# Half Year Report 2021

DWS Group GmbH & Co. KGaA

# Content

## WHO WE ARE

With € 859 bn in assets under management and approximately 3,500 employees worldwide, we are a truly global asset manager. Our size and reach are fundamental to our capabilities and strength across the Active, Passive and Alternatives investment spaces.

**€ 859 bn** Assets under Management

**€ 542 bn** Assets under Management in Active

**€ 213 bn** Assets under Management in Passive

**€ 103 bn** Assets under Management in Alternatives

As of June 30, 2021.

## LONGSTANDING HERITAGE

Our roots lie in the launch of the German investment fund firm DWS in 1956. Since then we have developed our expertise across all asset classes to become one of the most recognised names in asset management.

_ Active DWS founded 1956 in Germany
_ 40+ years in Alternatives
_ 20+ years in Passive
_ Roots in the US dating back almost a century*
_ Asian footprint since 1987

## INTEGRATED WORDWIDE PLATFORM

We offer a fully integrated global platform that has been carefully positioned for future growth. Having all of our capabilities under one roof enables us to be ambitious, innovative and unconstrained in our forward thinking for our clients.

**Diverse investment capabilities:** Full spectrum of traditional and alternative capabilities to serve clients worldwide – from large institutions to governments, corporations, foundations and millions of individual investors.

## RESPONSIBLE INVESTING

We are a fiduciary partner to our clients and conscious of our societal impact. Responsible Investing has long been a key part of our heritage, because it serves the best interests of those who entrust us to manage their assets.

_ Proud pioneer in responsible investing
_ Early PRI Signatory since 2008
_ Integrated ESG Research
_ Committed to shaping the ESG investment landscape

DWS wants to become a leading ESG Asset Manager and thought leader by applying "ESG first"-principles as fiduciary and corporate.

## TOP 3 SDGs

DWS identified the Top 3 Sustainable Development Goals on which we have an impact on:


*Through the Scudder business, established in 1919 and acquired by Deutsche Bank / Deutsche Asset Management in 2002.

## FACTS AND FIGURES

Net flows (€ bn)

06.2020 6.2

06.2021 20.7

Assets under Management (€ bn)

06.2020 744.7

06.2021 859.2

Adjusted profit before tax (€ m)

06.2020 367.7

06.2021 495.5

Adjusted Cost-Income Ratio (%)

06.2020 65.8

06.2021 60.6

Dividend per share (€)

2019 1.67

As per AGM decision on November 18, 2020 payment as of November 23, 2020.

2020 1.81

As per AGM decision on June 9, 2021 payment as of June 14, 2021.

# Our Shares

DWS Group GmbH & Co. KGaA's (DWS KGaA) 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 1.7%, DWS KGaA was ranked 21 in the German SDAX at June 30, 2021.

The highest Xetra closing price for DWS KGaA's shares in 2021 was € 41.65, reached on June 8, 2021, while the lowest closing price was on January 27, 2021 at € 32.36. Over the course of 2021, the share price posted a cumulative shareholder return of 15.2% compared to 8.5% increase at the SDAX in the same period. Based on the 200 million outstanding bearer shares, the market capitalisation of DWS KGaA totalled € 7.6 billion on June 30, 2021.

Cumulative Shareholder Return in % during first half of 2021


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, 2021 | 200,000,000 |
| Market capitalization as of June 30, 2021 (in € bn) | 7.6 |
| Initial listing | 23-Mar-18 |
| Initial issue price in € | 32.50 |
| Share price in € as of June 30, 2021 | 38.30 |
| Cumulative Shareholder Return (since December 30, 2020) in % | 15.16 |
| Period high (January - June 2021) in €[1] | 41.65 |
| Period low (January - June 2021) in €[1] | 32.36 |

[1] Xetra Closing Price.

## Investor Relations Activity

Throughout the first half of 2021, 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 was covered including our new medium-term strategic targets, growth ambitions such as M&A, business developments, cost efficiencies, strategic alliances and our asset management industry outlook.
Moreover, there has been broad acknowledgement of our updated strategic initiatives within Phase two of our corporate journey. Product innovation, particularly for ESG products, has also been a popular topic of discussion.

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

## Annual General Meeting

DWS KGaA hosted its second virtual Annual General Meeting on June 9, 2021. The decision to hold the Annual General Meeting again in a virtual format enabled us to protect the health of our shareholders, employees and service providers.

The DWS Executive and Supervisory Board recommended a dividend payment of € 1.81 per share for the financial year 2020, which was approved Annual General Meeting in June 2021.

## Financial Calendar 2021

| Date | Event |
|---|---|
| July 28, 2021 | Interim Report 2021 with Investor & Analyst Conference Call |
| October 27, 2021 | Q3 2021 results with Investor & Analyst Conference Call |

## 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, 2021. DWS KGaA’s free float amounts to 15.51%.

# Management Report

# About this Report

## Content and Structure

Our half-yearly condensed consolidated financial statements combine the financial and non-financial information necessary to thoroughly evaluate our performance and as a German-listed asset manager, is primarily guided by the legal requirements of the German Commercial Code (Handelsgesetzbuch – HGB).

The report includes the consolidated statement of income, consolidated statement of comprehensive income, consolidated balance sheet, consolidated changes in equity, consolidated statement of cash flows, selected explanatory notes, and the Group's interim management report for the period from January 1, 2021 to June 30, 2021. 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 number 2 WpHG.

## Data and Presentation

All information and bases for calculation in this report are founded on national and international standards for financial reporting. The data and information for the reporting period were sourced from experts using representative methods. The reporting period is the first half of the 2021 business year, covering the period from January 1, 2021 to June 30, 2021. Relevant information is included up to the editorial deadline of July 23, 2021.

The condensed consolidated financial statements are published at the half-year point in German and English, with the German version of the report being the binding and leading document.

Our scope of consolidation comprises DWS Group GmbH & Co. KGaA (DWS KGaA), with its headquarters in Frankfurt am Main, Germany, and all of its fully consolidated subsidiaries and proportionally included joint operations. Shares in joint ventures and associated companies are accounted for, if material, using the Equity method in our consolidated financial statements and are thus not included in the scope of consolidation.

Our accompanying condensed consolidated financial statements are stated in euro 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 figures. "N/A" is read as not applicable.

With the exception of the Cash Flow Statement we apply for all numbers the "positive as normal" convention and all numbers are considered positive. The "direction of flow" is determined by the label, inflow numbers will include labels like fee and interest income. Outflow line items will have labels like fee expense, compensation and benefits and expenses.

Internal control mechanisms ensure the reliability of the information presented in this report.

## External Audit and Evaluation

KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG) has reviewed our half-yearly condensed consolidated financial statements and interim group management report and nothing has come to their attention that causes them to believe that the half-yearly condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standards (IFRS) on interim financial reporting as adopted by the European Union (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.

The Independent Auditor's Review Report can be found in the chapter 'Independent Auditor's Report'.

Information referred to as additional information, as well as references to DWS and external websites, indicated in this report is not part of the information audited by KPMG.

# Forward-looking Statements

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 KGaA. Forward-looking statements therefore are valid 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.

# Introduction to DWS Group

## Corporate Profile

We are a leading asset manager with € 859 billion in assets under management (AuM) as at June 30, 2021. We are headquartered in Germany with approximately 3,500 employees globally, providing a range of traditional and alternative investment capabilities to clients worldwide.

We have a fully integrated global investment group, supported by the Chief Investment Office which supplies the overarching framework that guides our investment decisions. Our products 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 wide 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.

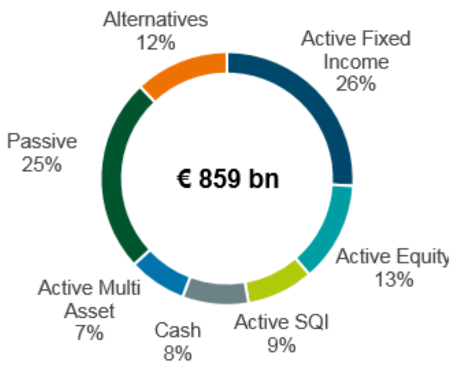
Our products are distributed across EMEA (Europe, Middle East and Africa), the Americas and Asia/Pacific (APAC) through a single global distribution network. We also leverage third-party distribution channels, including our largest shareholder, Deutsche Bank.

Following the achievement of our Initial Public Offering (IPO) medium-term targets, we are, in 2021, entering the second phase of our corporate journey as a publicly listed firm. We want to further transform key parts of our organization. Therefore, we are developing and investing in a dedicated standalone infrastructure designed for an asset manager. Furthermore, we will grow both organically and inorganically, investing into targeted growth areas and building on our strengths and existing expertise. Above all, we will invest in areas where we can be a leader in the Asset Management industry.

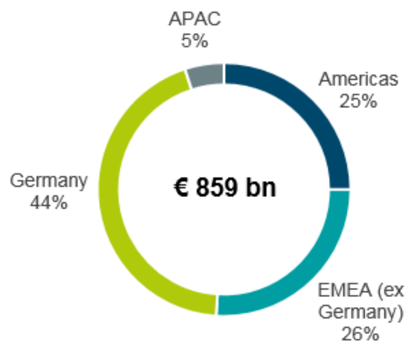
We are equally committed to invest into expanding our client base. Therefore, we want to further leverage existing partnerships and find new ones, especially in the growth region of Asia. Overall, we serve a diverse client base of retail and institutional investors worldwide, with a strong presence in 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 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.

## Diversified Business with Global Footprint

### AuM by Asset Class




### AuM by Region




### AuM by Client Type

# Our Strategy

With € 859 billion in assets under management as at June 30, 2021 we are a truly global asset manager and our size and reach are fundamental to our capabilities and strength across the Active, Passive and Alternative investment spaces.

The asset management industry is evolving, with greater competition, continued margin pressure, and technological disruption amid heightened geopolitical tensions and increased market volatility. We believe our diverse range of products and investment solutions give us a strong basis for growing assets and profitability regardless of the market in which we operate. We recently introduced the following business targets for 2024:

- Our global distribution reach across retail and institutional channels, as well as from strategic partnerships, can support the delivery of a net flow target of >4% by 2024 (as a percentage of beginning of period assets under management on average in the medium-term).
- Our strong and scalable operating platform, coupled with cost efficiency initiatives, supports our target to achieve an adjusted cost-income ratio of 60% by 2024.

We have continued execution of our strategic agenda in the first half of 2021, making significant progress along the themes of transform, grow and lead:

## Transform: Invest into transformation for further efficiency and growth

In March 2021 we introduced the new Functional Role Framework (FRF). With the FRF, a new foundation in how we work together has been introduced and this marks a new future for the firm as we transform, grow and lead as a standalone, publicly-listed asset manager. Corporate titles have ceased and roles are now aligned to functions and clearly defined with respect to responsibilities, expectations and future priorities.

We will recalibrate our core platform and policy framework with a dedicated transformation project so that these are tailored to our fiduciary business and clients. This transformation project is ongoing and initial foundations for our standalone technology platform have been achieved in the first half of 2021.

## Grow: Focus and invest into targeted growth

New product launches in the first half of 2021 helped to develop our diversified portfolio and continued to contribute strongly to our flow momentum. The first joint AI (artificial intelligence) fund with our strategic partner Arabesque AI and the DWS Concept ESG Blue Economy Fund, which focuses on ocean protection, have been launched. In addition, we have launched the DWS Invest SDG European Equities fund, which focuses on investing into companies positively contributing to the Sustainable Development Goals of the United Nations.

## Lead: Differentiated leadership across ESG, Passive and high margin strategies

As part of our effort to make ESG the core of what we do, we introduced the Group Sustainability Office (GSO) in 2020, to holistically and strategically manage and align sustainability initiatives within the firm. The Executive Board has decided to place the GSO directly under the Chief Executive Officer’s (CEO) leadership. The CEO is also the chair of the Group Sustainability Council. The GSO will be supported by the Strategy and Transformation teams, which will assist in setting and tracking all ESG initiatives across the firm.

We published our first Climate Report in March 2021 titled “Our Actions towards TCFD”. As part of our overall ambition to become a leading ESG asset manager, climate action is a key focus area and describing our climate focused initiatives in this report is fundamental to enhancing our non-financial reporting.

In April 2021, we joined the global Net Zero Asset Managers Initiative (NZAM) and will be part of NZAM Initiative’s newly formed Advisory Group alongside representatives from five other firms.

# Sustainability Strategy

We want to become a leading ESG Asset Manager and thought leader by applying "ESG first"-principles as a fiduciary and a corporate. We want to put ESG at the core of everything we do.

As a fiduciary, we consider all material issues that may impact our clients' investments and make our clients aware of these issues to help them make more sustainable and responsible investment decisions. At the same time, as a corporate citizen, we want to actively manage the impact of our business activities on the environment and society in which we operate. We refer to this concept as "double materiality" which is one of the aspects of our Sustainability Strategy.

Over the past 18 months we have seen a strong acceleration in ESG momentum among policy makers, corporations and society in general. During this time, there has been a material increase in net inflows into ESG related funds globally. The pandemic has certainly raised the consideration of sustainability factors to investors and we have also seen an unprecedented momentum in global climate action. Increasingly, governments and businesses around the globe have set ambitious targets in contributing towards a global net zero economy by 2050. Climate action is a focus of our sustainability activities and we will be focusing on detailing our Net Zero strategy to deliver against our commitments as part of the Net Zero Asset Managers Initiative (NZAM).

Reflecting on our ambition to play a key role as an asset manager in this global transformation, we have committed to prioritizing ESG. We also raised the ambitions of our global Sustainability Strategy that is anchored around four core strategic priorities:

- **Corporate transformation:** We seek to lead by example and deliver good sustainability practices across our organization.

- **ESG Integration and thought leadership:** Whilst having already built-up strong capabilities, we seek to further enhance investment processes for ESG integration across all asset classes. We also aim to enhance our thought leadership position by building out ESG Research.

- **Innovative and sustainable investment solutions:** We seek to increase both the number of Article 8 and Article 9[1] funds and the share of AuM classified as ESG by launching new and innovative ESG products and converting traditional products into ESG strategies.

- **Stakeholder engagement:** We seek to take a holistic approach toward engagement as we consider investor and corporate engagement as the key driver for positive transformation of the global economy.

During the first half of 2021, we made significant progress against these priorities:

## Corporate transformation

With the CEO leading our GSO and also becoming chair of the Group Sustainability Council, we further strengthened our sustainability structure.

To strengthen external stakeholder relations we created a new function to cover Public Affairs and Regulatory Strategy, with responsibility to drive the public positioning in global political and regulatory debates relevant to us but also for coordinating our relationships with regulators, and industry associations in alignment with our corporate strategy.

Pursuant to our commitment to climate neutrality and our signature of the NZAM at the end of 2020, we initiated a group-wide Climate Strategy initiative detailing our approach to Net Zero for our fiduciary and corporate activities. We analysed our portfolio and operational $CO_2$ baseline and gained important insights into $CO_2$-intensive sectors and investments. Looking ahead, we seek to publish our Net Zero interim target framework for 2030 before the end of the year. Further details can be found in our Climate Report 2020 that was published for the first time in March 2021.

Sustainability is also reflected in the Board remuneration. The performance parameters established for our Executive Board compensation system are closely linked with our ESG strategy through individual objectives for the Short-Term Award and collective objectives for the Long-Term Award[2]. Overall, ESG objectives account for at least 20% of the total reference variable compensation of the Executive Board. For Performance Year 2021 this includes the following ESG aspects:

- Environmental aspects including sustainable investments, energy usage and travel emission reductions.
- Social aspects including Corporate Social Responsibility (CSR) project participation by employees.

[1] For further information on Article 8 and Article 9 funds refer to paragraph 'Innovative and sustainable investment solutions – Our revised ESG classification approach'.
[2] For further information on short-term and long-term awards please refer to `Compensation Report – Executive Board Compensation` in the Annual Report 2020.

− Corporate governance aspects related to ethical conduct, integrity and a "speak-up" culture.

