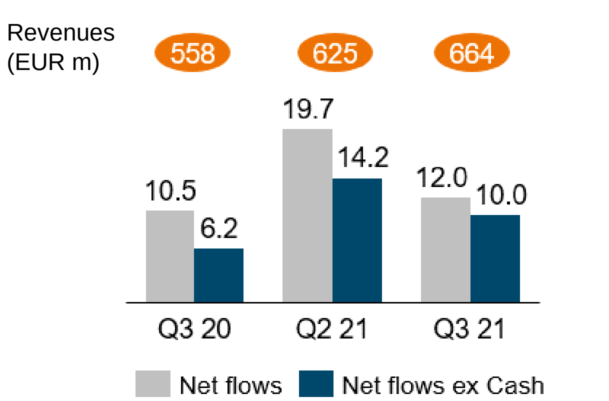
Frankfurt/Main

October 27, 2021

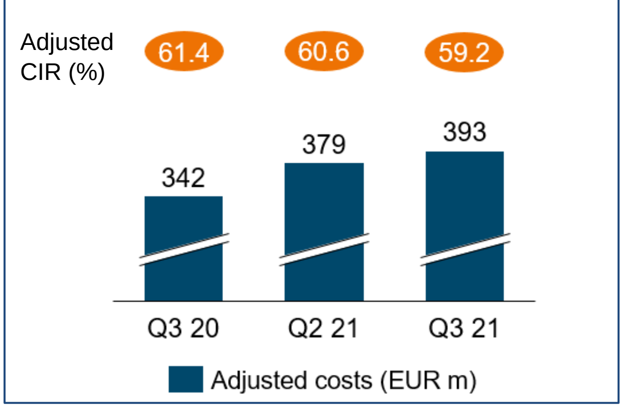
Q3 2021: DWS Sees Record High Profit on Strong Overall and ESG Net Inflows

- **Net flows of EUR 12.0bn in Q3** resulting in record EUR 32.6bn in the first nine months of 2021; September net flows EUR 4.8bn; **Net flows in ESG funds** EUR 5bn in Q3 (Q2 2021: EUR 4bn)
- **Adjusted costs increased by 4% to EUR 393m in Q3** (Q2 2021: EUR 379m); EUR 1,157m in 9M 2021, up 10% y-o-y driven by a mix of drivers including increased costs for services in connection with higher AuM as well as professional fees associated with growth projects
- **Adjusted Cost-Income Ratio (CIR) at a record low of 59.2% in Q3** (Q2 2021: 60.6%) and at 60.1% after 9M 2021 (9M 2020: 64.3%)
- **Adjusted profit before tax increased by 10% to an all-time high of EUR 271m in Q3** (Q2 2021: EUR 247m); EUR 766m in 9M 2021, up 31% y-o-y
- **Total revenues up by 6% to EUR 664m in Q3** (Q2 2021: EUR 625m), in 9M 2021 EUR 1,923m, up 18% y-o-y
- **AuM** further up by EUR 21bn to **EUR 880bn** in Q3 (Q2 2021: EUR 859bn)

Net Flows (EUR bn) & Revenues



Adjusted CIR & Adjusted Costs



"Our strong relationships with our clients across markets globally have enabled us to achieve record values for net inflows, efficiency and profitability in 2021 so far. Due to the high demand for DWS products and solutions, we have reached the net inflows targeted in the medium term on average for 2021 after just nine months.

The trust placed in us by our clients is a further motivation not to slow down our efforts to pursue our strategy to transform, grow and lead."

Asoka Woehrmann, CEO

"Record high management fees led to a record adjusted pre-tax profit and enabled us to bring our adjusted CIR to an all-time low of 59.2 percent despite investments into growth projects in the quarter. Year-on-year, it improved by 4.1 percentage points to 60.1 percent in the first nine months of 2021. Over the same period, net inflows almost doubled to EUR 32.6 billion driven by targeted growth in accordance with our Phase 2 strategy. In September, we recorded strong net inflows of EUR 4.8 billion."

