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Ladies and gentlemen,

Welcome to our press conference. I am very pleased that right in the middle of this holiday period – and with temperatures at Mediterranean levels – so many of you have found your way to us. Starting with today's event, we are altering the annual rhythm of our press conferences in line with the needs of the capital market, such that in the course of February we report on the provisional results of the past financial year. In order to ensure that there is not too long a gap until the traditional autumn press conference in November, we will present our semi-annual results in this form in future. And no event will be held in November.

We are satisfied with the figures that we are presenting today. Our operating profit of €366m before amortization of goodwill in the first six months is just over a half higher than a year ago and also exceeds our own expectations. The second quarter confirmed the turnaround of the first, so that – despite all the remaining imponderables – we can claim with some certainty that we have the worst behind us. At the same time, these figures confirm our confidence that we will be back in the black in 2003 as a whole and can lay the foundations for a sustained upward trend. However, I do not want to make a precise, quantified forecast at the present time. This is rendered impossible in view of the great significance of external factors which we cannot influence, in particular the still sluggish economic setting and the volatility of the financial markets. I hope you will appreciate the problem.

Earnings performance in the first half

One of the encouraging current trends is that net interest income was higher in the second quarter than in the first. Overall in the first half of the year, a 16% decline on 2002 was registered, which can easily be explained, though: we now lack the interest income of roughly €223m from the former Rheinhyp. In addition, we earned less on our investments, and last but not least the weaker US dollar knocked €16m off net interest income. On closer inspection, therefore, our lower net interest income is far less dramatic than it appears at first glance. All the same, as already announced, we intend to step up our corporate lending selectively and in an earnings-oriented manner, gradually raising our average margins to a level that better covers the risk involved. We are confident that this will also boost our interest income over the medium term.

In the first half of the year, we left our provisioning for possible loan losses at €555m, which is virtually its year-ago level. As after the first quarter, it is still true to say that the need for provisioning that we recognize today is far lower than this amount. So we continue to pursue a distinctly conservative course. We believe this is reasonable as unpleasant news is always possible, as was recently underlined by the case of Mirant. But our early-warning system functioned properly here as well; in other words, we reduced our exposure in good time from originally more than €200m to less than €100m. The provisions required for this purpose were already included in our budget projections for the year, which meant that no extra burdens were created.

The lesson to be learned from this example, however, is that provisioning remains the great unknown quantity, which can exert a substantial influence over the size of the annual profit. We continue to assume that provisioning will be much lower this year than last year's €1.3bn. As things stand today, we can achieve the best case of roughly one billion euros, which we have mentioned publicly.

There was a slight improvement in our net commission income compared with the second half of last year, but at €1,036m it still fell a good 8% short of its level in the first half of 2002. While we earned less in asset management due to difficult market conditions, revenues from foreign commercial business, on payments transactions and in syndicated loan business were higher.

We were very satisfied with our trading profit, which in the first six months amounted to €509m, exceeding the previous year's good result by 22%. Our securities unit, which has also covered foreign-exchange business since last year, was especially successful. The proceeds of an amount in the low double-digit millions from the disposal of our 4.2% interest in Deutsche Börse AG are also reflected in the trading profit.

The result of €159m achieved on the investments and securities portfolio was on a par with a year earlier. This includes revenues from the sale of promissory notes and fixed-income securities from our own portfolio and also from placing Crédit Agricole shares in the market. The proceeds from the disposal of our interest of a good 10% in Buderus will be booked during the third quarter, following the encouragingly prompt approval from Brussels. We will continue to reduce our non-strategic participations; however, we will do so – as we have up to now – not at any price, but in the interest of our shareholders.

We are also very well on target with our operating expenses, which after six months were more than 14% down on the previous year at €2,320m. Thanks to the further measures launched to cut costs, this trend of the past one and a half years will be maintained, enabling us to achieve our target and bring operating expenses down to under €5bn this year.

After operating expenses have been deducted from our income, we registered an operating profit of €366m in the first half of the year – 56% more than in the first half of 2002. The upward trend is clearly evident, therefore, following the loss in the second half. And it is important here to note the quality of the result, which largely stems from current business transactions.

At €202m, the pre-tax profit was similarly much higher than a year previously in the first half of the year. And this despite the fact that we had already booked the restructuring expenses incurred under our second cost-cutting offensive in the first quarter. Mainly for this reason, our pre-tax profit in the second quarter was just over four times higher than in the first quarter. There was a correspondingly strong improvement in our quarterly profit from €3m to €70m, despite a sizeable increase in the amount set aside for tax expenses.

These figures demonstrate that we have worked successfully within the scope of what is possible and we have briskly set about tackling our tasks. Of course, there is no cause for excessive euphoria, as probably the more difficult part of our work lies ahead of us, namely to achieve a substantial increase in our earnings over the long term. And unlike costs, better earnings cannot be simply resolved or dictated.

What is more, we have to continue to fight on this front, just like other industries, without any support. Quite the contrary, in fact: after remaining flat for three years, economic growth in Germany and Europe will tend to be modest next year as well.