The Group Variable Compensation (GVC) for all employees also now includes environmental, social and corporate governance aspects.

We have now formulated our CSR Strategy which is closely anchored to our group-wide sustainability priorities with particular focus on environmental topics for this year. We started building out partnerships with organizations that are able to offer such volunteering opportunities to our staff both remotely as well as for skills-based volunteering. As an example, during the first half of the year when the COVID-19 pandemic in India deteriorated, we made a corporate donation of € 250,000 to the humanitarian aid organization 'Give India' to fund oxygen supply and 170 hospital beds.

## ESG integration and thought leadership

In March, we completed the European roll-out of Smart Integration – our enhanced committee-based sustainability risk management approach – with the go-live for the majority of our Luxembourg-domiciled actively managed mutual funds. We have continued to closely monitor critical issuers for engagement potential or even exclusion from the investment universe as a last resort. Throughout the first half of 2021 we have worked on continuously refining existing ESG data, improving ESG data coverage and onboarding new data signals to cover increasing regulatory and client requirements. As an example, we also developed new methodologies for measuring EU-taxonomy alignment or Net Zero path alignment which will support our activities to manage towards our NZAM targets.

As part of our climate research, we have partnered with World Wide Fund For Nature (WWF), the largest independent conservation organization in the world, to co-author a new research report highlighting the importance of underpinning investments with a clearer approach to water risk and opportunities. In January, this research report was published by the World Economic Forum as part of its yearly issued Global Risk Report. With our ESG CIO View we have raised awareness with clients on these implications.

## Innovative and sustainable investment solutions

### Starting in 2021, all our new product initiatives will by default be ESG

We apply the ESG default principle to all new product concepts worldwide[3]. We differ from that approach only in exceptional and documented cases based on a clear process (e.g. specific client requirements, available investment universe). There is no general product segment that is excluded from this principle. Our adherence to the ESG default principle is illustrated amongst others through the launch of the DWS Concept ESG Blue Economy Fund. This product is an equity fund focusing on ocean protection, investing in companies that contribute to ocean health and focus on sustainable consumption, reducing carbon emissions, and preventing water pollution, as well as targeting ocean-dependent sectors such as shipping and ports, energy and resources, coastal tourism, and aquaculture. We will be supported by the WWF which will provide advice on engagement approach.

In March 2021, we also launched the DWS Invest SDG European Equities, an equity fund which invests primarily in companies that contribute positively to the achievement of at least one of the 17 United Nations (UN) Sustainable Development Goals (SDGs). In collaboration with our strategic partner, Arabesque AI, we launched the DWS Concept ESG Arabesque AI Global Equity Fund. This product is designed to address three key industry megatrends, sustainability, digitalisation and low interest yields.

In June 2021, we launched two Xtrackers Green Bond ETFs in EUR and USD. These ETFs are the first in the corporate green bond category which includes corporates and selected agencies while excluding sovereign issuers. Both funds complement traditional and ESG offerings by providing investors with impact-aligned investment grade corporate exposure that complies with the EU Sustainable Finance Disclosure Regulation (SFDR) Article 9 standards.

### Our revised ESG classification approach

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

[3] Out of scope are Separate Accounts / Client Mandates / Customized funds and products already in development by end of 2020.

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.

As of June 30, 2021 we had € 70.1 billion of ESG AuM after applying our revised ESG product classification approach. In addition we had € 16.4 billion of illiquid green-labelled single assets in non-ESG classified products. We expect our ESG AuM to increase in the second half driven by our flows and product launch and conversion pipeline.

## Stakeholder engagement

Based on our strong conviction that engagement is a key driver for a positive transformation, we continued to strengthen our engagement framework. As a responsible investor it is our fiduciary duty to express our expectations on sustainability in the best interest of our clients. As such, engagement with investee companies on corporate governance and responsible environmental and social practices forms an integral part of our investment process. At the beginning of the year, we sent our annual engagement letter to approximately 1,800 investees, informing them about our updated Corporate Governance and Proxy Voting Policy and focus areas for 2021. Further, in June, we sent a letter to more than 200 companies from various industries worldwide based on the relevant degree of emissions, climate transition risk rating, and Climate Action 100+ Net Zero Benchmark constituents, elaborating on our expectations, informing them about our voting strategy and inviting them to take ambitious steps on the path to net zero. Furthermore, we continued our engagements with regards to the Climate Action 100+ initiative with the aim of enhancing the governance of climate change risk and opportunities, curbing emissions and strengthening climate-related financial disclosures. We expect companies that face substantial climate transition risks to accelerate their efforts in setting ambitious emission reduction targets and providing enhanced transparency on their roadmap towards climate neutrality. We will reflect these aspects in our voting decisions as well by holding directors accountable when we believe they have not managed the climate risks adequately or incentivized in this direction.

Striving to encourage transparency and a positive transformation for our portfolio of companies worldwide, we accelerated constructive dialogue directly with members of the Boards of Directors via an active participation at their virtual shareholder meetings. As the primary representatives of shareholders’ interests, Boards are responsible for proper oversight of material environmental, social and governance matters. Thus, we addressed our statements and concerns with regards to material ESG topics at selected annual general meetings and made these also transparent on our website.

Following the announcement of DWS Group GmbH & Co. KGaA becoming a signatory of the NZAM at the end of last year, in March, we joined the NZAM Advisory Group in order to support the governance of the initiative in close collaboration with the six founding partner networks.

In June, one of our senior managers was elected as a member of the Board of Directors for the European Fund and Asset Management Association (EFAMA). The association acts as a platform for European-domiciled fund firms to have a say in how to shape the future of the asset management industry.

## Outlook

Looking towards the second half of this year, we will focus our efforts towards our Net Zero strategy with an interim target framework and an initial implementation roadmap. We intend to publicly disclose our interim portfolio decarbonisation target framework in advance of the climate conference (COP 26) scheduled for November 2021.

# Sustainability KPIs

After successfully embedding Sustainability key performance indicators (KPIs) in the organisation in 2020, we continue to track the progress against our KPI ambitions through the Executive Board and the Group Sustainability Council. We believe that these indicators are important to our Sustainability Strategy and support the monitoring of our execution against certain key Sustainability priorities.

We have included an update below on our KPIs for the first half of 2021 ahead of further detail being provided in the 2021 Annual Report:

- **ESG AuM:** As of June 30, 2021 we had € 70.1 billion of ESG AuM after applying our revised ESG product classification approach.[4] In addition we had € 16.4 billion of illiquid green-labelled single assets in non-ESG classified products. We expect our ESG AuM to increase in the second half driven by our flows and product launch and conversion pipeline.

- **ESG Net Flows:** We have seen strong ESG net flows in the first half of 2021 of € 8.1 billion, representing 39% of our total net flows. All our asset classes had ESG net inflows, with particular strength in Passive (€ 3.2 billion), Equity (€ 1.5 billion) and Fixed Income (€ 1.3 billion). We expect to sustain our flow momentum in the second half of the year, supported by our product launch and conversion pipeline.

- **Operational emissions:** The restrictions that have been implemented as a response to COVID-19 continued to have a significant impact on our ways of working in the first half of 2021 across all regions, leading to less business travel and fewer employees working in our offices than prior to the pandemic. This has continued to positively impact our emissions and energy consumption. We continue to prioritise measures to reduce our operational emissions and will seek to provide further information on these initiatives in our 2021 Climate Report.

- **Sustainability Rating:** We finalised our Carbon Disclosure Project (CDP) submission in July 2021, and expect to receive our 2021 rating later this year.

- **Gender diversity:** As of June 30, 2021 there were 27.6% of positions at the first management level and 29.2% at the second management level below the Executive Board held by female executives respectively. We remain confident of achieving our 2021 targets of 26.0% and 29.0% at the first and second management levels through targeted measures.

- **Volunteer hours per employee:** We have made efforts to build out partnerships with organisations that are able to offer volunteering opportunities to our staff in all regions in the first half of 2021. These organizations offer volunteering opportunities that will focus on environmental topics and will support our overall CSR strategy. The ongoing impact of COVID-19 has had a significant impact on the ability of our employees to participate in physical volunteering activities during 2021. However, our employees have taken opportunities to perform virtual volunteering including online home-schooling support for children from socially disadvantaged backgrounds at the German children's charity "The Ark" and volunteering for our partner, Healthy Seas.

- **Corporate Engagements:** In the first half of 2021, we had 236 engagements with 199 companies and continue to proactively engage with companies that face substantial climate transition risks or seriously contravene with internationally recognized ESG standards. We addressed our questions on material ESG topics at selected annual general meetings and made these transparent on our website.[5]

- **Proxy voting:** In the first half of 2021, we voted at shareholder meetings of 2,045 companies.[6] In approximately a quarter of items voted, we voted against management recommendations. The proposals we most commonly opposed were related to the election or discharge of directors. The votes are based on our Proxy Voting Focus List, which includes our most relevant holdings screened for factors that include relevant ESG ratings.

[4] Please see the 'Innovative and sustainable investment solutions' section for details of our revised ESG product classification approach.
[5] Please see the 'Stakeholder engagement' section above for further details of our activities in the first half of 2021.
[6] For portfolios domiciled in EMEA and Asia.

# Operating and Financial Review

## Economic Environment

### Global Economy

| Economic growth (in %) | Jun 30, 2021 | Dec 31, 2020[1,4] | Main driver |
|---|---|---|---|
| **Global Economy[2]** | 6.3 | (3.2) | The first half of 2021 was marked by a slowdown in new COVID-19 infections in many countries, while some regions experienced a temporary resurgence. The global economy recovered strongly during the first half of 2021, supported by the increasing availability of vaccines. Central banks and fiscal measures remained supportive, but the largely synchronous global recovery has led to supply bottlenecks and inflation increases. |
| Thereof: | | | |
| Industrialized countries | 5.6 | (5.0) | Industrialised countries benefited from the early availability of COVID-19 vaccines in the first half of 2021. Fiscal policies allowed for continued support to domestic economies, while industry sectors benefited from the strong global recovery. Central banks also maintained their expansive stance and complemented fiscal policy measures. |
| Emerging markets | 6.8 | (1.9) | Emerging markets experienced less favourable economic recovery during the first half of 2021. While some of the Asian economies developed dynamically, the Latin American emerging markets suffered from the lack of access to COVID-19 vaccines in certain countries. |
| **Eurozone Economy[3]** | 12.8 | (6.5) | The Eurozone economies have noticeably recovered by the end of the second quarter of 2021. Country-specific COVID-19 policies resulted in a gradual divergence in each country's economic recovery in the first half of the year. The European Central Bank continued its support and fiscal policy also remained expansive. |
| Thereof: | | | |
| German economy | 8.9 | (4.8) | In the first half of 2021, the German economy was characterised as divided in its development. Strong global demand stabilised the industrial sector, while private consumption suffered significantly from the COVID-19-related constraints. A more significant revival of the manufacturing sector was prevented by supply bottlenecks. The economy reopened again towards the middle of the year and private demand gained momentum. During the first half of 2021, the economy continued to be supported by fiscal measures such as “Kurzarbeit”. |
| **US Economy[3]** | 13.2 | (3.5) | The US economy continued its dynamic recovery in the first half of 2021. This was made possible by a decline in COVID-19 infections and a strong start to its vaccination campaign. The economic recovery was also supported by strong fiscal support for private households. In addition, the Federal Reserve Bank's monetary policy remained expansionary. |
| **Japanese Economy[3]** | 7.4 | (4.7) | The recovery of the Japanese domestic economy was slowed by COVID-19-related restrictions at the beginning of the year and the vaccination campaign only gained momentum towards the end of the first half of 2021. In addition, foreign trade also suffered from weak demand. Overall, the economic recovery progressed slowly compared to the global economies. The Bank of Japan continued to maintain its accommodative stance. |
| **Asian Economy[3,5]** | 10.9 | (0.8) | Asia's economic recovery was negatively impacted in first half of 2021 by weaker than expected GDP growth in a number of economies and repeated COVID-19 outbreaks that temporarily limited the recovery of domestic demand. |
| Thereof: | | | |
| Chinese economy | 8.7 | 2.3 | China's economy experienced a buoyant start in 2021, with export demand being a key growth driver. Domestic demand is being slowed by the less supportive fiscal policy towards the end of the first half of the year. |

1 Annual Real Gross Domestic Product (GDP) Growth (% Year over Year). Sources: National Authorities unless stated otherwise.
2 For Global Economy section growth rates only at annual basis are available, used full year forecasts for 2021 for half yearly numbers.
3 Quarterly Real GDP Growth (% Year over Year) Sources: Deutsche Bank Research. The half yearly numbers are not available hence quarterly growth rates used as indicative growth percentage.
4 Some economic data for 2020 was revised by public statistics authorities due to the economic effects of the COVID-19 pandemic. As a result, this data may differ from that previously published.
5 Includes China, Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore, Sri Lanka, South Korea, Taiwan, Thailand, Vietnam; excludes Japan.

### Asset Management Industry

Following the downturn of stock markets and the economy at the beginning of 2020 due to the COVID-19 pandemic, the economic rebound in the second half of 2020 has continued into the first half of 2021 and financial markets continue to see positive net inflows. Growing investor confidence has benefitted long-term asset classes and demand remains for passive and alternative investments. As firms begin to resume normal operations, they are reassessing operations including the use of office space post-COVID-19 and enhancing digital capabilities has become an industry-wide priority.

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

- **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. Moreover COVID-19 has increased the focus on 'S' investments and activity in the impact investing space.

- **Tech revolution:** The rapid advancement in technology is enabling asset managers to improve the value chain, as well as to create operational efficiencies. Robo-advisor launches and a wider adoption of artificial intelligence, blockchain technology and big data is expanding product choice, enabling new solutions and enhancing performance, while COVID-19 has increased focus on digital 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:** For asset managers to continue growing in a more challenging revenue environment and amid heightened competition, scale and diversified capabilities are becoming increasingly important attributes. Industry consolidation is accelerating with bolt-on deals largely centring on alternative investments and fintech.

## 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 continue to be 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 continuing shift to passive investments, offering passive mutual funds, mandates and Exchange Traded Funds (ETFs). In the first half of 2021 Xtrackers, our passive platform, has increased its European market share as provider of ETFs and other Exchange Traded Products (ETPs) from 11.0% to 11.2%[7].
- We recognize growing investor demand for wider integration of ESG as well as Impact investment strategies, particularly as investors increasingly focus on issues such as climate change, and we were 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, we leverage our investments in new digital expertise, which is creating new distribution channels, products and services for our clients.

# Overview of First Half of 2021

## Key Developments

Despite the COVID-19 pandemic, we achieved a number of notable milestones in 2021. Throughout the first half of 2021, we demonstrated strong financial performance, announced our new medium-term targets, enhanced our product innovation and particularly stepped up our ESG efforts. For additional information, detailed descriptions are provided within the 'Management Report' in the sections 'Our Strategy', 'Internal Management System' and 'Risk Report'.

[7] ETFGI, June 2021.

## Transform, Grow, Lead

Following the achievement of our IPO medium-term targets one year earlier than expected, we started 2021 by launching phase two of our corporate journey as a listed company. During phase two, we will transform and grow profitably. Our goal is to become a leading European asset management firm with global reach and a leading position in our industry, especially across ESG, Passive and high margin strategies.

Throughout the first six months of this year, we had a clear focus on the execution of our strategic agenda and continued to invest into our transformation project to build a dedicated standalone infrastructure, designed for a fiduciary asset manager.

Additionally, we have set ourselves two new medium-term financial targets as introduced in the Annual Report 2020. Until the end of 2024, we want to achieve an adjusted cost-income ratio of 60% – with non-linear development especially in the investment phase – and net flows of more than 4% on average.

## Our financial performance

Despite the ongoing challenging market environment, we were once again able to demonstrate financial resilience as well as the strength of its diversified business model in the first half of 2021. Our management maintained its focus on executing and delivering on strategic priorities and we continued our disciplined focus on cost savings, particularly through the continuous implementation and the acceleration of our cost efficiency initiatives.

