SECTOR UPDATE

2025.12.30

Alternative Investment Team

Kyungja Lee
Team Leader
kyungja.lee@samsung.com

Finance/Consumer Goods Team

Mingi Jeong
Analyst
mingi1.jeong@samsung.com

Scan to go to
Research Center report database

Real Estate/Securities Brokers

Rising equity ratio requirements for PF projects

- Financial authorities are set to differentiate risk weights and loan loss reserve requirements for financial institutions based on a 20% equity ratio threshold for PF projects.
- Equity ratios are likely to continue rising, supported by the introduction of 'project REITs' and the PF Advancement Catalyst Anchor REIT.
- These measures should favor landowners and structurally advantage larger securities brokers.

WHAT'S THE STORY?

On Nov 22, financial authorities announced measures to strengthen PF market soundness, including a gradual tightening of equity ratio requirements for PF projects over four years starting in 2027.

PF soundness continues to improve: In 3Q, new PF loans at financial institutions totaled KRW20.6t, up KRW4.2t y-y, signaling a resumption of funding for higher-quality projects. PF asset quality also improved, driven by the restructuring or liquidation of KRW16.5t of projects classified as Watch (C) or Doubtful (D) by September: 1) the PF loan delinquency rate fell 0.15%pts q-q to 4.2%; 2) loan loss reserves for PF loans declined KRW1.3t q-q to KRW11.8t; and 3) coverage ratios improved q-q. In contrast, non-banking institutions (*eg*, savings banks, cooperative banks, and credit cooperatives) reported a delinquency rate of 32.4%, with delinquencies rising as land-secured loan balances contracted—highlighting the need for continued regulatory refinement in the PF market.

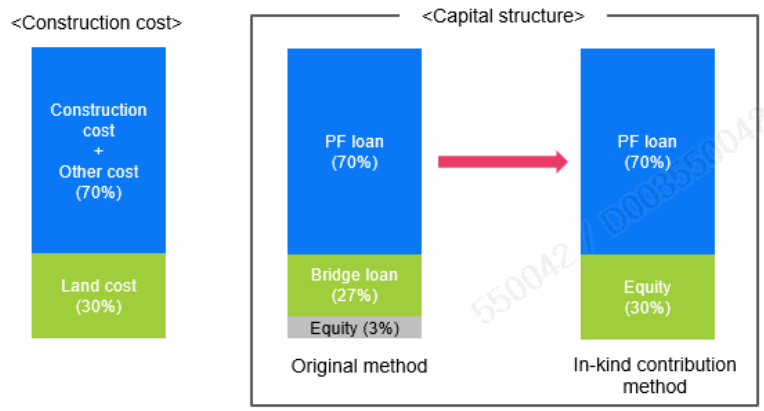
Strengthening of PF equity ratio requirements to remain in place: The new measures include: 1) differentiated risk weights and loan loss reserve requirements based on a 20% equity ratio standard; 2) permission for PF lending by non-banking institutions when equity contributions are at least 20% of total project costs; and 3) the introduction of large exposure limits for PF loans and sector-level lending caps to prevent excessive concentration. The tightening of equity ratio requirements—initiated after the 2023 PF crisis—should remain a structural feature.

(Continued on the next page)

Real estate market impact: Higher PF equity ratios are being promoted through multiple channels. Project REITs were introduced on Nov 28, alongside the launch of an KRW800b PF Advancement Catalyst Anchor REIT. The anchor REIT is designed to support investments in high-quality bridge loans, thereby boosting equity ratios. While these initiatives may be challenging for developers and constructors with weaker capital bases, they should benefit owners of high-quality land that was previously undeveloped due to tax burdens or other constraints.

Securities broker industry impact: Higher equity requirements should accelerate securities brokers' PF business restructuring and polarization, which began in 2022. Although new deal volumes may contract in the near term, the market should recover as detailed regulations (*eg*, risk-weight differentiation) are finalized and institutional investors return over the longer term. The role of securities brokers is also likely to evolve from providing simple debt guarantees toward more-sophisticated advisory and equity investment functions, particularly as project REITs gain traction. Large, well-capitalized brokers should be best positioned to secure high-quality projects, widening earnings gaps with smaller players.

