



Q2 2015 Results Update

2015/08/26

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Figures in this presentation and the presentation materials distributed herewith are preliminary numbers.

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- Life Premium Summary
- Capital Adequacy

SKFH – 1H 2015 Overview

- SKFH recorded consolidated after-tax profit of NT\$6.59bn for 1H 2015; profit attributable to SKFH was NT\$6.26bn. EPS was NT\$0.61 and book value per share reached NT\$11.69.
- Subsidiaries' core business remained solid.
 - SKL:
 - ◆ FYP for 1H 2015 amounted to NT\$47.94bn, up 32.3% YoY. Annualized cost of liability was 4.58% for 1H 2015, 6 bps lower than 2014.
 - ◆ Recurring yield before hedging increased 21 bps YoY to 3.49%, with investment in international bonds listed in domestic OTC reaching NT\$176.34bn.
 - ◆ Annualized hedging cost for 1H 2015 gradually reduced to 1.23%, lower than 1.58% for 1Q 2015.
 - SKB:
 - ◆ With structural adjustments on deposits and loans, NIS climbed 2 bps to 1.93% QoQ and NIM was 1.45%. Net interest income grew 6.8% YoY.
 - ◆ Overseas profit for 1H 2015 reached NT\$1.17bn, up 43.0% YoY, representing 38.5% of earnings before tax.
 - ◆ NPL ratio remained at 0.24% and coverage ratio increased to 565.86%, better than industry average.
- SKL and SKB recently obtained approval from Myanmar's authorities to establish representative offices in Yangon and planned to hold opening ceremony in September. Both subsidiaries will continue to develop overseas business opportunities and provide high-quality financial service.

Financial Highlights – 1H 2015

	1H 2014	1H 2015	YoY Growth
NT\$m (except per share data), %			
Consolidated net income	3,318	6,592	98.7%
Net income attributable to SKFH	2,684	6,255	133.0%
First year premium (Insurance)	36,241	47,938	32.3%
Loans (Bank)	469,913	487,274	3.7%
Total assets (Consolidated)	2,651,559	2,839,186	7.1%
Shareholders' equity ⁽¹⁾	105,905	113,913	7.6%
ROA (unannualized)	2.16%	4.61%	
ROE (unannualized)	2.63%	5.57%	
Earnings per share	0.26	0.61	134.6%

Note:

(1) Consolidated shareholders' equity for 1H 2014 and 1H 2015 were NT120,038mn and NT\$128,152mn, respectively

Net Income – 1H 2015

Net income contribution

NT\$bn

Subsidiaries	1H 2014	1H 2015	YoY Growth
Shin Kong Life	0.37	3.51	848.0%
Shin Kong Bank	2.39	2.59	8.4%
Shin Kong Investment Trust	0.01	0.01	-44.3%
Shin Kong Venture Capital Int'l	0.00	0.02	959.4%
Shin Kong Property Insurance Agency	0.02	0.02	23.6%
Others ⁽¹⁾	-0.11	0.11	-
Net income	2.68	6.26	133.0%

Note:

(1) Includes other income of SKFH, income taxes, and profit from MasterLink Securities

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SKL – 1H 2015 Overview

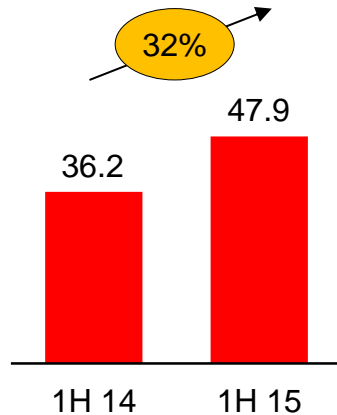
- Despite higher hedging cost for 1H 2015 and strategy to reduce unrealized loss on AFS financial assets, consolidated after-tax profit was NT\$3.52bn. Shareholders' equity increased by 2.9% YTD to NT\$71.68bn.
- FYP for 1H 2015 reached NT\$47.94bn, up 32.3% YoY, achieving market share of 8.2%. Annualized cost of liability was 4.58% for 1H 2015, 6 bps lower than 2014.
- FX traditional products remained marketing focus in 2015. Sales grew 2.9% YoY and reached NT\$13.75bn in 1H 2015, accounting for 28.7% of total FYP.
- Number of long-term care/disability health insurance sold in 1H 2015 was 126,829 with FYP of NT\$1.76bn, 80.4% higher YoY.
- Annualized investment return was 3.84% for 1H 2015. Recurring yield before hedging was 3.49%, up 21 bps YoY.
- In response to government's new measure allowing life insurance conversion and increasing demand from policyholders, 1,793 policies have been converted with original policy value reserve of NT\$530mn.