## Successful crisis management

As we saw the COVID-19 pandemic escalate globally, we faced several challenges due to heightened transaction volumes and market volatility, alongside increasing information security threats. Therefore, we continued our pro-active crisis management measures which were introduced in 2020 and which primarily focus on the health of our employees as well as on operational effectiveness. We further continued our dialogue with clients globally and 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. Overall, our successful crisis management enabled us to respond promptly to challenges, protecting the interests of all stakeholders. As a result of the pandemic, the Annual General Meeting 2021 was held for the second time in a virtual format.

## Product innovation

Product innovation remained a fundamental topic for us to keep pace with the growing demand for products that can generate positive performance in a low interest rate environment and to meet the requirements of our diverse client base. ESG themed products remain a key feature of our product portfolio. DWS's ESG funds have attracted again strong net flows in the first half of 2021 – a trend which continued from 2020. In the first half of 2021, we launched several funds which incorporate the three megatrends that we have identified for the coming decade, i.e. low interest rates, sustainability and digitalization and which illustrate our ESG commitment. Further details are provided within the section 'Sustainability Strategy'.

## ESG achievements and their external recognition

As we regard the subject of sustainability as an indispensable part of the "Zeitgeist", our commitment to making ESG the core of what we do is more relevant than ever. We will invest into product innovations in this field to position ourselves as the "go-to one-stop-shop" ESG investment manager. ESG remains a crucial strategic focus across all aspects of our business, spanning the investment platform, client coverage, product pipeline, supporting infrastructure functions and more broadly within our company culture.

We made significant progress in our strategic priorities related to ESG and we can reference to several notable achievements:

Building on our long heritage in responsible, and sustainable investing, we are committed to meet the increasing and accelerating investor appetite for ESG. With our "ESG-first" approach, we put ESG at the core of all our fiduciary and corporate actions, not only in our investment process with the help of our ESG engine but also on the product side with our ESG default principles. As noted earlier, we introduced an ESG Product Classification Framework and completed the European roll-out of Smart Integration.

Furthermore, our CEO took over the chair of the Group Sustainability Council, as the Executive Board has decided to place the GSO directly under the CEO's leadership. Earlier this year, we committed to the Human Capital Reporting Standards and became one of the first organizations to be certified accordingly.

We also joined the International Integrated Reporting Council (IIRC) as a business network member.

Another significant milestone is our representation in the NZAM Advisory Group. As a fiduciary, we consider all material issues that may impact our clients' investments and make our clients aware of these issues to help them make more sustainable and responsible investment decisions. As a signatory of the NZAM we are committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner. Additionally, we joined the Net Zero Asset Managers Initiative Advisory Group in order to support the governance of the initiative in close collaboration with the six founding partner networks going forward. In March, we also published our first TCFD-aligned Climate Report, which marks a fundamental step which enhances our non-financial reporting.

### Corporate Social Responsibility (CSR) engagement

With our CSR engagement, we are committed to tackling climate change and addressing social inequalities in order to help overcome two of the greatest challenges facing our society today. Our CSR Strategy is closely anchored to our group-wide sustainability priorities with a focus on environmental topics during 2021.

When the COVID-19 pandemic in India deteriorated dramatically, we made a corporate donation of € 250,000 to the humanitarian aid organization “Give India”. With this donation, we enabled the funding of oxygen supply and the supply of about 170 hospital beds in Isolation Centres or in Intensive Care Units in Mumbai, Bangalore and Pune. Our employees also expressed their solidarity and made donations of approximately € 7,500 to the Indian “Akshaya Patra Foundation”.

# DWS Performance

In the first half of 2021 under the continued impact of the COVID-19 pandemic, we proved our resilience. Despite the uncertain conditions management fees were slightly higher year-on-year. Thanks to our diversified business, we were able to achieve positive net flows of € 21 billion in the first half of 2021.

The improvement in our revenues combined with our management's continued focus on cost measures resulted in an adjusted Cost-Income Ratio of 60.6%, moving towards our revised targeted medium-term ratio of 60% by the end of 2024.

Total revenues were € 1,259 million, an increase of € 185 million, or 17% compared to the first half of 2020. Management fees were slightly higher, with a positive market performance in the second half of 2020 and in 2021 and strong growth in revenues from passive and alternatives net flows. Net performance and transaction fees increased significantly by € 21 million, or 57% mainly driven by a higher alternatives real estate performance fee. Other revenues were € 69 million, a significant increase of € 92 million compared to the first half of 2020, primarily driven by the favourable change in fair value of guarantees for the guaranteed products and a higher contribution from our investment in Harvest Fund Management Co., Ltd.

Overall the adjusted profit before tax increased by 35% to € 496 million for the first half of 2021 (first half 2020: € 368 million) largely driven by higher total revenues.

Assets under Management were € 859 billion, an increase of € 67 billion compared to December 31, 2020 marking another record high since DWS's IPO in 2018. The increase was mainly driven by favourable net flows of € 21 billion, a positive market performance contributing € 35 billion and favourable FX movements of € 10 billion.

## 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 development. 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 APM as supplemental information to develop a fuller understanding of the development of our business and the ability to generate profit. These APM should not be considered in addition to net income or profit before tax as measures of our profitability. Similar APM are used by our peers within the asset management industry, but these may be calculated differently and may not be comparable to the APM we use, even if the names of such APM and non-GAAP measures suggest that they are similar.

| | Jan - Jun 2021 | Jan - Jun 2020 |
|---|---|---|
| **Assets under management (AuM)[1] (in € bn)** | **859** | **745** |
| Net flows[2] (in € bn) | 21 | 6 |
| Thereof: ESG Net flows[3] (in € bn) | 8 | N/A |
| Management fee margin[4] (in basis points (bps)) | 28.0 | 28.6 |
| Adjusted revenues[5] (in € m) | 1,259 | 1,074 |
| Adjusted costs[6] (in € m) | 764 | 707 |
| Cost-income ratio (CIR)[7] (in %) | 62.2 | 68.0 |
| **Adjusted cost-income ratio[8] (in %)** | **60.6** | **65.8** |
| **Adjusted profit before tax[9] (in € m)** | **496** | **368** |

(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 centre 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 SFDR came into effect on 10 March 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 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 and net flows that comply with these standards are also classified as ESG. A comparative ESG net flow is not available for the first six month of 2020.

(4) 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.

(5) 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.

(6) 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 2021 | Jan - Jun 2020 |
|---|---|---|
| **Non-interest expenses** | **783** | **731** |
| Litigation | (1) | 0 |
| Restructuring activities | (2) | (10) |
| Severance payments | (5) | (14) |
| Transformational charges | (13) | 0 |
| **Adjusted costs** | **764** | **707** |

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

(8) Adjusted cost-income ratio is based on adjusted revenues (see footnote 5 above) and adjusted costs (see footnote 6 above).

(9) 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 (5) and (6) above.

# Results of Operations

| | | | Change from 2020 | |
|---|---|---|---|---|
| in € m. (unless stated otherwise) | Jan - Jun 2021 | Jan - Jun 2020 | in € m. | in % |
| Management fees income | 1,707 | 1,586 | 122 | 8 |
| Management fees expense | 575 | 525 | 50 | 10 |
| **Net management fees** | **1,132** | **1,061** | **71** | **7** |
| Performance and transaction fees income | 59 | 40 | 19 | 46 |
| Performance and transaction fees expense | 1 | 3 | (2) | (75) |
| **Net performance and transaction fees** | **58** | **37** | **21** | **57** |
| **Net commissions and fees from asset management** | **1,190** | **1,098** | **93** | **8** |
| Interest and similar income[1] | 12 | 10 | 2 | 21 |
| Interest expense | 9 | 8 | 1 | 15 |
| **Net interest income** | **3** | **2** | **1** | **46** |
| Net gains (losses) on financial assets/liabilities at fair value through profit or loss[2] | 128 | (157) | 285 | N/M |
| Net income (loss) from equity method investments | 48 | 31 | 17 | 54 |
| Provision for credit losses | 1 | 0 | 1 | N/M |
| Other income (loss)[2] | (108) | 101 | (209) | N/M |
| **Total net interest and non-interest income** | **1,259** | **1,074** | **185** | **17** |
| Compensation and benefits[3] | 407 | 376 | 32 | 8 |
| General and administrative expenses | 376 | 355 | 21 | 6 |
| Impairment of goodwill and other intangible assets | 0 | (0) | 0 | N/M |
| **Total non-interest expenses** | **783** | **731** | **52** | **7** |
| **Profit (loss) before tax (PBT)** | **476** | **343** | **132** | **39** |
| Income tax expense | 136 | 101 | 35 | 35 |
| **Net income (loss)** | **340** | **243** | **97** | **40** |
| Attributable to: | | | | |
| Non-controlling interests | 1 | 1 | (1) | (59) |
| DWS Group shareholders | 340 | 242 | 98 | 41 |

1 Interest and similar income included € 4 million and € 5 million for the first of 2021 and 2020, 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 € 114 million for the first half of 2021 (€ (93) million for the first half of 2020) on guaranteed funds. Other income (loss) includes € (114) million for the first half of 2021 (€ 93 million for the first half of 2020) valuation adjustments on liabilities of guaranteed funds. DWS Group has no stake in these funds.
3 Includes restructuring costs of € 2 million for the first half of 2021 (€ 10 million for the first half of 2020).

For the first half of 2021, we reported a significantly higher profit before tax of € 476 million, an increase of € 132 million, or 39% compared to prior year's period. Our net interest and non-interest income was higher than in 2020, with slightly higher management fees and significantly higher performance and transaction fees and remaining revenues. Non-interest expenses were higher than in the first half of 2020.

Total net interest and non-interest income was € 1,259 million, an increase of € 185 million, or 17% compared to the first half of 2020. Performance and transaction fees increased significantly by € 21 million, or 57% mainly driven by a higher alternatives real estate performance fee recognized in the first quarter 2021. Management fees were slightly higher, with a positive market performance in the second half of 2020 and in 2021 as well as strong growth in revenues from passive and alternatives net inflows. Remaining revenues amount to € 69 million, an increase of € 92 million compared to the first half of 2020, primarily driven by the favourable change in fair value of guarantees for the guaranteed products and a higher contribution from our investment in Harvest Fund Management Co., Ltd.

Non-interest expenses of € 783 million are € 52 million or 7% higher compared to the first half of 2020. The increase in compensation and benefits is mainly driven by higher deferred and variable compensation. General and administrative expenses increased mainly due to higher transformation charges in both professional services and IT costs, and higher service costs as a result of increasing Assets under Management.

## Assets under Management

The AuM development in the first half of 2021 is reflected in the table below:

| | Dec 31, 2020 | | | | Jan - Jun 2021 | Jun 30, 2021 |
|---|---|---|---|---|---|---|
| in € bn. | AuM | Net flows | FX impact | Performance | Other | AuM |
| **Product:** | | | | | | |
| Active Equity | 97 | (0) | 1 | 12 | 0 | 110 |
| Active Multi Asset | 59 | 1 | 0 | 3 | 0 | 64 |
| Active SQI[1] | 69 | 2 | 0 | 3 | (0) | 74 |
| Active Fixed Income | 220 | 3 | 3 | (3) | 1 | 223 |
| Active Cash | 75 | (3) | 2 | (0) | (1) | 73 |
| Passive | 179 | 15 | 3 | 16 | 0 | 213 |
| Alternatives | 93 | 3 | 1 | 5 | 1 | 103 |
| **Total** | **793** | **21** | **10** | **35** | **1** | **859** |

[1] Systematic & quantitative investments.

Assets under Management were € 859 billion, an increase of € 67 billion compared to December 31, 2020. The increase was driven by a positive market performance of € 35 billion, the favourable net flow development of € 21 billion and a positive FX impact of € 10 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.

### Net flows

Net flows represent assets acquired from or withdrawn by clients within a specified period. In first half of 2021 we generated net flows of € 21 billion mainly due to strong inflows into our targeted growth areas of Passive and Alternatives, as well as Active Fixed Income and Active SQI, partially offset by net outflows in Active Cash products.

### 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

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. The market performance in the period led to an increase in AuM of € 35 billion particularly in our active equity and passive products.

# 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 operate 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, 2021 we held cash, bank balances, government bonds and money market funds totalling € 3,010 million (€ 3,057 million as of December 31, 2020). 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, 2021.

## 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 Expenditures

In the first six months of 2021 the Group made no material capital expenditures in intangibles and property and equipment. Contingent liabilities and other obligations increased by € 16 million from € 128 million as of December 31, 2020 to € 144 million as of June 30, 2021 mainly driven by new commitments for co-investments.

## Net Assets

The table below shows selected items within our financial position:

| | | | Change from 2020 | |
|---|---|---|---|---|
| in € m. (unless stated otherwise) | Jun 30, 2021 | Dec 31, 2020 | in € m. | in % |
| **Assets:** | | | | |
| Cash and bank balances | 2,126 | 2,189 | (63) | (3) |
| Financial assets at fair value through profit or loss | 3,180 | 2,954 | 226 | 8 |
| Goodwill and other intangible assets | 3,618 | 3,550 | 68 | 2 |
| Remaining assets[1] | 2,519 | 1,754 | 765 | 44 |
| **Total assets** | **11,443** | **10,448** | **995** | **10** |
| **Liabilities and equity:** | | | | |
| Financial liabilities at fair value through profit or loss | 749 | 702 | 47 | 7 |
| Remaining liabilities[2] | 3,852 | 2,983 | 869 | 29 |
| **Total liabilities** | **4,601** | **3,685** | **915** | **25** |
| **Equity** | **6,842** | **6,762** | **80** | **1** |
| **Total liabilities and equity** | **11,443** | **10,448** | **995** | **10** |

[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 other short-term borrowings, lease liabilities, other liabilities, provisions, liabilities for current tax, deferred tax liabilities and long-term debt.

As of June 30, 2021, total assets increased by € 995 million (or 10%) compared to year-end 2020.

Cash and bank balances decreased by € 63 million. The decrease is mainly driven by a dividend payment of € 362 million and net tax payments of € 55 million offset by regular net cash movements of € 480 million. The increase in financial assets at fair value through profit and loss of € 226 million mainly relates to an increase in guaranteed funds and investment contract assets of € 218 million. Goodwill and other intangible assets increased by € 68 million mainly driven by a positive foreign exchange impact due to USD. Remaining assets increased by € 765 million mainly driven by an increase in brokerage and securities of € 650 million, equity method investments of € 59 million and an increase in other receivables and other items of € 56 million.

As of June 30, 2021, total liabilities increased by € 915 million (or 25%) compared to year-end 2020. The overall increase was primarily driven by an increase in guaranteed funds and investment contract liabilities of € 174 million, an increase in payables from brokerage and securities of € 624 million and other payables of € 117 million.

## Equity

The total equity as of June 30, 2021 was € 6,842 million compared to € 6,762 million as of December 31, 2020. The increase of € 80 million is mainly driven by the net income after tax for the first half of 2021 of € 340 million and positive impact from foreign exchange rate movements on capital denominated in currencies other than the Euro of € 122 million offset by a dividend payment of € 362 million.

## Regulatory Own Funds

Effective June 26, 2021 there was a change in regulation for the Group. We are no longer subject to the Capital Requirements Regulation and Directive (CRR/CRD IV), but to the prudential rules of the new Investment Firm Regulation (EU) 2019/2033 (IFR) and Investment Firm Directive (EU) 2019/2034 (IFD).

IFR and IFD create a regulatory framework for EU Investment Firms aiming to better address specific vulnerabilities and risks inherent to Investment Firms and lowering compliance cost through more tailored standards. The rules inter alia introduce a new classification scheme for Investment firms based on their activities, systemic importance, size and interconnectedness. The Group qualifies as “class 2” firm under IFR.

The relative composition of own funds is defined under article 9 of the IFR. As previously noted under CRR, the Group’s own funds equal CET1 as there are no additional Tier 1 or Tier 2 instruments issued. Compared to CRR, the major difference to the CET1 calculation is that certain own funds deductions are applied in full, instead of applying threshold deduction rules as is the case under the CRR.