Inducing an increase in equity ratio through in-kind contribution of land



Source: Financial Services Commission, Samsung Securities

Banks/savings banks/credit finance corporations: Amendments to the risk-weighting framework for real estate PF based on the standardized approach

Classification		Pre-sales ratio criteria	
		Not meet	Meet
PF project equity ratio criteria	Not meet	150%	130%
	Meet	120%	100%

Note: Project location based standards: 80% (Seoul/Seoul metropolitan area), 70% (non-metropolitan area), potential upward adjustments to risk weighting on bridge loans and land-secured loans depending on future operating performance

Source: Financial Services Commission

Insurers: Amendments to risk-weighting framework for real estate PF based on the standardized approach

Classification		Pre-sales ratio criteria	
		Not meet	Not meet
PF project equity ratio criteria	Not meet	12.0%	10.5%
	Meet	9.5%	8.0%

Note: Project location based standards: 80% (Seoul/Seoul metropolitan area), 70% (non-metropolitan area)
Source: Financial Services Commission

Securities brokers: Differentiated risk-weighting framework by exposure to projects that meet additional requirements, such as equity ratio

Classification	PF				Non-PF
	Bridge loan (before construction)	In case of meeting additional requirements*	Main PF (after construction)	In case of meeting additional requirements**	
High LTV (>60%)	90%	60%	36%	24%	18%
Low LTV (<60%)	60%	40%	24%	16%	12%

Note: *PF equity ratio (>20%), first priority mortgage
**PF equity ratio (>20%), first priority mortgage, pre-sales ratio (80% for Seoul/Seoul metropolitan area, 70% for non-metropolitan area)
Source: Financial Services Commission

Compliance notice

- All material presented in this report, unless specifically indicated otherwise, is under copyright to Samsung Securities.
- Neither the material nor its content (including copies) may be altered in any form, or by any means transmitted, copied, or distributed to another party, without prior express written permission from Samsung Securities.
- This memorandum is based upon information available to the public. While we have taken all reasonable care to ensure its reliability, we do not guarantee its accuracy or completeness. This memorandum is not intended to be an offer, or a solicitation of any offer, to buy or sell the securities mentioned herein. Samsung Securities shall not be liable whatsoever for any loss, direct or consequential, arising from the use of this memorandum or its contents. Statements made regarding affiliates of Samsung Securities are also based upon publicly available information and do not necessarily represent the views of management at such affiliates.
- This report has been prepared without any undue external influence or interference, and accurately reflects the views of the analyst(s) covering the company or companies herein.

Global Disclosures & Disclaimers

General

This research report is for information purposes only. It is not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This report does not provide individually tailored investment advice. This report does not take into account individual client circumstances, objectives, or needs and is not intended as recommendations of particular securities, financial instruments or strategies to any particular client. The securities and other financial instruments discussed in this report may not be suitable for all investors. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser.

This report may not be altered, reproduced, distributed, transmitted or published in whole or in part for any purpose. References to "Samsung Securities" are references to any company in the Samsung Securities, Co., Ltd. group of companies.

Samsung Securities and/or other affiliated companies, its and their directors, officers, representatives, or employees may have long or short positions in any of the securities or other financial instruments mentioned in this report or of issuers described herein and may purchase and/or sell, or offer to purchase and/or sell, at any time, such securities or other financial instruments in the open market or otherwise, as either a principal or agent. Any pricing of securities or other financial instrument contained herein is as of the close of market for such day, unless otherwise stated. Opinions and estimates contained herein constitute our judgment as of the date of this report and are subject to change without notice.

The information provided in this report is provided "AS IS". Although the information contained herein has been obtained from sources believed to be reliable, no representation or warranty, either expressed or implied, is provided by Samsung Securities in relation to the accuracy, completeness or reliability of such information or that such information was provided for any particular purpose and Samsung Securities expressly disclaims any warranties of merchantability or fitness for a particular purpose. Furthermore, this report is not intended to be a complete statement or summary of the securities, markets or developments referred to herein.

