

## **Korean banks' loan delinquency ratio jumps in July**

SEOUL, Aug. 30 (Xinhua) -- South Korean banks' loan delinquency ratio jumped last month due to a gain in new delinquent loans from shipbuilders, builders and real estate developers amid economic slowdown, the financial watchdog said Thursday.

The rate of bad loans overdue for more than one day came in at 1.36 percent of the total bank loans to companies and households as of the end of July, up 0.27 percentage point from a month earlier, according to the Financial Supervisory Service (FSS).

The July increase was higher than a 0.16 percentage point rise for July 2011 and a 0.13 percentage point advance for July 2009.

The July jump was mainly attributed to a growth in new delinquent loans for the shipbuilding, real estate and building industries. The watchdog said worsening profits and lack of liquidity stemming from the economic slump boosted delinquency in corporate loans.

Bank loans newly classified as delinquent reached 4.1 trillion won (3.62 billion U.S. dollars) in July, up 1.8 trillion won from the previous month. Overdue loans cleaned up stood merely at 1.1 trillion won last month, down 4.2 trillion won from a month before.

The delinquency ratio for banks' corporate lending jumped 0.41 percentage point on-month to 1.73 percent as of end-July. The default rate for large corporations surged 0.83 percentage point to 1.63 percent over the cited period, with the corresponding rate for small- and mid-sized enterprises (SMEs) advancing 0.27 percentage point to 1.76 percent.

Shipbuilders and real estate developers saw a sharp gain in fresh delinquencies. The delinquency ratio for loans to shipbuilders reached 14.32 percent at the end of July, up 9.89 percentage points from a month earlier, with the corresponding rate for real estate project financing (PF) loans rising 1.08 percentage point to 7.58 percent. The rates for builders and shipping firms increased 0.63 percentage point and 0.15 percentage point each last month.

Meanwhile, the default rate of banks' household lending reached 0.93 percent as of end-July, up 0.1 percentage point from the previous month. The delinquency ratio for home-backed loans, which account for more than half of household loans, rose 0.09 percentage point to 0.83 percent

over the same period, and the rate for other household loans such as credit loans advanced 0.11 percentage point to 1.13 percent.

The watchdog said that if economic slowdown at home and abroad lasts due to Europe's fiscal crisis, debt-servicing capabilities of households and companies would be aggravated amid worsening corporate profitability and falling household income, noting that it will closely monitor the development and strengthen risk management.