The Group is required to hold minimum own funds to satisfy the higher of:

- the permanent minimum own funds requirement, which equals the Group’s initial capital requirement,
- one quarter of the annual fixed overhead requirements for the previous year, or
- the sum of the k-factor requirements introduced under IFR.

The k-factor requirement is based on three risk types: Risk to Client, Risk to Market and Risk to Firm. Each risk type has assigned k-factors, that add up to the overall k-factor requirement. There are only certain k-factors relevant to the Group, k-AuM (assets under management), k-ASA (assets safeguarded and administered) and k-COH (client orders handled) in respect of Risk to Client and k-NPR (net position risk) in respect of Risk to Market. Many k-factor calculations are based on the moving average of the respective underlying input factors such as assets under management (AuM) and client orders handled (COH) which are multiplied with a fixed coefficient defined in the IFR.

Our own funds according to IFR as of June 30, 2021 decreased in the first half of 2021 by € 82 million to € 2,420 million. The decrease was mainly driven by higher goodwill and intangible assets, offset by profit recognition and net of the dividend payment for 2020. Under IFR the CET1 as of June 30, 2021 includes € 581 million own funds deduction for investments in financial sector entities and deferred tax assets (December 2020 pro-forma € 512 million). Under CRR these deductions were subject to threshold deduction rules and as at December 31, 2020 these items were reported as risk weighted assets instead of being deducted from capital.

The own funds requirement based on k-factors according to IFR was € 537 million as of June 30, 2021, increased by € 29 million compared with € 508 million as of December 31, 2020 (pro forma). The increase was due to higher net position risk and higher AuM. The own funds excess over capital requirements was € 1,883 million as of June 30, 2021, compared with € 1,995 million as of December 31, 2020 (pro forma), as shown in the table below. With that we comply with the overall regulatory capital requirements according to article 9 of the IFR.

We applied the IFR where final rules are available and aligned our approach closer to the CRR where final rules are still outstanding. There might be changes with final publication.

| in € m. (unless stated otherwise) | Jun 30, 2021 IFR / IFD[1,2] | Dec 31, 2020 Pro-forma IFR / IFD[1,2] | Dec 31, 2020 CRR / CRD IV |
|---|---|---|---|
| **Regulatory own funds:** | | | |
| Common Equity Tier 1 capital (CET1) | 2,420 | 2,503 | 3,014 |
| Tier 1 capital (CET1 + AT1) | 2,420 | 2,503 | 3,014 |
| Tier 2 capital | 0 | 0 | 0 |
| **Total regulatory own funds** | **2,420** | **2,503** | **3,014** |
| **Risk weighted assets:** | | | |
| Credit risk | N/A | N/A | 6,394 |
| Credit value adjustment (CVA) | N/A | N/A | 0 |
| Market risk | N/A | N/A | 3,915 |
| Operational risk | N/A | N/A | 0 |
| **Total risk weighted assets** | **N/A** | **N/A** | **10,309** |
| **K-factor requirement:** | | | |
| K-AuM (assets under management) | **153** | 149 | N/A |
| K-ASA (assets safeguarded and administered) | **45** | 45 | N/A |
| K-COH (client orders handled) | **0** | 0 | N/A |
| K-NPR (net position risk) | **339** | 313 | N/A |
| **Total own funds requirement based on k-factors** | **537** | **508** | **N/A** |
| **Own funds excess (shortfall)** | **1,883** | **1,995** | **N/A** |
| **CET1 ratio (in %)** | **N/A** | **N/A** | **29.2** |

1 IFR consolidation circle equals CRR consolidation circle.
2 Non-regulatory consolidated entities are considered at equity equal to CRR.

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

| in € m. | Jun 30, 2021 IFR / IFD | Dec 31, 2020 Pro-forma IFR / IFD | Dec 31, 2020 CRR / CRD IV |
|---|---|---|---|
| Shareholders‘ equity, as defined by IFRS, regulatory basis of consolidation | 6,821 | 6,708 | 6,708 |
| Elimination of net income, net of profit recognition | 363 | 502 | 502 |
| Deduction of: | | | |
| Goodwill and intangible assets (net of related deferred tax liabilities) | 3,401 | 3,157 | 3,157 |
| Deferred tax assets on unused tax losses | 0 | 0 | 0 |
| Deferred tax assets | 154 | 162 | 0 |
| Financial sector entities | 427 | 350 | 0 |
| Prudent valuation | 19 | 24 | 24 |
| Defined benefit pension plan assets | 11 | 11 | 11 |
| Other regulatory adjustments | 25[1] | 0 | 0 |
| **Regulatory own funds** | **2,420** | **2,503** | **3,014** |

1 Synthetic holdings of own CET1 instruments linked to equity based compensation.

# Executive Board and Supervisory Board

## Managing Directors of the General Partner (Executive Board)

The management of the General Partner remained unchanged in the first half of 2021.

## Supervisory Board

There were no changes in the Supervisory Board in the first half of 2021.

# Outlook

## Global Economy

### Global Economy Outlook

| Economic growth (in %)[1] | 2021[3] | 2020[2] | Main driver |
|---|---|---|---|
| **Global Economy** | | | In the second half of 2021, the increasing availability of vaccines should help to improve the global pandemic situation. At the beginning of the second half of the year, many economies re-opened, allowing private consumption to gain further momentum in the course of 2021. However, the rapid spread of the delta variant might dampen economic recovery. We expect global economy to further benefit from buoyant foreign trade. The synchronous recovery, especially in the industrialized countries, could also drive inflation as a result of temporary supply bottlenecks. In some regions, strong fiscal programs are expected to take effect in the second half of 2021. |
| GDP | 6.3 | (3.2) | |
| Inflation | 3.6 | 2.6 | |
| Thereof: | | | |
| Industrialized countries | | | The industrialized countries' upswing is expected to gain further momentum, supported by pent-up demand, strong global economic activity and supportive fiscal programmes. In the course of the recovery, further price increases are expected, although some of the developments are likely to be temporary. The central banks of the industrialized countries should remain supportive throughout the remainder of 2021, but we expect a discussion about exiting pandemic related monetary policy measures to be initiated in late 2021 as a result of the economic normalisation. |
| GDP | 5.7 | (5.0) | |
| Inflation | 2.7 | 0.7 | |
| Emerging markets | | | The availability of COVID-19 vaccines is expected to have improved by the end of the year, supporting the recovery. In addition, emerging markets are expected to continue benefiting from positive developments among their trading partners. Nevertheless, emerging market economies are likely to recover at different rates over the course of 2021. In Asia differentiation and resiliency prevail, with largely positive impulses from export demand. Latin American economies are expected to show a more subdued development. |
| GDP | 6.8 | (1.9) | |
| Inflation | 4.3 | 4.0 | |
| **Eurozone Economy** | | | In the Eurozone, the vaccination campaign continues to progress supporting economic recovery. The economic activity is expected to reach pre-pandemic levels by the end of 2021 as a result of pent-up demand and fiscal stimulus programmes. The ECB remains supportive by maintaining its emergency pandemic purchase programme (PEPP). Inflation is expected to pick up significantly, partly due to strong base effects caused by a lower price level in the corresponding months of 2020. |
| GDP | 5.0 | (6.5) | |
| Inflation | 2.1 | 0.3 | |
| Thereof: | | | |
| German economy | | | Economic growth is expected to pick up strongly in the second half of 2021. Increasing vaccination rates should support the recovery. Combined with strong external demand, pent-up demand is likely to become a major growth driver. However, global supply bottlenecks and price increases for basic materials are expected headwinds for industrial production at the beginning of the second half of the year. The development of consumer prices will remain upwards until the end of the year due to base effects and strong private demand. |
| GDP | 4.0 | (4.8) | |
| Inflation | 2.3 | 0.4 | |
| **US Economy** | | | The US economy is expected to grow dynamically due to massive fiscal stimulus. The economy is set to return to its pre-COVID-19 level during the second half of 2021. The US labour market is expected to continue its recovery, especially as the service sector continues to gain momentum. If the economic backdrop continues to improve and inflation picks up further, the Federal Reserve Bank could announce a tapering of its Quantitative Easing by the end of 2021. |
| GDP | 6.7 | (3.5) | |
| Inflation | 4.2 | 1.2 | |
| **Japanese Economy** | | | The steady increase of vaccinations should bolster the Japanese economy in the second half of the year. A faster than expected rollout of vaccines should boost private consumption and private capital investment. Amid the increasing concern over inflation worldwide, Japan stands out for its low level of inflation, driven by the still negative output gap. In addition, a shift in the base year of the Consumer Price Index (CPI) is having a dampening effect. |
| GDP | 2.6 | (4.7) | |
| Inflation | (0.4) | 0.0 | |
| **Asian Economy[4]** | | | The acceleration of the COVID-19 vaccine rollout has improved the economic outlook for Asian economies, but progress is uneven across countries. Major economies, like China, Singapore, South Korea and Hong Kong are well on their way to achieving population immunity by the end of the year. Asian economies are expected to benefit from robust external demand. However, domestic demand lacks a more powerful stimulus. |
| GDP | 7.9 | (0.8) | |
| Inflation | 2.2 | 2.9 | |
| Thereof: | | | |
| Chinese economy | | | The Chinese economy is expected to benefit from strong external demand and a pick-up in consumer confidence boosted by an acceleration of the vaccine rollout. A tighter fiscal stance should be a headwind for domestic demand. The People's Bank of China (PBoC) is expected to cut the policy rate once more by the end of this year. |
| GDP | 8.9 | 2.3 | |
| Inflation | 1.1 | 2.5 | |

[1] Annual Real GDP Growth (% Year over Year). Sources: National Authorities unless stated otherwise.
[2] Some economic data for 2020 was revised by public statistics authorities due to the economic effects of the COVID-19 pandemic. As a result, this data may differ from that previously published.
[3] Sources: Deutsche Bank Research.
[4] Includes China, India, Indonesia, Republic of Korea and Taiwan, excludes Japan.

Our global economic outlook is impacted by a number of pandemic-related and economic risks. With regard to the COVID-19 pandemic, delays in the supply and distribution of vaccines, especially in emerging market countries, could slow the global economic recovery. The emergence and spread of new variants combined with vaccine hesitancy before herd immunity is achieved, if ever, could also impact the global development. From an economic perspective, higher than expected inflation could lead to tighter monetary policy and derail growth prematurely. In addition, an unexpected US Dollar strengthening could lead to a disruption of the recovery cycle in the emerging market economies.

# Asset Management Industry

Despite the challenges posed by the pandemic and related economic uncertainty, the asset management industry has continued to see inflows and asset growth, thanks to robust markets and government support initiatives in the first half of 2021. The industry continues to be shaped by a number of trends influencing investor demand, allocations, product development and delivery. These trends underscore the need for managers to be diversified across asset class, vehicle type and geography with the ability to provide cost effective solutions.

Long-term demographic and socioeconomic trends remain in place. An aging population is driving demand for retirement solutions, while greater wealth creation in rapidly expanding emerging markets, such as China and India, present new opportunities for asset managers.

Investors remain focused on the investment “barbell” opting for low cost passive strategies and alternative investments. The low interest rate environment has led many institutional investors to move up the risk curve in the search for yield, with many adding private markets exposure. In the passive space, ETFs have recorded strong inflows continuing the impressive growth trend seen in recent years.

Reflecting developments in the wider community, environmental, social, and governance (ESG) investing and new technology have become key themes in the asset management industry. Investors are actively seeking out sustainable investments, a trend that has gained momentum during the pandemic, and climate change has become a central pillar of many institutional investor portfolios. Asset managers are adopting new technologies, such as artificial intelligence, to improve online access and offer greater “personalisation”, using automation to increase efficiency and leveraging digital capabilities to offer new products and enhance performance.

Market consolidation will also define the competitive landscape with M&A (Mergers & Acquisitions) activity likely to remain high, driven by firms looking for scale and operational efficiency and those looking to expand in new regions, particularly in Asia, or seeking to diversify their product capabilities, where the focus is likely to remain on alternative investments, ESG capabilities and digital expertise.

Although economic challenges remain, including the full impact of COVID-19 and margin erosion, we believe that the asset management industry will continue to grow over the long-term with ESG being a major contributory factor to that growth.

# 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. 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. Going forward, growth and efficiency will drive shareholder value creation, which is why we have refined our medium-term targets earlier this year. By 2024, we target an adjusted CIR of 60% and a net flow rate[8] of >4%.

Contrary to what we stated in the Annual Report 2020, we expect Assets under Management at the end of 2021 to be higher compared to the end of 2020, driven by net inflows and strong market performance.

In 2021, we expect sustained net inflows into targeted growth areas of passive and alternative investments, further enhanced by strategic alliances and product innovations, including further ESG offerings. Adjusted revenues as well as management fees are assumed to be higher in 2021 compared to 2020, progressing from our previous forecast for 2021. We further expect

[8] % of BoP AuM on average in the medium-term.

performance and transaction fees to be significantly higher in 2021, which improves from our previous forecast. Similarly, we assume Other Revenues to be significantly higher this year.

Moreover, we expect benefits from our cost savings initiatives in 2021, which will partly compensate for investments into growth. We still expect adjusted costs excluding transformation charges to be slightly higher compared to 2020.

Developing from our previous forecast within the Annual Report 2020, the adjusted profit before tax for 2021 is expected to be significantly higher compared to last year.

As a result, we expect our adjusted CIR to remain in the low 60s percent, assuming benign markets.

# 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, but the economy has picked up again in the second quarter of the year. Many countries have made progress in vaccinating their populations. Markets have priced in this optimistic scenario and hence it will be crucial that the expectations are fulfilled regarding the effectiveness of the COVID-19 vaccination and its rapid introduction. In case expectations will not be fulfilled, this may lead to a 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, another potential economic slowdown could negatively impact our revenues, assets and liabilities.

The long-term effects of 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 economic 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. As various countries begin lifting restrictions (i.e. removal of lockdowns, lifting of travel limitations, and major corporations asking staff to return to offices) risks related to vaccination efficacy and COVID-19 variants may jeopardize a return to normality. Additionally the pandemic has created a period of reflection where employees and employers have reevaluated physical office space and remote working arrangements. There continue to be concerns across major cities which rely on the positive economic effects of commuter activity and corporate leases.

Continued elevated levels of political uncertainties worldwide, protectionist and anti-trade policies, 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 the Group is headquartered in Frankfurt and operates with a significant European footprint, our operating model positioned us well to continue our current business and operations despite the lack of a comprehensive Brexit deal for financial services. We ran a Brexit-preparedness project with a planning assumption of "no deal" and therefore were well prepared for the eventual outcome. We continue to be able to serve the needs of our clients across Europe and service them from the most appropriate legal entity and jurisdiction. We have 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.

### 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. Positive prospects due to the rapid introduction of the COVID-19 vaccination are already reflected in the growth figures, which may curb the economic recovery in case expectations will not be fulfilled. Ongoing supply-side shortages, higher pent-up demand and a faster recovery are increasing the upside risk to inflation. There may also be a re-pricing event within equity markets due to higher interest rates in response to higher than expected levels of inflation. 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 and adjusted cost-income 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.

## Criminal proceedings

Guilty pleas or convictions in criminal proceedings by members of the Deutsche Bank Group (including DWS) and/or their employees may have consequences that have adverse effects on our business, including reputational damage, monetary fines or penalties, litigation expenses, and loss of licenses or our ability to operate in one or more jurisdictions or to deal with one or more types of products. For example, due to past criminal convictions, Deutsche Bank and its affiliates have been disqualified for ten years from relying on the Qualified Professional Asset Manager (QPAM) class exemption from the prohibited transaction rules under the US Employee Retirement Income Security Act. When providing discretionary investment management services to certain US retirement plans, DWS in the US has relied on this exemption. The US Department of Labor (DOL) has granted Deutsche Bank AG and certain of its asset management affiliates individual QPAM exemptions to allow DWS to continue to operate as a QPAM. The current exemption is set to expire on April 17, 2024, but may terminate earlier if, among other things, we or our affiliates are convicted or plead guilty to a crime prior to this exemption’s expiration date. The disqualification period arising from these past convictions extends until April 17, 2027, and therefore we will need to obtain a further exemption by April 18, 2024 to avoid a loss of QPAM status at that time. Loss of QPAM status could have a material adverse effect on the results of DWS’s business and reputation in the United States.