Samsung Securities does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. Samsung Securities, its affiliates, or any of its and their affiliates, directors, officers, employees or agents disclaim any and all responsibility or liability whatsoever for any loss (direct or consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice. Past performance is not indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of Samsung Securities. Any analysis contained herein is based on numerous assumptions. Different assumptions may result in materially different results. Samsung Securities is under no obligation to update or keep current the information contained herein. Samsung Securities relies on information barriers to control the flow of information contained in one or more areas or groups within Samsung Securities into other areas or groups of Samsung Securities. Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other financial instruments. Samsung Securities makes no representation that any transaction can or could have been effected at those prices and any prices contained herein may not reflect Samsung Securities' internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions by Samsung Securities or any other source may yield substantially different results. Additional information is available upon request.

For reports to be distributed to US:

Securities research is prepared, issued and exclusively distributed by Samsung Securities Co., Ltd., an organization licensed with the Financial Supervisory Service of South Korea. This research may be distributed in the United States only to major institutional investors as defined in Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended, and may not be circulated to any other person otherwise. All transactions by U.S. investors involving securities discussed in this report must be effected through Samsung Securities (America) Inc., a broker-dealer registered with the U.S. Securities & Exchange Commission and a member of the Financial Industry Regulatory Authority/SIPC, and not through any non-U.S. affiliate thereof. The analysts listed [on the front of this report] are employees of Samsung Securities Co., Ltd., or a non-U.S. affiliate thereof, and are not registered/qualified as research analysts under applicable U.S. rules and regulations and may not be subject to U.S. restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

For reports to be distributed to UK:

This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high-net-worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons").

Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

For reports to be distributed to Korea:

This report is for private circulation only, not for sale, and is issued and distributed only to persons permitted under the laws and regulations of Korea.

For reports to be distributed to Singapore:

This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Samsung Securities has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person.

Analyst certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of such analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research report. The analyst(s) principally responsible for the preparation of this research report receives compensation based on determination by research management and senior management (not including investment banking), based on the overall revenues, including investment banking revenues of Samsung Securities Co., Ltd. and its related entities and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Copyright © 2010 Samsung Securities Co., Ltd. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the prior written consent of Samsung Securities America Inc

Samsung Securities

SAMSUNG SECURITIES

Samsung Electronics Bldg., 11, 74-gil,
Seochodae-ro, Seocho-gu, Seoul, Korea 06620
Tel: 02 2020 8000 / www.samsungpop.com

Family Center: 1588 2323

Voice Of Customer: 080 911 0900

**For more information,
please call our sales representatives:**

LONDON

Samsung Securities Europe Limited
1st Floor, 30 Gresham Street, London EC2V 7PG UK
Tel. 44-207-776-4311
Fax. 44-203-837-9219

NEW YORK

Samsung Securities America Limited
1330 Avenue of the Americas. 10th Floor. New York,
NY 10019
Tel: 1-212-972-2454
Fax: 1-212-972-2704

HONG KONG

Samsung Securities (Asia) Limited
Suite 4511, Two International Finance Center,
8 Finance Street, Central, Hong Kong
Tel: 852-3411-3608
Fax: 852-2114-0290

BEIJING

Samsung Securities Beijing Representative Office
Rm. 910, The Exchange Building No 118 JianGuo Lu, Chao Yang District, Beijing, China
Tel: 86-10-6522-1855 (extension 7891)
Fax: 86-10-6522-1855 (extension 7889)

TOKYO

Samsung Securities Tokyo Representative Office
#106-8532 19F, Roppongi T-Cube 3-1-1,
Roppongi Minato-ku Tokyo, Japan
Tel: 81-3-6333-2952
Fax: 81-3-6333-2953

Member of
Dow Jones
Sustainability Indices
Powered by the S&P Global CSA