/M – Not meaningful

**2018 figures published in this quarterly release are preliminary and unaudited.**

**AuM development in detail (in EUR bn)**



<sup>1</sup> Represents FX impact from non-euro denominated products; excludes performance impact from FX

## Contact details for further information

### Media Relations

Adib Sisani  
+49 69 910 61960  
adib.sisani@dws.com

Karsten Swoboda  
+49 69 910 14941  
karsten.swoboda@dws.com

### Investor Relations

Oliver Flade  
+49 69 910 63072  
oliver.flade@dws.com

Jana Zubatenko  
+49 69 910 33834  
jana.zubatenko@dws.com

### Webcast/Call

Asoka Woehrmann, Chief Executive Officer, and Claire Peel, Chief Financial Officer, will elaborate on the Q4 & FY 2018 results in an investor and analyst call on 1 February 2019 at 10.30am CET. The analyst webcast/call will be held in English and broadcasted on <https://dws.com/Our-Profile/ir/reports-and-events/financial-results/>. It will also be available for replay. Further details will be provided under <https://dws.com/Our-Profile/ir/>.

### About DWS Group

DWS Group (DWS) is one of the world's leading asset managers with EUR 662bn of assets under management (as of 31 December 2018). Building on more than 60 years of experience and a reputation for excellence in Germany and across Europe, DWS has come to be recognized by clients globally as a trusted source for integrated investment solutions, stability and innovation across a full spectrum of investment disciplines.

We offer individuals and institutions access to our strong investment capabilities across all major asset classes and solutions aligned to growth trends. Our diverse expertise in Active, Passive and Alternatives asset management – as well as our deep environmental, social and governance focus – complement each other when creating targeted solutions for our clients. Our expertise and on-the-ground-knowledge of our economists, research analysts and investment professionals are brought together in one consistent global CIO View, which guides our strategic investment approach.

DWS wants to innovate and shape the future of investing: with approximately 3,600 employees in offices all over the world, we are local while being one global team.

**Important Note**

This release 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.

By their very nature, forward-looking statements involve risks and uncertainties. A number of important factors could therefore cause actual results to differ materially from those contained in any forward-looking statement. Such factors include the conditions in the financial markets in Germany, in Europe, in the United States and elsewhere from which we derive a substantial portion of our revenues and in which we hold a substantial portion of our assets, the development of asset prices and market volatility, the implementation of our strategic initiatives, the reliability of our risk management policies, procedures and methods, and other risks.

This document contains non-IFRS financial measures. For a reconciliation to directly comparable figures under IFRS, to the extent not provided herein, please refer to the Financial Data Supplement.