## Regulation

The regulatory reforms enacted and proposed in response to weaknesses in the financial sector together with 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 and adjusted cost-income 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, certain 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.

## Sustainability

Sustainability Risks are inherent to our business activities and ESG strategy. In alignment with our Net Zero Greenhouse Gas (GHG) emissions ambition formulated when joining the Net Zero Asset Managers Initiative (NZAM) in December 2020, we also work towards formulating interim targets as well as corresponding actions to meet Paris-aligned carbon reduction targets. The Risk Management function, in collaboration with the respective business lines are responsible for the management of

Sustainability Risks and for establishing processes to actively oversee, track, manage and mitigate our Sustainability Risks as well as our Investment portfolio exposure. From our perspective, this includes the risks and opportunities related to the changing client preferences for ESG products and the need to transform our product range to meet this evolving client demand.

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 along with the changing asset management industry, all of which contribute, directly and indirectly, to anticipated growth rates and favourably to our medium-term net flow target:

- Demand for ESG investments is driving research, enhanced risk management and extensive product development.
- 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.
- 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.
- 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.
- Regulatory changes are stimulating demand for greater transparency and choice for the end consumer.

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 those of our 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 in the industry that will 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 and adjusted cost-income ratio.

# Overall Assessment

We believe our business 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

As a firm, we are continuously exposed to a variety of risks as a result of our business activities. These risks include non-financial risks and financial risks (market risk, credit risk, strategic risk and liquidity risk). The corporate risk profile is driven by various external and internal factors, including fiduciary risk. As an asset manager, our fiduciary obligation is paramount requiring us to put the interests of our clients first. We achieve this by risk managing portfolios in-line with client expectations while ensuring regulatory requirements and contractual obligations are met, including those that are risk-related.

Our risk governance approach employs two core principles: every employee is responsible for managing 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.

The integration of sustainability risks in our risk management processes continues to be an area of focus.

## Overall Risk Assessment

Material corporate risk categories include:

- 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
- financial risks such as market risk associated with our co-investments, seed investments and guaranteed products as well as 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 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 ongoing global COVID-19 pandemic has led to increased challenges for business continuity and information security. Crisis management measures involving senior leaders from across the organisation have continued to be effective. The business has shown resilience and the key drivers for our risk profile have not changed in terms of themes and inherent risk exposure. Having a clear action plan to ensure business continuity for our clients, colleagues and stakeholders has been increasingly important during this period.

In the first half of 2021 our risk governance structure, framework, risk appetite and capacity remained unchanged. Please refer to the risk report in the 2020 Annual Report for further details.

### Integrating Climate Risk into our existing Risk Management Framework

Recent regulatory developments clearly highlight the necessity to integrate physical and transitional climate risk (including water risk) into business practices. At DWS, we understand that sustainability factors – including climate and transition risk factors – can materialize and impact all of the risk types mentioned above. Therefore we have already integrated sustainability factors into significant components of the existing risk measurement and management frameworks enabling us to consider climate change matters within our corporate as well as portfolio risk assessments.

- Sustainability Risk Ratings on fund level: leveraging ESG / Sustainability ratings from well-known data providers through the DWS ESG Engine, we have established processes for a wide range of products managed to assess the impacts from ESG factors to determine and monitor the overall sustainability risk profile of the portfolios. By identifying climate change laggards across our portfolios, we assess whether or not the resulting risks are appropriate with respect to the pre-defined risk profiles of the funds.

- Physical climate or transition stress tests are scenario analyses in order to assess the exposure or sensitivity of an individual portfolio or also the entire organization towards physical climate or climate transition factors; we are actively working on integrating physical and/or climate transition scenarios into our investment risk management process. In parallel, we are evaluating climate transition sensitivity of the overall product portfolio and assessing which of the products investment policies might be adversely impacted by climate transition risks in the mid- or long-term.

# Update on Risk and Capital Overview

## Key Risk Metrics

Starting with June 26, 2021 we adhere to the own funds requirements under the new Investment Firm Regulation (EU) 2019/2033 (IFR), as outlined in Article 11 of the IFR.

We manage our own funds so as to satisfy the levels of regulatory own funds defined in Article 9 IFR, the Directive (EU) 2019/2034 (IFD) in articles 39 and 40 and as required by the relevant authority, Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), to cover the k-factor requirements for risk to client and risk to market.

We are also required to adhere to a new liquidity requirement as per article 43 IFR. The Group is required to hold an amount of liquid assets such as cash and bank balances and government bonds equivalent to at least one third of the fixed overhead requirement for the previous year plus 1.6% of the total amount of guarantees provided to clients. As of June 30, 2021, the Group fulfils this requirement (as of December 31, 2020 Pro-forma respectively).

The management of the own funds excess and the k-factor metrics form part of our holistic risk management across the individual risk types. As a new regulatory metric we introduced the IFR liquidity requirements and will continue with the measurement of the Stressed Net Liquidity Position (SNLP) as a DWS specific internal risk metric.

| Own funds excess (shortfall) | |
|---|---|
| June 30, 2021 | € 1,883 million |
| December 31, 2020 Pro-forma | € 1,995 million |

| Own funds requirement based on k-factors | |
|---|---|
| June 30, 2021 | € 537 million |
| December 31, 2020 Pro-forma | € 508 million |

| IFR liquidity requirement | |
|---|---|
| June 30, 2021 | € 472 million |
| December 31, 2020 Pro-forma | € 448 million |

| Stressed net liquidity position | |
|---|---|
| June 30, 2021 | € 1,930 million |
| December 31, 2020 | € 2,077 million |

# 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 2021, 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 2021, 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.

Equity markets continued their recovery and European long-term bond yields stabilized at a moderately higher level supporting our co-investment portfolio and reducing our guarantee shortfall derivative.

**Co-Investments**: The fair value of the co-investment portfolio was € 401 million as of June 30, 2021 and € 389 million as of December 31, 2020, an increase by € 12 million in the first half of 2021 driven by € 41 million in foreign exchange movements and the effects of the economic rebound after an initial COVID-19 downturn on the market values of some co-investment positions, offset by net capital redemptions of € 29 million. The co-investment portfolio has been resilient during the pandemic as a result of its diversified assets and only moderate exposure to sectors hit particularly hard by lockdown measures and reduction of economic activity.

As of June 30, 2021, the portfolio also included € 120 million of unfunded commitments (€ 106 million as of December 31, 2020).

**Guaranteed Products**: The guarantee shortfall is particularly sensitive to movements in long-term interest rates. Consequently, the increase in long term rates during the first half of 2021 resulted in a € 14 million decrease in the shortfall provision from € 156 million as of December 31, 2020 to € 142 million as of June 30, 2021.

**Equity Compensation Risk**: Employee compensation is partly linked to our share price performance, and so is a right way risk since liabilities will primarily only increase if the share price improves. At the same time, we monitor and manage the resulting profit and loss volatility where appropriate. For this purpose, the Group entered into short-term derivatives to retain a balanced risk position as and when necessary in line with our risk appetite and strategic goals.

### 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 2021, we maintained a well-diversified portfolio of deposits with highly rated credit institutions amounting to € 2,126 million (€ 2,189 million as of December 31, 2020). Additionally, our liquidity portfolio includes € 538 million invested in US Treasuries and European (Sub-) Sovereign Bonds (€ 602 million as of December 31, 2020), and money market investments of € 346 million (€ 266 million as of December 31, 2020).

## Fiduciary Investment Risk in Traditional Asset Classes

### Market Risk Management

The key objective of managing market risk of our fiduciary portfolios is to ensure that the portfolios are managed according to their respective market risk profile in the best interest of the investors.

In the first half of 2021, DWS further developed its market risk framework by introducing enhanced governance of large exposures of all actively managed portfolios across all asset classes, equity, fixed income, multi asset and liquid real assets. The enhanced risk oversight aims to identify, monitor and escalate to the Investment Platform potential source of issuer concentrations resulting from large exposures for single portfolios as well as across the DWS asset platform.

The market risk of our fiduciary portfolios was within the expected risk profiles in the first half of 2021, with no significant excessive risk taking identified.

### Liquidity Risk Management

The key objective of managing liquidity risk of DWS fiduciary portfolios is to ensure that the portfolios can meet all liquidity demands, including investor redemptions, without diluting the interest of remaining investors.

In the first half of 2021, DWS significantly improved its liquidity risk framework by introducing an expanded number of new stress test scenarios which consider a wider range of risk factors. Furthermore, integration of liquidity stress testing results into the portfolios’ value chain was extended with the integration of liquidity stress testing results into the product launch process. A new Liquidity Risk Council, comprised of members from the Investment Division, Product, and Risk, was established to review liquidity stress test exceedances and advise on changes to portfolio structure and product design including the introduction of new liquidity management tools.

The liquidity risk of our fiduciary portfolios was low for the same period, with no suspension or gating taking place.

### Counterparty Risk

During the first half of 2021, we introduced an enhanced model to manage cash holdings within the funds including ESG factors.

## Fiduciary Investment Risk in Alternative Asset Classes

### Market Risk Management

During the first half of 2021, the growth of illiquid alternative investments extended across the different asset classes. Compared to other traditional asset classes, alternatives experienced little immediate impact during the initial months of the COVID-19 outbreak. As a result of the more long-term nature of the investments, impacts were experienced throughout the year 2020 and are likely to continue to be present during the financial year 2021. Nevertheless, we did not observe any significant outflows in any of the products, and there were no material product valuation impacts in comparison to benchmarks during the first half of 2021.

### Liquidity Risk Management

Within the alternative asset classes, the liquidity risk management program was further developed and enhanced, including in particular the roll-out of a new liquidity stress testing program in the first half of 2021. Following the publication of the European Securities and Markets Authority (ESMA) Guidelines on Liquidity Stress testing for UCITS and AIFs", we adopted a Liquidity Stress Testing Policy as well as related liquidity stress testing procedures to identify at an early stage any potential liquidity mismatch within the products managed and to propose mitigating actions including adequate liquidity management tools and liquidity buffers.

## Sustainability Risk

Sustainability risks have been integrated in our Risk Management Framework. We have adopted a dedicated Sustainability Risk Policy with the objective of providing a central definition of sustainability risk and related factors to be used across the Group including a focus on the governance implications of sustainability risk and functional roles and responsibilities. This policy describes under which risk types sustainability risk may materialize and where processes are required to be implemented to manage these risks at the operational level.

We extended our Corporate Risk Appetite Statement for 2021 to include a specific section on sustainability risk, as this is expected to impact various other risk types. It contains qualitative and quantitative targets, which are linked to the processes implemented to identify and manage sustainability risks. The Risk Appetite Statement contains Group wide targets on the limitation and/or reduction of investments in issuers with high sustainability risk ratings as well as KPI's on large concentrations in issuers with significant exposure to sustainability risks. Impacts of sustainability factors have been considered in the annual Risk Inventory analysis, resulting, amongst others, in the consideration of risk scenarios related to the risk of greenwashing as well as the transformation risk of not meeting client demands in a post ESG transformation environment. To ensure transparency regarding sustainability risks within the organization, a dedicated sustainability risk reporting process to the Risk and Capital Committee has been established. On the portfolio level, in the first half of 2021 we introduced a dedicated product level governance for a wide range of liquid portfolios to establish an independent risk oversight of sustainability risk.

# Consolidated Financial Statements

## Consolidated Statement of Income (Unaudited)

| in € m. | Notes | Jan - Jun 2021 | Jan - Jun 2020 |
|---|---|---|---|
| Management fees income | | 1,707 | 1,586 |
| Management fees expense | | 575 | 525 |
| **Net management fees** | 5 | **1,132** | **1,061** |
| Performance and transaction fee income | | 59 | 40 |
| Performance and transaction fee expense | | 1 | 3 |
| **Net performance and transaction fees** | 5 | **58** | **37** |
| **Net commissions and fees from asset management** | 5 | **1,190** | **1,098** |
| Interest and similar income[1] | | 12 | 10 |
| Interest expense | | 9 | 8 |
| **Net interest income** | | **3** | **2** |
| Net gains (losses) on financial assets/liabilities at fair value through profit or loss[2] | | 128 | (157) |
| Net income (loss) from equity method investments | | 48 | 31 |
| Provision for credit losses | | 1 | 0 |
| Other income (loss)[2] | | (108) | 101 |
| **Total net interest and non-interest income** | | **1,259** | **1,074** |
| Compensation and benefits[3] | | 407 | 376 |
| General and administrative expenses | 6 | 376 | 355 |
| Impairment of goodwill and other intangible assets | 12 | 0 | 0 |
| **Total non-interest expenses** | | **783** | **731** |
| **Profit (loss) before tax** | | **476** | **343** |
| Income tax expense | 17 | 136 | 101 |
| **Net income (loss)** | | **340** | **243** |
| Attributable to: | | | |
| Non-controlling interests | | 1 | 1 |
| DWS shareholders | | 340 | 242 |

[1] Interest and similar income includes € 4 million and € 5 million for the first half of 2021 and 2020, 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 € 114 million for the first half of 2021 (€ (93) million first half of 2020) on guaranteed funds. Other income (loss) includes € (114) million for the first half of 2021 (€ 93 million for the first half of 2020) valuation adjustments on liabilities of guaranteed funds. DWS Group has no stake in these funds.
[3] Includes restructuring costs of € 2 million for the first half of 2021 (€ 10 million for the first half of 2020).