Claire Peel, CFO

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Business Development

DWS continued its strong business momentum in all months of the third quarter. Both, **management fees and adjusted profit before tax reached new record heights in Q3**. The good quarterly flow performance was supported by all three pillars – Active, Passive and Alternatives –, which together contributed **net inflows of EUR 12.0 billion in the third quarter and EUR 32.6 billion in the first nine months** of the year. With this number, we have **already reached our targeted medium-term net flow rate** of more than 4 percent on average after the first three quarters of 2021. This period has also been marked by successful delivery of the growth plan for Phase 2 of our corporate journey, with **targeted growth coming from ESG[i] products and solutions – which contributed 40 percent** of net new assets –, from Passive and from high-margin strategies. **Assets under Management** also increased by EUR 21 billion to a **new record of EUR 880 billion**. **Adjusted profit before tax increased in the first nine months of 2021 by 31 percent** year-on-year and in the third quarter by 10 percent compared to the prior quarter driven by higher revenues. **Revenues were up in the first three quarters of 2021 by 18 percent** year-on-year. Compared to the second quarter, revenues increased by 6 percent in Q3 2021, mainly due to higher management fees. **Adjusted costs rose by 4 percent** compared to the previous quarter **reflecting investments into** growth projects. Despite this, the **adjusted Cost-Income Ratio further improved to a record low of 59.2 percent** in the quarter and 60.1 percent in the first nine months of the year due to higher revenues.

Total revenues rose quarter-on-quarter by 6 percent to EUR 664 million in Q3 2021 (Q2 2021: EUR 625 million; Q3 2020: EUR 558 million), mainly due to higher management fees. In the first nine months of 2021, total revenues increased year-on-year by 18 percent to EUR 1,923 million (9M 2020: EUR 1,632 million). This strong rise was mainly due to a significant increase in management fees driven by higher average Assets under Management during the first nine months of the year, positive developments of market values as well as an increased contribution from our stake in Harvest.

Adjusted profit before tax rose quarter-on-quarter by 10 percent to a record high of EUR 271 million in the third quarter (Q2 2021: EUR 247 million; Q3 2020: EUR 215 million). After tax, DWS posted a 6 percent higher **net income** of EUR 182 million for the third quarter 2021 (Q2 2021: EUR 172 million; Q3 2020: EUR 151 million). Adjusted profit before tax for the first nine months of 2021 improved strongly by 31 percent year-on-year to EUR 766 million (9M 2020: EUR 583 million). Net income surged in the first three quarters of 2021 year-on-year by 32 percent to EUR 522 million (9M 2020: EUR 394 million).

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[i] ESG flows classified under Article 8 and Article 9 of the EU Sustainable Finance Disclosure Regulation (SFDR) or according to the global standard of the Global Sustainable Investment Association (GSIA). Please read the “Important Note” on the last page of this release for more details.

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Assets under Management (AuM) further increased by EUR 21 billion to EUR 880 billion in the third quarter of 2021 (Q2 2021: EUR 859 billion; Q3 2020: EUR 759 billion). This rise compared to the prior quarter was mainly driven by strong net inflows and was supported by positive exchange rate movements and slightly positive market impacts.

We recorded positive **net flows** of EUR 12.0 billion in the third quarter of 2021, achieving total net inflows of EUR 32.6 billion (ex Cash: EUR 33.9 billion) in the first nine months of 2021. This corresponds to a net flow rate of 5.5 percent compared with 2.9 percent over the same period in 2020. In the third quarter, inflows were supported by most asset classes, with Passive remaining the main driver of quarterly inflows (EUR 6.6 billion) and further contributions from Active (ex Cash) (EUR 2.0 billion), Alternatives (EUR 1.4 billion) and Cash products (EUR 1.9 billion). Excluding Cash, net inflows were EUR 10.0 billion. ESG funds attracted increased net flows of EUR 5 billion in the third quarter (Q2 2021: EUR 4 billion).

