

Earnings Outlook for German Banks to Worsen-Buba

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BERLIN - German banks' earnings outlook is likely to deteriorate further this year due to the financial market crisis, the Bundesbank said on Monday.

'In the current business year, the negative effects of the financial market turmoil on domestic banks' earnings situation are likely to increase,' the German central bank said in its monthly report.

Germany's big commercial lenders, its publicly-owned Landesbanks and its cooperative banks were likely to be most adversely affected, the Bundesbank said.

A lack of mergers and new stock market listings was likely to crimp commission-based income, while uncertainty on markets was likely to affect banks' trading earnings, it added.

'At the same time, German banks should profit from the robust state of the German economy,' the Bundesbank said. 'This should have a stabilising effect on risk provisioning and business linked to interest rates.'

The German economy contracted by 0.5 percent in the second quarter after expanding by 1.3 percent in the January-March period. Both the Economy Ministry and the Finance Ministry have said the economy may also have shrunk in the third quarter too.

The Bundesbank said factors that would dampen the economy had probably increased towards the middle of the year.

Source: Reuters