# Consolidated Statement of Comprehensive Income (Unaudited)

| in € m. | Jan - Jun 2021 | Jan - Jun 2020 |
|---|---|---|
| **Net income (loss) recognised in the income statement** | **340** | **243** |
| **Other comprehensive income:** | | |
| Items that will not be reclassified to profit or loss: | | |
| Remeasurement gains (losses) related to defined benefit plans, before tax | 17 | (1) |
| Income tax expense (benefit) related to items that will not be reclassified to profit or loss | 6 | 0 |
| 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 | (22) | (10) |
| Equity method investments | | |
| Net gains (losses) arising during the period | 0 | (0) |
| Foreign currency translation | | |
| Unrealized net gains (losses) arising during the period, before tax | 123 | (48) |
| Realized net (gains) losses arising during the period (reclassified to profit or loss), before tax | 1 | 0 |
| Income tax expense (benefit) related to items that are or may be reclassified to profit or loss | 7 | 3 |
| **Total other comprehensive income (loss), net of tax** | **120** | **(56)** |
| **Total comprehensive income (loss), net of tax** | **460** | **186** |
| Attributable to: | | |
| Non-controlling interests | 1 | 1 |
| DWS shareholders | 459 | 185 |

# Earnings per Common Share (Unaudited)

| | Notes | Jan - Jun 2021 | Jan - Jun 2020 |
|---|---|---|---|
| **Earnings per common share:** | | | |
| Basic | | € 1.70 | € 1.21 |
| Diluted | | € 1.70 | € 1.21 |
| **Number of common shares (in million)** | 16 | 200 | 200 |

# Consolidated Balance Sheet (Unaudited)

| in € m. | Notes | Jun 30, 2021 | Dec 31, 2020 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and bank balances | 10 | 2,126 | 2,189 |
| Financial assets at fair value through profit or loss: | 7,9 | | |
| Trading assets | | 1,380 | 1,297 |
| Positive market values from derivative financial instruments | | 25 | 0 |
| Non-trading financial assets mandatory at fair value through profit or loss | | 1,214 | 1,131 |
| Investment contract assets mandatory at fair value through profit or loss | | 561 | 526 |
| Total financial assets at fair value through profit or loss | 7,9 | 3,180 | 2,954 |
| Financial assets at fair value through other comprehensive income | 8,9 | 175 | 198 |
| Equity method investments | | 363 | 304 |
| Loans at amortized cost | 10 | 4 | 4 |
| Property and equipment | | 25 | 29 |
| Right-of-use assets | | 122 | 115 |
| Goodwill and other intangible assets | 12 | 3,618 | 3,550 |
| Assets held for sale | 13 | 2 | 0 |
| Other assets | 10,14 | 1,676 | 887 |
| Assets for current tax | 17 | 17 | 76 |
| Deferred tax assets | | 135 | 142 |
| **Total assets** | | **11,443** | **10,448** |
| | | | |
| **LIABILITIES AND EQUITY** | | | |
| Financial liabilities at fair value through profit or loss: | 7,9 | | |
| Trading liabilities | | 27 | 18 |
| Negative market values from derivative financial instruments | | 162 | 158 |
| Investment contract liabilities designated at fair value through profit or loss | | 560 | 526 |
| Total financial liabilities at fair value through profit or loss | 7,9 | 749 | 702 |
| Other short-term borrowings | 10 | 74 | 72 |
| Lease liabilities | | 138 | 130 |
| Other liabilities | 10,14 | 3,335 | 2,498 |
| Provisions | 15 | 17 | 17 |
| Liabilities for current tax | 17 | 66 | 61 |
| Deferred tax liabilities | | 221 | 205 |
| Long-term debt | 10 | 0 | 0 |
| **Total liabilities** | | **4,601** | **3,685** |
| Common shares, no par value, nominal value of € 1.00 | 16 | 200 | 200 |
| Additional paid-in capital | | 3,451 | 3,459 |
| Retained earnings | | 3,040 | 3,051 |
| Accumulated other comprehensive income (loss), net of tax | | 130 | 23 |
| **Total shareholders' equity** | | **6,821** | **6,732** |
| Non-controlling interests | | 21 | 30 |
| **Total equity** | | **6,842** | **6,762** |
| **Total liabilities and equity** | | **11,443** | **10,448** |

# 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, 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 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** |
| **Balance as of January 1, 2021** | **200** | **3,358** | **101** | **3,051** | **2** | **18** | **2** | **23** | **6,732** | **30** | **6,762** |
| Total comprehensive income (loss), net of tax | 0 | 0 | 0 | 340 | (15) | 0 | 122 | 107 | 447 | 1 | 448 |
| Remeasurement gains (losses) related to defined benefit plans, net of tax | 0 | 0 | 0 | 12 | 0 | 0 | 0 | 0 | 12 | 0 | 12 |
| Cash dividends paid | 0 | 0 | 0 | 362 | 0 | 0 | 0 | 0 | 362 | 0 | 362 |
| Net change in share awards in the reporting period, net of tax | 0 | 0 | (8) | 0 | 0 | 0 | 0 | 0 | (8) | 0 | (8) |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (10) | (10) |
| **Balance as of June 30, 2021** | **200** | **3,358** | **93** | **3,040** | **(13)** | **19** | **125** | **130** | **6,821** | **21** | **6,842** |

[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 mainly 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 government 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 2021 | Jan - Jun 2020 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| **Net income (loss)** | **340** | **243** |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Restructuring activities | 2 | 10 |
| (Gain) loss on sale of financial assets from investing activity | (5) | 2 |
| Deferred taxes, net | 19 | (10) |
| Impairment, depreciation, other amortization and (accretion) | 32 | 35 |
| Share of net loss (income) from equity method investments | (48) | (31) |
| Other non-cash movements | (60) | 9 |
| **Income (loss) adjusted for non-cash charges, credits and other items** | **280** | **258** |
| Adjustments for net change in operating assets and liabilities: | | |
| Interest-earning time deposits with banks | (18) | (21) |
| Other assets | (719)[1] | (113) |
| Financial liabilities designated at fair value through profit or loss and investment contract liabilities | 34 | (39) |
| Other liabilities | 853[1] | (99) |
| Trading assets and liabilities, pos. and neg. market values from derivative financial instruments, net[2] | (94) | 353 |
| Other, net | (22) | (169) |
| **Net cash provided by (used in) operating activities** | **316** | **170** |
| Thereof: Net cash provided by (used in) operating activities of guaranteed funds | 2 | (4) |
| **Cash flows from investing activities:** | | |
| Proceeds from sale and maturities of: | | |
| Non-trading financial assets mandatory at fair value through profit or loss[3] | 1,070 | 989 |
| Property and equipment | 9 | 0 |
| Purchase of: | | |
| Non-trading financial assets mandatory at fair value through profit or loss[4] | (1,104) | (735) |
| Financial assets mandatory at fair value through other comprehensive income | 0 | (196)[5] |
| Property and equipment | (6) | (5) |
| Additional intangible assets | (17) | (10) |
| Dividends received from equity method investments | 6 | 0 |
| **Net cash provided by (used in) investing activities** | **(42)** | **43** |
| **Cash flows from financing activities:** | | |
| Cash dividends paid to DWS shareholders | (362) | 0 |
| Other borrowings | 5 | 4 |
| Repayment of lease liabilities (principal) | (9) | (17) |
| Net change in non-controlling interests | (9) | 1 |
| **Net cash provided by (used in) financing activities** | **(375)** | **(11)** |
| **Net effect of exchange rate changes on cash and cash equivalents** | **17** | **28** |
| **Net increase (decrease) in cash and cash equivalents** | **(84)** | **230** |
| | | |
| Cash and cash equivalents at beginning of period | 2,060 | 1,987 |
| Net increase (decrease) in cash and cash equivalents | (84) | 230 |
| **Cash and cash equivalents at end of period** | **1,976** | **2,217** |

[1] Resulting from pending Digital Investment Platform unsettled positions, € 656 million outflows are considered under outflows from other assets and correspondingly € 651 million inflows are considered under inflows from other liabilities.
[2] The item mainly comprises trading assets from the consolidated guaranteed funds.
[3] The inflows result mainly from maturity of government bonds and disposals of money market funds as well as of seed investments.
[4] The outflows contain mainly investments in the fully consolidated money market fund, government bonds and seed investments.
[5] The outflows of € 196 million pertains to the acquisition of the long term German sub-sovereign bonds.

| in € m. | Jan - Jun 2021 | Jan - Jun 2020 |
|---|---|---|
| **Supplemental cash flow information:** | | |
| **Net cash provided by (used in) operating activities includes** | | |
| Income taxes paid (received), net | 55 | 170 |
| Interest paid | 10 | 8 |
| Interest received | 5 | 7 |
| Dividends received | 8 | 3 |
| **Cash and cash equivalents comprise** | | |
| Cash and bank balances (excluding time deposits)[1] | 1,976 | 2,217 |
| **Total cash and cash equivalents** | **1,976** | **2,217** |

[1] The balance sheet item cash and bank balances of € 2,126 million (June 30, 2020: € 2,340 million) comprises time deposits of € 150 million (June 30, 2020: € 122 million), bank balances on demand of € 1,976 million (June 30, 2020: € 2,217 million) and cash of € 0 million (June 30, 2020: € 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

DWS Group GmbH & Co. KGaA (DWS KGaA or the Parent) has its registered seat in Frankfurt am Main, Germany and its business address at Mainzer Landstrasse 11-17, 60329 Frankfurt am Main. DWS KGaA is registered with the commercial register of the local court of Frankfurt am Main, Germany, under HRB 111128. The company is a partnership limited by shares incorporated in Germany and governed by German law.

DB Beteiligungs-Holding GmbH, has its registered seat in Frankfurt am Main, Germany, is registered with the commercial register of the local court of Frankfurt am Main, Germany, under HRB 87504 and is the parent company of DWS KGaA holding a 79.49% share of DWS KGaA. The remaining shares are held by external investors. The ultimate parent company of DWS KGaA is Deutsche Bank AG, Frankfurt am Main, Germany, registered with the commercial register of the local court of Frankfurt am Main, Germany, under HRB 30000. The consolidated financial statements of Deutsche Bank AG in accordance with IFRS can be viewed on the Investor Relations website of Deutsche Bank AG (https://www.db.com/ir).

DWS KGaA together with all entities in which DWS KGaA has a controlling financial interest is a global asset manager covering a diverse offering that spans traditional active and passive strategies as well as alternatives and bespoke solutions with a global footprint and a scaled presence in key markets.

The Group's management has a reasonable expectation that DWS KGaA and the Group have adequate resources to continue in operating existence for the foreseeable future. Accordingly, the Group's annual consolidated financial statements have been prepared on a going concern basis.

## 02 – Significant Accounting Policies and Estimates

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 26, 2021.

They are stated in euro, 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, 2021 to June 30, 2021 with comparison period from January 1, 2020 to June 30, 2020 and as per December 31, 2020 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 number 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 2020, 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 ‘Recently Adopted and New Accounting Pronouncements’.

There are no material changes in the composition of the Group compared to the period ending December 31, 2020.

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.

# 03 – Recently Adopted and New Accounting Pronouncements

## 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, 2020.

The Group has adopted the following accounting pronouncements effective January 1, 2021.

### Interest Rate Benchmark Reform (Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures" and IFRS 16 "Leases")

On January 1, 2021, the Group adopted amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures" and IFRS 16 "Leases" as Phase 2 of the IASB's project addressing the potential effects from the reform of the Interbank Offered Rate (IBOR) on financial reporting.

The amendments in Phase 2 deal with replacement issues, therefore, they address issues that might affect financial reporting when an existing interest rate benchmark is actually replaced. This includes modification of financial assets, financial liabilities and lease liabilities as well as specific hedge accounting requirements. The amendments introduce a practical expedient for modifications required by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is introduced for lessee accounting applying IFRS 16, whereby when assessing the lease modification due to IBOR reform, the discount rate used in calculating the revised carrying value of the lease liability is amended for the change in the benchmark rate only. The amendments also require additional disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the Group is exposed and how the Group manages those risks as well as the Group's progress in transitioning from IBORs to alternative benchmark rates, and how the Group is managing this transition.

The Group does not have significant IBOR exposures in the consolidated financial statements, but continues to see asset level exposure to IBORs across funds and segregated accounts established by DWS for clients' investments. In some of these portfolios there are both references at the portfolio level as well as within assets held within the investment structures. Within the Group, however, the exposures are limited to specific investments we have made in the aforementioned portfolios.

Since the Group does not have significant exposure to IBORs, the adoption of the amendments did not have a material impact on the Group's consolidated financial statements.

## New Accounting Pronouncements

The following accounting pronouncements were not effective as of June 30, 2021 and therefore have not been applied as of June 30, 2021.

### IFRS 16 "Leases"

In March 2021, the International Accounting Standards Board (IASB) issued amendments to IFRS 16 "Leases" that extend the previously provided exemption for lessees from assessing whether a COVID-19-related rent concession is a lease modification to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022 (rather than only payments originally due on or before June 30, 2021). The amendments are effective for annual periods beginning on or after April 1, 2021 with early adoption permitted including financial statements not yet authorized for issue at March 31, 2021. The amendment is also available for interim reports. The amendments will not have any 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 International Accounting Standards Board (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 been endorsed by the EU on June 28, 2021.

## IAS 37 “Provisions, contingent liabilities and contingent assets”

In May 2020, the International Accounting Standards Board (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 been endorsed by the EU on June 28, 2021.

## IAS 16 “Property, plant and equipment”

In May 2020, the International Accounting Standards Board (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 been endorsed by the EU on June 28, 2021.

## Improvements to IFRS 2018-2020 Cycles

In May 2020, the International Accounting Standards Board (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 been endorsed by the EU on June 28, 2021.

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

In January 2020, the International Accounting Standards Board (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, 2023 with early adoption permitted. The amendments will not have a material impact on the Group’s consolidated financial statements. These amendments have not yet been endorsed by the EU.

## IAS 8 “Accounting policies, changes in accounting estimates and errors”

In February 2021, the International Accounting Standards Board (IASB) issued Definition of Accounting Estimates, which amended IAS 8 “Accounting Policies, changes in accounting estimates and errors”. The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies, with a primary focus on the definition of and clarifications on accounting estimates. The amendments introduce a new definition for accounting estimates by clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments. The amendments will not have a material impact on the Group's consolidated financial statements. These amendments have not yet been endorsed by the EU.

### IAS 1 "Presentation of Financial Statements"

On February 12, 2021 the International Accounting Standards Board (IASB) issued the amendments to IAS 1 "Presentation of Financial Statements" paragraphs 117–122 to require entities to disclose their material accounting policy information rather than their significant accounting policies. To support this amendment the IASB also amended IFRS Practice Statement 2 "Making Materiality Judgements" to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies
- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed
- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements

The amendments are effective from January 1, 2023 but may be applied earlier. The amendments will not have a material impact on the Group's consolidated disclosures. These amendments have not yet been endorsed by the EU.

## 04 – 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 Executive Board has responsibility for the steering and oversight of the entire Group including strategy, planning, major personnel decisions, organisation, risk management and compliance systems.

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 are 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, are 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 2021 | Jan - Jun 2020 |
|---|---|---|
| Germany | 568 | 446 |
| Europe (excluding Germany), Middle East and Africa | 359 | 318 |
| Americas | 247 | 244 |
| Asia/Pacific | 85 | 67 |
| **Total net interest and non-interest income** | **1,259** | **1,074** |

# Notes to the Consolidated Income Statement (Unaudited)

## 05 – 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 2021 | Jan - Jun 2020 |
|---|---|---|
| **Management fees:** | | |
| Management fee income | 1,707 | 1,586 |
| Management fee expense | 575 | 525 |
| **Net management fees** | **1,132** | **1,061** |
| Thereof: | | |
| Active Equity | 367 | 325 |
| Active Multi Asset | 99 | 91 |
| Active SQI[1] | 96 | 93 |
| Active Fixed Income | 142 | 147 |
| Active Cash | 9 | 14 |
| Passive | 178 | 140 |
| Alternatives | 235 | 240 |
| Other[2] | 6 | 10 |
| **Performance and transaction fees:** | | |
| Performance and transaction fee income | 59 | 40 |
| Performance and transaction fee expense | 1 | 3 |
| **Net performance and transaction fees** | **58** | **37** |
| Thereof: | | |
| Alternatives | 49 | 29 |
| Active and Other | 9 | 9 |
| **Total net commissions and fees from asset management** | **1,190** | **1,098** |

[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 2021 | Jan - Jun 2020 |
|---|---|---|
| **Commission and fee income from asset management:** | | |
| Germany | 767 | 680 |
| Europe (excluding Germany), Middle East and Africa | 675 | 613 |
| Americas | 301 | 307 |
| Asia/Pacific | 25 | 26 |
| **Total commission and fee income from asset management** | **1,767** | **1,626** |
| **Commission and fee expense from asset management** | **576** | **528** |
| **Net commissions and fees from asset management** | **1,190** | **1,098** |

# 06 – General and Administrative Expenses

| in € m. | Jan - Jun 2021 | Jan - Jun 2020[1] |
|---|---|---|
| Information technology | 64 | 56 |
| Professional services | 34 | 21 |
| Market data & research services | 31 | 33 |
| Occupancy, furniture and equipment expenses | 26 | 22 |
| Banking services and outsourced operations | 103 | 97 |
| Marketing expenses | 10 | 9 |
| Travel expenses | 1 | 5 |
| Charges from Deutsche Bank Group[2] | 76 | 69 |
| Other expenses | 32 | 43 |
| **Total general and administrative expenses** | **376** | **355** |

[1] Prior year numbers have been restated to reflect the shift of a) telecommunication cost from market data & research services to information technology € 1 million and b) expenses for business development consultancy from other expenses to professional services € (1) million.
[2] Thereof € 57 million related to infrastructure charges from Deutsche Bank Group for the first half year 2021 (€ 55 million for the first half year 2020) and € 19 million related to DWS functions in Deutsche Bank Group entities for the first half year 2021 (€ 14 million for the first half year 2020).