Active Asset Management ex Cash saw net flows of EUR 2.0 billion in the third quarter (Q2 2021: EUR 4.5 billion) with all sub-asset classes except Active Equity (minus EUR 0.6 billion) contributing to this number. However, Active Equity experienced continued demand for ESG products. Multi Asset attracted net new assets of EUR 1.1 billion with continued and significant inflows into flagship fund DWS Concept Kaldemorgen. In addition, Active Fixed Income generated new inflows of EUR 0.8 billion and Active SQI recorded net new assets of EUR 0.7 billion. Cash products saw net inflows of EUR 1.9 billion.

Passive Asset Management generated net new assets of EUR 6.6 billion in the third quarter (Q2 2021: EUR 7.9 billion). The strong flow momentum was again mainly due to net flows into ETPs (exchange-traded funds and commodities) and was supported by significant net inflows from institutional mandates. In the first nine months of the year, we are gaining market share in Europe as we are growing faster than the ETP market overall. For this period, we ranked second in European ETP net flows with a flow market share of 12 percent (source: ETFGI).

Alternatives recorded net flows of EUR 1.4 billion in the third quarter (Q2 2021: EUR 1.8 billion) driven by Liquid Alternatives with net new assets of EUR 1.2 billion. Illiquid Alternatives added another EUR 0.2 billion.

Adjusted costs, which also exclude transformation charges of EUR 9 million, increased compared to the prior quarter by 4 percent to EUR 393 million in Q3 2021 (Q2 2021: EUR 379 million; Q3 2020: EUR 342 million). This rise was mainly driven by one-off effects and professional fees associated with growth projects in the third quarter. In the first nine months of the year, adjusted costs increased by 10 percent year-on-year to EUR 1,157 million (9M 2020: EUR 1,049 million), mainly due to higher compensation and benefits costs, increased costs for services in connection with higher Assets under Management and volumes as well as the professional fees in the third quarter.

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The **adjusted Cost-Income Ratio** (CIR) declined further by 1.4 percentage points to a record low of 59.2 percent in the third quarter 2021 (Q2 2021: 60.6 percent; Q3 2020: 61.4 percent). The adjusted CIR improved year-on-year by 4.1 percentage points to 60.1 percent in the first nine months of the year (9M 2020: 64.3 percent).

Growth Initiatives and Strategic Progress

During the summer, DWS continued to progress with its transformation and on its growth path. We worked intensively on important projects, and we were able to announce the results in October. At the beginning of the month, we entered into a long-term **strategic partnership with BlackFin Capital Partners**. Our common goal is to further develop and grow our **digital investment platform** as we firmly believe in the great growth potential of the platform business. In addition, both partners have agreed to transfer the digital investment platform into a joint venture with DWS maintaining a stake of 30 percent. Furthermore, we have acquired a **minority stake in UK-based retiretech Smart Pension Limited**. The investment will form an integral part of our growth strategy in the UK. Smart and DWS have also **agreed the intention to form a strategic partnership** with the aim of offering investment solutions for members of the Smart Pension Master Trust.

Also in October, the **Los Angeles Lakers** and DWS announced a multi-season global sponsorship agreement making us the **Official Global Investment Sponsor of the team** and only the second ever international partner for the Lakers. Our partnership with this iconic organization accelerates DWS' transformation into a truly global brand and **is an investment into our recognition and visibility in key markets** DWS has identified for growth, **most prominently Asia**, where the Lakers have a huge audience. The sponsorship will include advertising as well as a widespread content partnership, including through social media channels. Moreover, we will collaborate with the Lakers on several community initiatives and outreach projects.

Outlook

The outlook for the full year 2021 remains unchanged. For the full year 2022, we expect the adjusted Cost-Income Ratio to be in the low 60s (percent). We reiterate our net flow target of more than 4 percent on average in the medium term, driven by our targeted growth areas ESG, Passive and high-margin strategies. DWS' Management is fully committed to deliver on all our aspirations for Phase 2 of our corporate journey as a listed firm.