There is not yet any momentum to be seen anywhere, despite the welcome signs of a slight upturn in the economy. Instead, we are now being presented with the bill for many years of neglected reforms in social and labour-market policy, for the excessive burden of taxes and social-security contributions and also for the striking inability of our society to adjust flexibly. In the short term, the greater willingness to restructure our social-security systems that has become evident over the past few weeks will not be able to change things.

In terms of our business, this means that we have to expect overall conditions to remain rather difficult. But until stock-exchange and securities business picks up strongly, our commission income will not gather its full momentum. And as long as German credit margins rank low internationally, there will be no notable increases in interest income either, with credit demand in any case subdued at the moment. A bank's trading profit is always volatile. Of course, we are delighted by what we have achieved, but that is the situation as regards our earnings performance and current business. We remain realistic, confident – but not euphoric.

New sales management in retail business

Last year, our main strategic focus was on improving procedures and the quality of our advice in the corporate-banking segment and also on the close meshing of corporate and investment banking through the creation of four financial-engineering centres. Over the past few months, we have been subjecting our positioning in retail business to radical revision. An intensive process of discussion between the head office and the branches has given rise to a new sales management, which is being implemented immediately and will substantially increase our competitiveness. Our sales personnel can now draw upon a series of new or remodelled instruments based on improved data collection in order to strengthen their contact with customers.

What we are aiming for is not simply to sell more products. Rather, we want to achieve an objective and all-round consulting approach, in which products from third-party sources enjoy equal status with our own. The funds of external providers, for instance, already accounted for roughly 30% of our overall sales of investment funds in the first half of this year.

Another topical example is our cooperation in online instalment credit business with SWK Bank. Here, the customer or prospective borrower starts a special module at our internet branch commerzbanking.de, into which he enters the required data at his computer. If the loan decision is positive, a lending commitment is made immediately, and the loan is disbursed after three days once all the documents have been examined.

More consulting outside normal office hours, even within the customer's own four walls, is a further important factor in catering better to customers' preferences and reducing the sales disadvantage vis-à-vis other providers of financial services.

With all these measures taken together, we intend to become Germany's best nationwide retail bank. This ambition may come as a surprise to you and sound rather bold, but we believe that we are quite capable of achieving this goal, given our excellent technical infrastructure, the quality of our advisory services which has been steadily improved thanks to a broadly-based approach to coaching, our prime-quality products, and the good values scored for customer satisfaction.

We also want to pursue new avenues in our branch network, which with its 726 offices now has the right dimensions in terms of a nationwide presence. Wherever we do not yet have a customer base large enough to do profitable business, we are currently testing a new type of branch office. The first of these branches, offering a much enlarged self-service area that is open right around the clock and free-of-charge internet access, have already been launched. Their staff are almost entirely freed from administrative duties, enabling them to concentrate more strongly on providing advice. We look upon these branches as an intelligent response to the changed preferences of our customers, on the one hand, and to our business needs, on the other. Extensive consumer research has revealed that for most customers the geographical proximity of a bank counts just as much as the quality of the advice that is offered. If we are successful with the seven pilot branches of this type, we will invest to convert other branches as well.

Incidentally, even customers who are really active online appreciate occasional personal contact with a branch or an adviser. In the foreseeable future, therefore, successful retail banking will consist of a combination of a broadly-based presence and smooth electronic access to standard banking transactions. In the meantime, about 500,000 Commerzbank customers – or one in four of those holding a current account – use our internet services. With the 600,000 customers of comdirect bank included, we are one of the major providers of online-banking services in Germany.

As a result, modern retail banking forms a cornerstone of our strategic approach. For one thing, we are convinced that we understand something of this business and, for another, despite the fact that market shares do not alter greatly and competition is keen, we still see potential. With the aid of our new sales approach, we intend to benefit from this. After a lengthy abstinence, we are not about to fall into the other extreme of over-indulgence, but we want to expand again in the retail-banking segment. We will do so in various ways – either through campaigns like the present one, offering a savings account with an especially attractive interest rate of 3.1% for new customers, or through suitable acquisitions at an acceptable price.

Our figures show that we are on the right course: our segment reporting reveals that, after last year’s turnaround, the operating profit improved sharply to €117m in the first half of the year. This trend makes us confident that we will in fact achieve the after-tax return on equity of more than 10% targeted for 2005. As competition in Germany is keen, this would be a respectable outcome.

I have given you a candid report on our situation. Several points have registered an improvement within a remarkably short time. Much still remains to be done. What is decisive is that we have made recognizable progress in our earnings performance and look confidently into the future, which we will actively shape. Our sound capital base gives us the financial backing to do so. Both our core capital and overall own funds ratios had improved by mid-year to 7.7% and 12.9%, respectively. The rising ratios above all reflect the fact that we are continuing to deliberately reduce our risk-weighted assets, which now stand at €150bn.

Many of the challenges which confront us call for unity, determination and a motivated team. We have the necessary team spirit and face the demands of the markets aggressively and with sporting ambitions. A good example of this is the role of our asset-management subsidiary Cominvest and its traditional ADIG brand as the new sponsor of the Hamburger SV team. We look forward to cooperating with this proud club with its long tradition from the city where Commerzbank was formed.

So don’t be surprised – we’re good at coming up with the unexpected!