# Notes to the Consolidated Balance Sheet (Unaudited)

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

| in € m. | Jun 30, 2021 | Dec 31, 2020 |
|---|---|---|
| **Financial assets classified as held for trading:** | | |
| Trading assets | 1,380 | 1,297 |
| Thereof: | | |
| Held by consolidated guaranteed mutual funds | 1,278 | 1,094 |
| Positive market values from derivative financial instruments | 25 | 0 |
| **Total financial assets classified as held for trading** | **1,405** | **1,297** |
| Non-trading financial assets mandatory at fair value through profit or loss | 1,214 | 1,131 |
| Investment contract assets mandatory at fair value through profit or loss | 561 | 526 |
| **Total financial assets mandatory at fair value through profit or loss** | **1,775** | **1,657** |
| **Total financial assets at fair value through profit or loss** | **3,180** | **2,954** |
| | | |
| **Financial liabilities classified as held for trading:** | | |
| Trading liabilities | 27 | 18 |
| Negative market values from derivative financial instruments | 162 | 158 |
| **Total financial liabilities classified as held for trading** | **188** | **176** |
| **Financial liabilities designated at fair value through profit or loss:** | | |
| Investment contract liabilities designated at fair value through profit or loss | 560 | 526 |
| **Total financial liabilities designated at fair value through profit or loss** | **560** | **526** |
| **Total financial liabilities at fair value through profit or loss** | **749** | **702** |

Trading assets mainly comprise the consolidated guaranteed mutual funds excluding cash and bank balances. The funds' assets belong to investors and are consolidated under IFRS 10 even though the Group 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 consolidated guaranteed mutual funds increased by € 185 million, mainly driven by mark-to-market valuation gains (€ 114 million) and net purchases (€ 70 million). This was partially offset by a net decrease of seed investments (€ 102 million).

The positive market value from derivatives relates to short-term derivatives the Group entered into to manage the profit and loss volatility associated with our share price linked, equity based compensation.

The non-trading financial assets mandatory at fair value through profit or loss include corporate cash invested into one fully consolidated money market fund, government bonds mainly held for regulatory purposes, co-investments, seed investments, and other strategic investments. The non-trading financial assets mandatory at fair value through profit or loss increased by € 83 million primarily driven by an addition of corporate cash invested into the money market fund (€ 346 million as of June 30, 2021, € 266 million as of December 31, 2020), an increase of co-investments and seed investments (€ 476 million as of June 30, 2021, € 435 million as of December 31, 2020), partially offset by a decrease of government bonds (€ 363 million as of June 30, 2021, € 404 million as of December 31, 2020).

The investment contract assets are matched by the respective liabilities at fair value through profit or loss (€ 561 million as of June 30, 2021, € 526 million as of December 31, 2020). The increase is mainly driven by positive performance of € 40 million within the related investment funds and offset by net redemptions and maturities of € 6 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 as well as a related interest rate hedge (€ 158 million as of June 30, 2021, € 155 million as of December 31, 2020).

Further details of the financial assets/liabilities carried at fair value including a breakdown into classes of financial instruments are shown in note 9 'Financial Instruments carried at Fair Value'. All classes are reflected at fair value/implied fair value in the consolidated financial statements.

# 08 – Financial Assets at Fair Value through Other Comprehensive Income

| in € m. | Jun 30, 2021 | Dec 31, 2020 |
|---|---|---|
| **Financial assets at fair value through other comprehensive income:** | | |
| Debt instruments: | | |
| German sub-sovereign bonds | 175 | 198 |
| **Total financial assets at fair value through other comprehensive income** | **175** | **198** |

The Group acquired long term German sub-sovereign bonds in order to manage the interest-rate exposure resulting from guaranteed retirement products. As of June 30, 2021, these debt securities have a carrying value of € 175 million and an amortised cost value of € 195 million.

The Group reports the corresponding unrealised gains or losses as part of accumulated other comprehensive income (loss), net of tax in the total shareholders' equity. The unrealised losses on these debt securities as of June 30, 2021 were € 20 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
- 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.

The carrying value of the investments in the table equals the fair value of these investments.

| | | | | Jun 30, 2021 |
|---|---|---|---|---|
| | | | | 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 | 11 | 37 | 0 | 47 |
| Investment funds | 0 | 1,264 | 0 | 1,264 |
| Equity instruments | 68 | 0 | 0 | 68 |
| **Total trading assets** | **79** | **1,301** | **0** | **1,380** |
| Positive market values from derivative financial instruments | 0 | 25 | 0 | 25 |
| Non-trading financial assets mandatory at fair value through profit or loss: | | | | |
| Debt instruments | 363 | 345 | 15 | 723 |
| Investment funds | 19 | 56 | 408 | 483 |
| Equity instruments | 0 | 0 | 8 | 8 |
| **Total non-trading financial assets mandatory at fair value through profit or loss** | **382** | **401** | **431** | **1,214** |
| Investment contract assets mandatory at fair value through profit or loss: | | | | |
| Investment funds | 0 | 561 | 0 | 561 |
| Financial assets at fair value through other comprehensive income | | | | |
| Debt instruments | 0 | 175 | 0 | 175 |
| **Total financial assets held at fair value** | **461** | **2,463** | **431** | **3,355** |
| | | | | |
| **Financial liabilities held at fair value:** | | | | |
| Trading liabilities: | | | | |
| Debt instruments | 0 | 0 | 0 | 0 |
| Investment funds | 27 | 0 | 0 | 27 |
| Equity instruments | 0 | 0 | 0 | 0 |
| **Total trading liabilities** | **27** | **0** | **0** | **27** |
| Negative market values from derivative financial instruments | 1 | 20 | 140 | 162 |
| Investment contract liabilities designated at fair value through profit or loss | 0 | 560 | 0 | 560 |
| Payables from guaranteed and other consolidated funds | 0 | 1,310 | 0 | 1,310 |
| **Total financial liabilities held at fair value** | **28** | **1,891** | **140** | **2,059** |

| | | | | Dec 31, 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 | 30 | 99 | 0 | 129 |
| Investment funds | 0 | 1,080 | 0 | 1,080 |
| Equity instruments | 88 | 0 | 0 | 88 |
| **Total trading assets** | **118** | **1,179** | **0** | **1,297** |
| Positive market values from derivatives | 0 | 0 | 0 | 0 |
| Non-trading financial assets mandatory at fair value through profit or loss: | | | | |
| Debt instruments | 404 | 0 | 15 | 418 |
| Investment funds | 9 | 303 | 394 | 706 |
| Equity instruments | 0 | 0 | 7 | 7 |
| **Total non-trading financial assets mandatory at fair value through profit or loss** | **413** | **303** | **415** | **1,131** |
| Investment contract assets mandatory at fair value through profit or loss: | | | | |
| Investment funds | 0 | 526 | 0 | 526 |
| Financial assets at fair value through other comprehensive income: | | | | |
| Debt instruments | 0 | 198 | 0 | 198 |
| **Total financial assets held at fair value** | **531** | **2,206** | **415** | **3,152** |
| **Financial liabilities held at fair value:** | | | | |
| Trading liabilities: | | | | |
| Debt instruments | 0 | 0 | 0 | 0 |
| Investment funds | 18 | 0 | 0 | 18 |
| Equity instruments | 0 | 0 | 0 | 0 |
| **Total trading liabilities** | **18** | **0** | **0** | **18** |
| Negative market values from derivative financial instruments | 1 | 2 | 155 | 158 |
| Investment contract liabilities designated at fair value through profit or loss | 0 | 526 | 0 | 526 |
| Payables from guaranteed and other consolidated funds | 0 | 1,170 | 0 | 1,170 |
| **Total financial liabilities held at fair value** | **19** | **1,698** | **155** | **1,872** |

## 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.

Deutsche Bank Group has an independent specialised valuation control group within its Risk 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 Deutsche Bank 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 Deutsche Bank 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.

The Group monitors and manages profit and loss volatility caused by equity compensation plans granted to its employees. For this purpose, the Group may purchase short-term options as hedges, to retain a balanced risk position in line with our risk appetite and strategic goals. The fair value of the hedge options is calculated with Black-Scholes option pricing model.

### 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 2021 and in the first half of 2020 respectively.

## Level 3 Transfers

There were transfers out of level 3 in the amount of € 1 million during the six months period ending June 30, 2021 because of using observable parameters for the derivative valuation. There were transfers into level 3 of € 1 million for the six months period ending June 30, 2020 because the funds are priced using expert opinion which is non-public information therefore a reclassification from Level 1 to Level 3.

## 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, 2021 |
|---|---|---|---|---|---|---|---|---|---|
| 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 | 15 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 15 |
| Investment funds | 394 | 0 | 29 | 10 | 0 | 25 | 0 | 0 | 408 |
| Equity instruments | 7 | 0 | (0) | 2 | 0 | 0 | 0 | 0 | 8 |
| **Total non-trading financial assets mandatory at fair value through profit or loss** | **415** | **0** | **29[1]** | **12** | **0** | **26** | **0** | **0** | **431** |
| **Total financial assets held at fair value** | **415** | **0** | **29** | **12** | **0** | **26** | **0** | **0** | **431** |
| **Financial liabilities held at fair value:** | | | | | | | | | |
| Negative market values from derivative financial instruments | 155 | 0 | 14 | 0 | 0 | 0 | 0 | 1 | 140 |
| Other financial liabilities at fair value | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total financial liabilities held at fair value** | **155** | **0** | **14** | **0** | **0** | **0** | **0** | **1** | **140** |

[1] Total gains (losses) of € 29 million includes net gains from foreign currency translation adjustments in the amount of € 7 million.

| | | | | | | | | | 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)[1]** | **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** |

[1] Total gains (losses) of € (9) million includes net losses from foreign currency translation adjustments in the amount of € (4) million.

## 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, 2021 it could have increased fair value by as much as € 3 million or decreased fair value by as much as € 34 million. As of December 31, 2020 it could have increased fair value by as much as € 15 million or decreased fair value by as much as € 50 million.

The changes in sensitivities from December 31, 2020 to June 30, 2021 show a decrease to the negative fair value movement from using reasonable possible alternatives by € 16 million, € 12 million of which was driven by its 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, 2021 | | Dec 31, 2020 | |
|---|---|---|---|---|
| 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 | 0 | 1 | 1 |
| Investment funds | 1 | 32 | 0 | 35 |
| Equity instruments | 0 | 0 | 1 | 2 |
| **Negative market values from derivative financial instruments:** | | | | |
| Other derivatives | 1 | 1 | 13 | 13 |
| **Total** | **3** | **34** | **15** | **50** |

## 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, 2021 (December 31, 2020 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.

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

| | | | | | | Jun 30, 2021 |
|---|---|---|---|---|---|---|
| | 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: | 431 | 0 | | | | |
| Debt instruments | 15 | 0 | Intex model | Credit Spread | 1% | 8% |
| | | | | Recovery rate | 75% | 75% |
| | | | | Default rate | 1% | 1% |
| | | | | Pre-payment rate | 20% | 20% |
| Investment funds | 406 | 0 | Market approach | Price per net asset value | 100% | 100% |
| | 2 | 0 | Intex model | Credit Spread | 7% | 9% |
| | | | | Recovery rate | 75% | 75% |
| | | | | Default rate | 1% | 1% |
| | | | | Pre-payment rate | 20% | 20% |
| Equity instruments | 8 | 0 | Market approach | Price per net asset value | 100% | 100% |
| **Total non-derivative financial instruments held at fair value** | **431** | **0** | | | | |
| **Financial instruments held at fair value - derivative financial instruments:** | | | | | | |
| Market values from derivative financial instruments: | | | | | | |
| Other derivatives | 0 | 140 | Option pricing model | Cancellation rate | 1% | 15% |
| **Total market values from derivative financial instruments** | **0** | **140** | | | | |

| | | | | | | Dec 31, 2020 |
|---|---|---|---|---|---|---|
| | Fair value | | | | | |
| in € m.<br>(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: | 415 | 0 | | | | |
| Debt instruments | 15 | 0 | Intex model | Credit Spread | 1% | 8% |
| | | | | Recovery rate | 75% | 75% |
| | | | | Default rate | 1% | 1% |
| | | | | Pre-payment rate | 15% | 15% |
| Investment funds | 389 | 0 | Market approach | Price per net asset value | 100% | 100% |
| | 5 | 0 | Intex model | Credit Spread | 9% | 11% |
| | | | | Recovery rate | 75% | 75% |
| | | | | Default rate | 1% | 1% |
| | | | | Pre-payment rate | 15% | 15% |
| Equity instruments | 7 | 0 | Market approach | Price per net asset value | 100% | 100% |
| **Total non-derivative financial instruments held at fair value** | **415** | **0** | | | | |
| **Financial instruments held at fair value - derivative financial instruments:** | | | | | | |
| Market values from derivative financial instruments: | | | | | | |
| Other derivatives | 0 | 155 | Option pricing model | Cancellation rate | 1% | 15% |
| **Total market values from derivative financial instruments** | **0** | **155** | | | | |

## 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 2021 | Jan - Jun 2020 |
|---|---|---|
| **Financial assets held at fair value:** | | |
| Non-trading financial assets mandatory at fair value through profit or loss : | | |
| Debt instruments | (0) | (0) |
| Investment funds | 22 | (4) |
| Equity instruments | (0) | (1) |
| **Total non-trading financial assets mandatory at fair value through profit or loss** | **22** | **(5)** |
| **Total financial assets held at fair value** | **22** | **(5)** |
| **Financial liabilities held at fair value:** | | |
| Negative market values from derivative financial instruments | 14 | (53) |
| **Total financial liabilities held at fair value** | **14** | **(53)** |
| **Total** | **36** | **(58)** |

# 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, 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'.

The fair value of the assets held for sale is slightly higher than the carrying value. The fair value and the respective IFRS fair value hierarchy were not disclosed separately as they are not material for the Group. The Group has not disclosed the fair value and their respective IFRS fair value hierarchy of the remaining financial assets and financial liabilities not measured at fair value because their carrying values are a reasonable approximation of fair value.

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

| in € m. | Jun 30, 2021 | Dec 31, 2020 |
|---|---|---|
| **Financial assets:** | | |
| Cash and bank balances | 2,126 | 2,189 |
| Loans | 4 | 4 |
| Assets held for sale | 2 | 0 |
| Other financial assets | 1,606 | 827 |
| **Financial liabilities:** | | |
| Other short-term borrowings | 74 | 72 |
| Other financial liabilities | 1,895 | 1,147 |
| Long-term debt | 0 | 0 |

# 11 – Interest Rate Benchmark Reform

The Group has established an IBOR & EU Benchmark Regulation transition program in 2019, aimed at managing a smooth transition from LIBOR and other IBORs to the new RFRs. The program has been focused on identifying and quantifying exposures to various interest rate benchmarks, providing the capability to offer products referencing alternative RFRs and evaluating existing contracts that reference IBORs. Efforts also included identifying potential accounting impacts.

As part of the program, the Group has undertaken a comprehensive risk assessment which is refreshed regularly and has identified a number of inherent risks and mitigating actions.

Key risks include:

- Business strategic risk to our franchise
- Conduct/reputational risk
- Legal risk

We plan to mitigate the risks respectively by

- having a clear business transition strategy that aligns with the overall market and regulatory timeline,
- by documenting all conduct risk items in a clear framework with detailed actions and appropriate owners to cleanse each one and
- having a clear programme of work to identify every impacted legal agreement and to work with counterparties and fund councel to make all appropriate changes.

Additional non-material risks have been identified which are compliance risk, liquidity risk, market risk, operational risk, transition risk, accounting, financial reporting and tax risk, information security and technology transformation risk.

Progress updates are provided regularly to the Group's IBOR Transition Steering Committee. Oversight of the program has been a major focus along with activities across all three lines of defence to minimize risk and disruption to customers.