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Appendix

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

	Q3 2021	Q2 2021	9M 2021	9M 2020	Q3 2021 vs. Q2 2021	9M 2021 vs. 9M 2020
Management Fees and other recurring revenues	608	584	1,740	1,584	4%	10%
Performance & Transaction Fees	27	19	85	57	45%	50%
Other Revenues	29	23	97	-9	26%	N/M
Total net revenues	**664**	**625**	**1,923**	**1,632**	6%	18%
Revenue adjustments	-	-	-	-	-	-
Adjusted revenues	***664***	***625***	***1,923***	***1,632***	6%	18%
Compensation and benefits	189	195	594	535	-3%	11%
General and administrative expenses	217	191	593	530	13%	12%
Restructuring activities	0	1	2	10	N/M	-84%
Total noninterest expenses	**405**	**387**	**1,189**	**1,076**	5%	10%
Cost adjustments	*12*	*8*	*32*	*27*	*N/M*	*N/M*
of which transformation charges	*9*	*7*	*21*	*0*		
Adjusted cost base	***393***	***379***	***1,157***	***1,049***	4%	10%
Profit before tax	**259**	**239**	**734**	**556**	8%	32%
Adjusted Profit before tax	***271***	***247***	***766***	***583***	10%	31%
Net income	***182***	***172***	***522***	***394***	6%	32%
Cost-Income Ratio	61.1%	61.9%	61.8%	65.9%	-0.8ppt	-4.1ppt
Adjusted Cost-Income Ratio	*59.2%*	*60.6%*	*60.1%*	*64.3%*	-1.4ppt	-4.1ppt
Employees (full-time equivalent)	3,394	3,342	3,394	3,290	2%	3%
Assets under management (in EUR bn)	880	859	880	759	2%	16%
Net flows (in EUR bn)	12.0	19.7	32.6	16.7		
Net flows (% of BoP AuM - annualized)	5.5	9.6	5.5	2.9		
Management fee margin (bps annualized)	27.6	28.1	27.9	28.3		

N/M – Not meaningful

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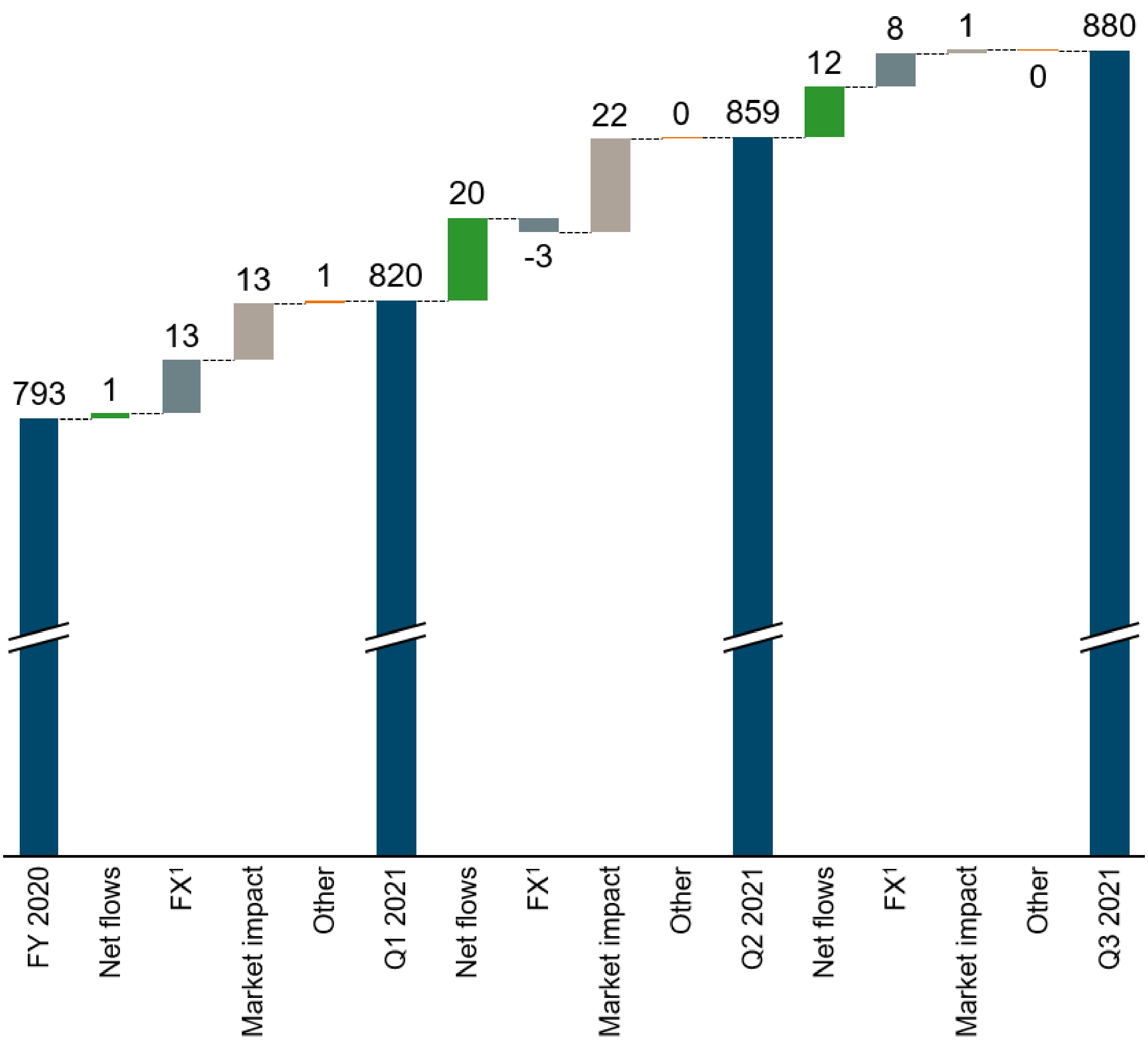
AuM development in detail (in EUR bn)



