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Moody's lowers Union Bank of India's credit assessment

Moody's said baseline credit assessment of "ba3" reflects the bank's poor asset quality and weak earnings performance

BS Reporter | Mumbai
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Ratings agency Moody's has downgraded Union Bank of India's baseline credit assessment (BCA) from 'ba2' to 'ba3' reflecting continued deterioration in its asset quality. It also changed the outlook for Central Bank of India's rating to "stable" from "negative".

Moody's in statement said public sector lender Union Bank's impaired loans ratio deteriorated to 11.6 per cent at the end of September compared with nine per cent in September 2014.

While the pace of new impaired loan formation had moderated, asset quality continued to face downside risks, particularly from exposure to stressed companies.

On the positive side, the bank would benefit from recent government policy initiatives to reduce stress in the banking sector.

In particular, the UDAY (Ujwal DISCOM Assurance Yojana) scheme would alleviate some pressure on the exposure of loans to power distribution companies, it added.

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On Central Bank of India, Moody's said BCA of "b3" reflect the bank's poor asset quality and weak earnings performance. It also factors in inadequate buffers for potential loan losses.

Its impaired loans ratio of 20.5 per cent at the end of September 2015 is among the highest within the universe of rated Indian public banks.

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