The Group continues to work closely with industry bodies and receive guidance from regulators to manage the impact and to implement plans, aiming to mitigate the risks associated with the expected discontinuation of IBOR referenced benchmark interest rates. In this regards, the Group:

- has reviewed, or is in the process of reviewing, the fall-back language for LIBOR-linked instruments including the development of a new framework introduced to quantify the potential impact of positions difficult to transition, referred to as "tough legacy",

- is part of a Conduct Risk Advisory forum that was initiated in the beginning of 2020, aiming to discuss and review all conduct risks types (including new risks and current plan) relevant for the IBOR transition, and
- continues to engage with industry groups in relation to the main challenges and consistent approach for asset managers.

The Group continues to develop infrastructure improvements in conjunction with third party providers and to assess potential transition risk impacts alongside relevant stress scenarios. The Group is encouraging the use of the most effective fall-back language available when conducting new transactions.

The following table shows the carrying values of the Group's financial instruments and other commitments which reference IBORs where it is expected that there will no longer be a requirement to quote IBOR rates due to tough legacy. Other commitments reflects the contingent liabilities from co-investments in scope. The table includes those financial instruments with a maturity date that extends past the date when the requirement to submit quotes is expected to end. For the IBOR rates disclosed below, the financial instruments maturity is past December 31, 2021, except for USD LIBOR referenced contracts with tenors other than 1-week or 2-months where the date is for those maturing after June 30, 2023.

| | | | | | Jun 30, 2021 |
|---|---|---|---|---|---|
| in € m. | USD IBOR | GBP IBOR | EONIA | EURO IBOR | Total |
| **Financial assets:** | | | | | |
| Debt instruments | 16 | 0 | 0 | 0 | 16 |
| Investment funds | 34 | 0 | 0 | 0 | 34 |
| Loans | 0 | 0 | 0 | 0 | 0 |
| **Total financial assets** | **50** | **0** | **0** | **0** | **50** |
| **Off-balance sheet exposure:** | | | | | |
| Other commitments | 10 | 0 | 0 | 0 | 10 |
| **Total off-balance sheet exposure** | **10** | **0** | **0** | **0** | **10** |

# 12 – Goodwill and Other Intangible Assets

The 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, 2021, an assessment was performed to evaluate whether impairment existed at that date. This assessment did not result in any indication of impairment of the Group's goodwill or the indefinite life intangible asset related to 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. In addition, the assessment included review of the main input parameters for the retail investment management agreement intangible valuation, and their sensitivities, and did not indicate an impairment either.

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, 2020 and June 30, 2021, are as follows.

| in € m. | |
|---|---|
| **Balance as of January 1, 2020** | **2,881** |
| Disposals | 0 |
| Exchange rate changes | (7) |
| **Balance as of June 30, 2020** | **2,874** |
| Gross amount of goodwill | 2,874 |
| Accumulated impairment losses | 0 |
| | |
| **Balance as of January 1, 2021** | **2,739** |
| Disposals | 0 |
| Exchange rate changes | 49 |
| **Balance as of June 30, 2021** | **2,788** |
| Gross amount of goodwill | 2,788 |
| Accumulated impairment losses | 0 |

As of June 30, 2021, changes relate to foreign exchange rate movements of € 49 million (June 30, 2020: € (7) 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, 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** |
| | | | | | | | | | |
| **Balance as of January 1, 2021** | **945** | **0** | **945** | **104** | **20** | **89** | **213** | **242** | **1,401** |
| Additions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 16 | 17 |
| Exchange rate changes | 30 | 0 | 30 | 3 | 0 | 0 | 3 | 3 | 36 |
| **Balance as of June 30, 2021** | **975** | **0** | **975** | **108** | **20** | **89** | **217** | **262** | **1,453** |
| | | | | | | | | | |
| **Accumulated amortization and impairment:** | | | | | | | | | |
| **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** |
| | | | | | | | | | |
| **Balance as of January 1, 2021** | **239** | **0** | **239** | **104** | **20** | **89** | **213** | **137** | **590** |
| Amortization for the year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 21 | 21 |
| Impairment losses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Exchange rate changes | 7 | 0 | 7 | 3 | 0 | 0 | 3 | 2 | 13 |
| **Balance as of June 30, 2021** | **246** | **0** | **246** | **108** | **20** | **89** | **216** | **160** | **623** |
| | | | | | | | | | |
| **Carrying amount:** | | | | | | | | | |
| **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 January 1, 2021** | **706** | **0** | **706** | **0** | **0** | **0** | **0** | **105** | **811** |
| **As of June 30, 2021** | **728** | **0** | **728** | **0** | **0** | **0** | **0** | **102** | **830** |

As of June 30, 2021, there was an impairment loss on internally generated software amounting to € 0 million (June 30, 2020: impairment loss of € 1 million) reflected under general and administrative expenses in the consolidated statement of income.

# 13 – Non-Current Assets and Disposal Groups Held for Sale

The Group is in advanced negotiations regarding the disposal to an external buyer of an investment, held at equity. Signing and closing of the transaction is expected in the third quarter of 2021.The investment was reclassified to held for sale in June 2021. The valuation did not result in recognition of loss.

| in € m. | Jun 30, 2021 | Dec 31, 2020 |
|---|---|---|
| Equity method investments | 2 | 0 |
| **Total assets held for sale** | **2** | **0** |

# 14 – Other Assets and Other Liabilities

| in € m. | Jun 30, 2021 | Dec 31, 2020 |
|---|---|---|
| **Other assets:** | | |
| Other financial assets: | | |
| Receivables from brokerage and securities | 889 | 239 |
| Receivables from commissions/fees | 225 | 195 |
| Remaining other financial assets | 492 | 393 |
| **Total other financial assets** | **1,607** | **827** |
| Other non-financial assets: | | |
| Other tax receivables | 9 | 11 |
| Remaining other non-financial assets | 60 | 49 |
| **Total other non-financial assets** | **70** | **59** |
| **Total other assets** | **1,676** | **887** |
| **Other liabilities:** | | |
| Other financial liabilities: | | |
| Payables from brokerage and securities | 895 | 271 |
| Payables from commissions/fees | 134 | 138 |
| Payables from performance related payments | 226 | 233 |
| Remaining other financial liabilities | 640 | 505 |
| Payables from guaranteed and other consolidated funds[1] | 1,310 | 1,170 |
| **Total other financial liabilities** | **3,205** | **2,318** |
| Other non-financial liabilities: | | |
| Other tax payables | 18 | 23 |
| Remaining other non-financial liabilities | 113 | 157 |
| **Total other non-financial liabilities** | **130** | **180** |
| **Total other liabilities** | **3,335** | **2,498** |

[1] Payables from guaranteed and other consolidated funds carried at amortized cost and reflected with their implied fair value of the respective trading assets through profit or loss (please refer to note 9 'Financial Instruments carried at Fair Value').

As of June 30, 2021, the Group's balance of receivables from commission and fee income was € 225 million (€ 195 million as of December 31, 2020). As of June 30, 2021, the Group's balance of liabilities associated with commission and fee income was € 134 million (€ 138 million as of December 31, 2020). The Group has no contract liabilities as of June 30, 2021 and as of December 31, 2020 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 is 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.

# 15 – Provisions

Movements by class of provision

| in € m. | Operational risk | Civil litigations | Restructuring - staff related | Other | Total |
|---|---|---|---|---|---|
| **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** |
| **Balance as of January 1, 2021** | **9** | **0** | **1** | **7** | **17** |
| New provisions | 5 | 1 | 0 | 0 | 7 |
| Amounts used | 0 | 0 | 1 | 0 | 1 |
| Unused amounts reversed | 0 | 0 | 0 | 5 | 5 |
| Effects from exchange rate fluctuations/unwind of discount | 0 | 0 | 0 | 0 | 0 |
| **Balance as of June 30, 2021** | **14** | **1** | **0** | **2** | **17** |

Provisions are recognized when there is a present obligation as a result of a past event and when there is a probable outflow of resources whose amount can be reliably estimated. Provisions are recognized at the probable settlement value. The probable amount required to settle non-current provisions is discounted if the effect of discounting is material. In this case, the provision is recognized at present. The provisions recognized by the Group are considered short-term nature with the expectation of usage over the next year.

## 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.

**Other provisions** include several specific items arising from a variety of different circumstances and provisions for regulatory enforcement.

## 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.

# 16 – Equity

## Common Shares

The company's share capital consists of common shares issued in registered form without par value. As of June 30, 2021 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, 2020** | **200,000,000** |
| Changes | - |
| **Common shares as at June 30, 2021** | **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 declared for the year ended December 31, 2020:

| | 2020 |
|---|---|
| Cash dividend (in € m.) | 362 |
| Cash dividend per common share (in €) | 1.81 |

The Annual General Meeting on June 9, 2021 agreed to the dividend proposal as recommended by the General Partner and the Supervisory Board.

# Additional Notes (Unaudited)

## 17 – Income Taxes

Income tax expense in the first half of 2021 was € 136 million (first half of 2020: € 101 million). The effective tax rate of 28.5% (first half of 2020: 29.3%) was mainly impacted by non-deductible expenses, partly offset by tax exempt income.

## 18 – 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. The Group considers the members of the Executive Board and the Supervisory Board to constitute key management personnel.
- Deutsche Bank AG and its subsidiaries including DB Beteiligungs-Holding GmbH, joint ventures, associates and their respective subsidiaries
- Post-employment benefit plans for the benefit of DWS KGaA and its related party entities employees

### Transactions with Related Party Persons

As of June 30, 2021, transactions with related party persons were loans and commitments of € 5 million and deposits of € 4 million. As of June 30, 2020, transactions with key management personnel were loans and commitments of € 6 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 2021 |
|---|---|---|---|---|
| in € m. | Net interest and non-interest income | Non-interest expenses | Assets | Liabilities |
| Deutsche Bank AG | (133) | 61 | 875 | 354 |
| Other Deutsche Bank Group entities | (21) | 35 | 91 | 79 |

| | | | | Jan - Jun 2020 |
|---|---|---|---|---|
| in € m. | Net interest and non-interest income | Non-interest expenses | Assets | Liabilities |
| Deutsche Bank AG[1] | (120) | 45 | 631 | 415 |
| Other Deutsche Bank Group entities[1] | (19) | 43 | 112 | 104 |

[1] June 2020 balances are restated to include in Deutsche Bank AG the transactions with Deutsche Bank AG branches which were shown under other Deutsche Bank Group entities previously.

The increase in assets with related parties is mainly related to increased bank balances and other receivables. The increased bank balances with Deutsche Bank AG are mainly driven by cash management initiatives.

On June 14, 2021, DWS KGaA paid a dividend of € 288 million for the fiscal year 2020 to DB Beteiligungs-Holding GmbH, a wholly-owned subsidiary of Deutsche Bank AG (on November 23, 2020, € 265 million for the fiscal year 2019 respectively).

The Group has no transactions as of June 30, 2021 and June 30, 2020 respectively with joint ventures and associates of Deutsche Bank Group.

# 19 – Events after the Reporting Period

After June 30, 2021, 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 26, 2021

| | | |
|---|---|---|
| Dr Asoka Woehrmann | Claire Peel | Manfred Bauer |
| Mark Cullen | Dirk Goergen | Stefan Kreuzkamp |

# Independent Auditor's Review Report

The English language text below is a translation provided for information purposes only.
The original German text shall prevail in the event of any discrepancies between the English translation and the German original.

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

We have reviewed the condensed interim consolidated financial statements of the DWS Group GmbH & Co. KGaA, Frankfurt am Main – comprising the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated changes in equity, the consolidated statement of cashflows and the notes to the consolidated financial statements – together with the interim group management report of the DWS Group GmbH & Co. KGaA, Frankfurt am Main, for the period from January 1 to June 30, 2021 that are part of the semi annual financial report according to § 115 WpHG ["Wertpapierhandelsgesetz": "German Securities Trading Act"]. The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34 "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, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Frankfurt am Main, July 26, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

| | |
|---|---|
| Fox | Lehmann |
| Wirtschaftsprüfer | Wirtschaftsprüfer |
| [German Public Auditor] | [German Public Auditor] |

# Glossary

| Term | Meaning |
|---|---|
| AG | German stock corporation (Aktiengesellschaft) |
| AI | Artificial intelligence |
| AIF | Alternative investment fund |
| APAC | Asia-Pacific |
| APM | Alternative performance measures |
| AuM | Assets under management |
| BaFin | The Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) |
| BoP | Beginning of period |
| CEO | Chief Executive Officer |
| CET1 | Common Equity Tier 1 |
| CGU | Cash generating unit |
| CIO | Chief Investment Officer |
| CIR | Cost-income ratio |
| $CO_2$ | Carbon dioxide |
| CODM | Chief Operating Decision Maker |
| Company | DWS Group GmbH & Co. KGaA, a German partnership limited by shares (Kommanditgesellschaft auf Aktien) |
| COP 26 | United Nations Climate Change Conference in Glasgow scheduled for November 2021 |
| 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) |
| CSR | Corporate Social Responsibility |
| Deutsche Bank 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 |
| ESMA | European Securities and Markets Authority |
| ETF | Exchange traded funds |
| ETP | Exchange traded product |
| EU | European Union |
| EUR | Euro |
| FRF | Functional Role Framework |
| FX | Foreign exchange |
| GAAP | Generally accepted accounting principles |
| GBP | Great Britain Pound |
| GDP | Gross domestic product |
| GmbH | German company with limited liability (Gesellschaft mit beschränkter Haftung) |
| GSIA | Global Sustainable Investment Alliance |
| GSO | Group Sustainability Office |
| Harvest | Harvest Fund Management Co., Ltd. |
| HGB | German Commercial Code (Handelsgesetzbuch) |
| 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 |
| IDW | German Institute of Public Auditors (Institut der Wirtschaftsprüfer) |
| IFD | Directive (EU) 2019/2034 on the prudential supervision of investment firms (Investment Firm Directive) |
| IFR | Regulation (EU) 2019/2033 on the prudential requirements of investment firms (Investment Firm Regulation) |
| IFRS | International Financial Reporting Standards of the International Accounting Standards Board |
| IIRC | International Integrated Reporting Council |
| IPO | Initial Public Offering |
| ISIN | International Securities Identification Number |
| K-ASA | K-factor related to assets safeguarded and administered |
| K-AuM | K-factor related to assets under management |

| Term | Meaning |
|---|---|
| K-COH | K-factor related to client orders handled |
| K-factor | K-factors means own funds requirements for risks that an investment firm poses to clients, markets and to itself (as set out in the IFR) |
| KGaA | German partnership limited by shares (Kommanditgesellschaft auf Aktien) |
| K-NPR | K-factor related to net position risk |
| KPI | Key performance indicator |
| KPMG | KPMG AG Wirtschaftsprüfungsgesellschaft |
| LIBOR | London Interbank Offered Rate |
| M&A | Mergers & Acquisitions |
| 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/A | Not applicable |
| N/M | Not meaningful (in the management report) |
| NFR | Non-financial risk |
| NZAM | Net Zero Asset Managers Initiative |
| PBT | Profit before tax |
| PRI | Principles for Responsible Investment |
| PVCC | Principal Valuation Control Council |
| QPAM | Qualified professional asset manager |
| RFR | Risk-free rate |
| 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 |
| SDG | Sustainable Development Goal of the United Nations (for an overview of SDGs please refer to https://sustainabledevelopment.un.org/sdgs) |
| SFDR | Sustainable Finance Disclosure Regulation |
| SQI | Systematic & quantitative investments |
| TCFD | Task Force on Climate-related Financial Disclosures |
| UCITS | Undertakings for Collective Investment in Transferable Securities |
| UN | United Nations |
| US | United States of America |
| USD | United States Dollar |
| WKN | Securities identification number (Wertpapierkennnummer) |
| WpHG | German Securities Trading Act (Wertpapierhandelsgesetz) |
| WWF | World Wide Fund For Nature |
| Xetra | Xetra is an all-electronic trading system operated by the Frankfurter Stock Exchange |
| Xtrackers | Exchange Traded Funds offered by DWS Group |

# Imprint

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**Cautionary statement regarding forward-looking statements**

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.
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 as described in this report.

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