[1] Represents FX impact from non-euro denominated products; excludes performance impact from FX

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Webcast/Call

Asoka Woehrmann, Chief Executive Officer, and Claire Peel, Chief Financial Officer, will elaborate on the results in an investor and analyst call on 27 October 2021 at 10 am CEST. The analyst webcast/call will be held in English and broadcasted on https://group.dws.com/ir/reports-and-events/financial-results/. It will also be available for replay. Further details will be provided under https://group.dws.com/ir/.

About DWS Group

DWS Group (DWS) is one of the world's leading asset managers with EUR 880bn of assets under management (as of 30 September 2021). Building on more than 60 years of experience, it has a reputation for excellence in Germany, Europe, the Americas and Asia. DWS is 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 investment approach strategically.

DWS wants to innovate and shape the future of investing: with approximately 3,500 employees in offices all over the world, we are local while being one global team. We are investors – entrusted to build the best foundation for our clients' future.

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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 Group GmbH & Co. KGaA. 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.

SFDR came into effect on March 10, 2021. It creates a comprehensive reporting framework for financial products and entities. It introduces specific disclosure requirements for products that promote social or environmental characteristics (Article 8) or have sustainable investment as their objective (Article 9), as well as a general disclosure requirement in relation to the integration of sustainability risks with other products (Article 6). The SFDR together with the Taxonomy Regulation, the proposed Corporate Sustainability Reporting Directive and the amended MiFiD II and Insurance Distribution Directive, are expected to create a coherent sustainable finance framework that will translate the EU climate and environmental objectives into transparent criteria for specific economic activities for investment purposes. We have therefore introduced an ESG Product Classification Framework that is designed to comply with SFDR for products within its scope. We have classified such products accordingly as Article 6, 8 and 9 and we consider all Article 8 and 9 products as ESG. For products outside the scope of SFDR (principally originating in the US and Asia Pacific), the ESG Product Classification Framework applies the Global Sustainable Investment Alliance (GSIA) General Industry Standards and Guidelines to institutional products, while retail products are classified in line with the SFDR-based DWS ESG Conversion Framework. Products that comply with these GSIA standards are also classified as ESG. We will continue to develop and refine our ESG Product Classification Framework in accordance with evolving regulation and industry standards. The aforementioned definitions apply to the entire release.

This document contains alternative performance measures (APMs). For a description of these APMs, please refer to the Q2 Interim Report, which is available at https://group.dws.com/ir/reports-and-events/financial-results/.

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