Financial Highlights – 1H 2015

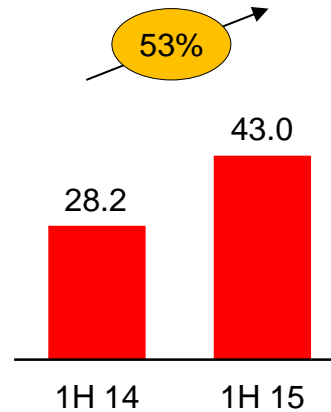
	1H 2014	1H 2015	YoY Growth
NT\$mn, %			
First year premium	36,241	47,938	32.3%
Total premium	92,036	117,471	27.6%
Investment income	36,713	37,772	2.9%
Consolidated net income	377	3,517	832.9%
Consolidated total assets	1,866,814	2,015,623	8.0%
Consolidated total shareholders' equity	68,075	71,682	5.3%
ROE (unannualized)	0.57%	4.98%	
ROA (unannualized)	0.02%	0.18%	

First Year Premium – 1H 2015

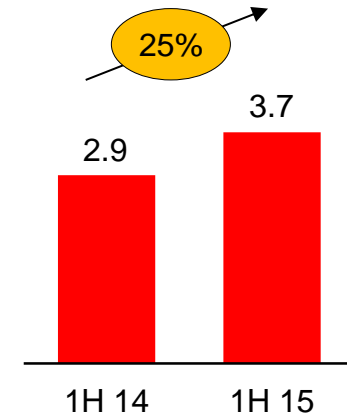
NT\$bn



Traditional



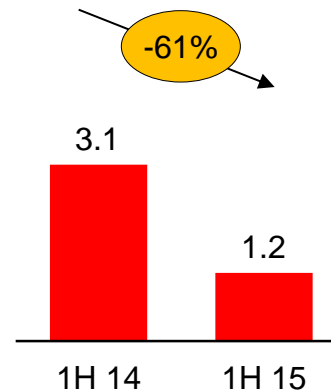
PA, Health and Group ⁽¹⁾



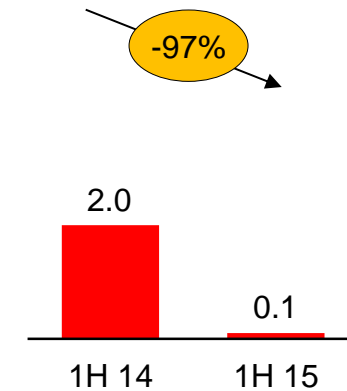
Comments

- Driven by strong sales of whole life products, total FYP reached NT\$47.9bn, up 32% YoY; FYPE/FYP ratio increased from 27.1% of Q1 2015 to 31.8% of 1H 2015
- FX traditional products remained marketing focus in 2015. Sales in 1H reached NT\$13.8bn, representing 29% of total FYP. Such products brought SKL stable interest spread with proper asset-liability match and no hedging cost
- Number of long-term care/disability health insurance sold in 1H was 126,829 with FYP of NT\$1.76bn, 80% higher YoY
- Whole life products and health insurance continuously promoted for VNB growth and decrease in cost of liability. Annualized cost of liability declined 6 bps to 4.58% compared to 2014

Investment-linked



Interest-sensitive

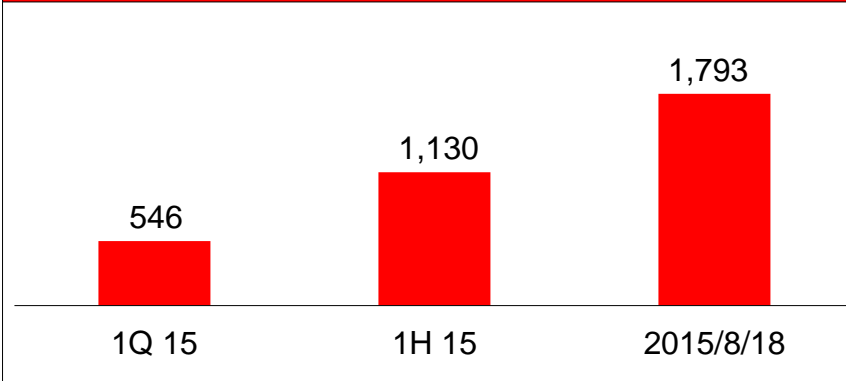


Note :

(1) Long-term disability Type A policy is classified as health insurance

Policy Conversion

Number of Policies



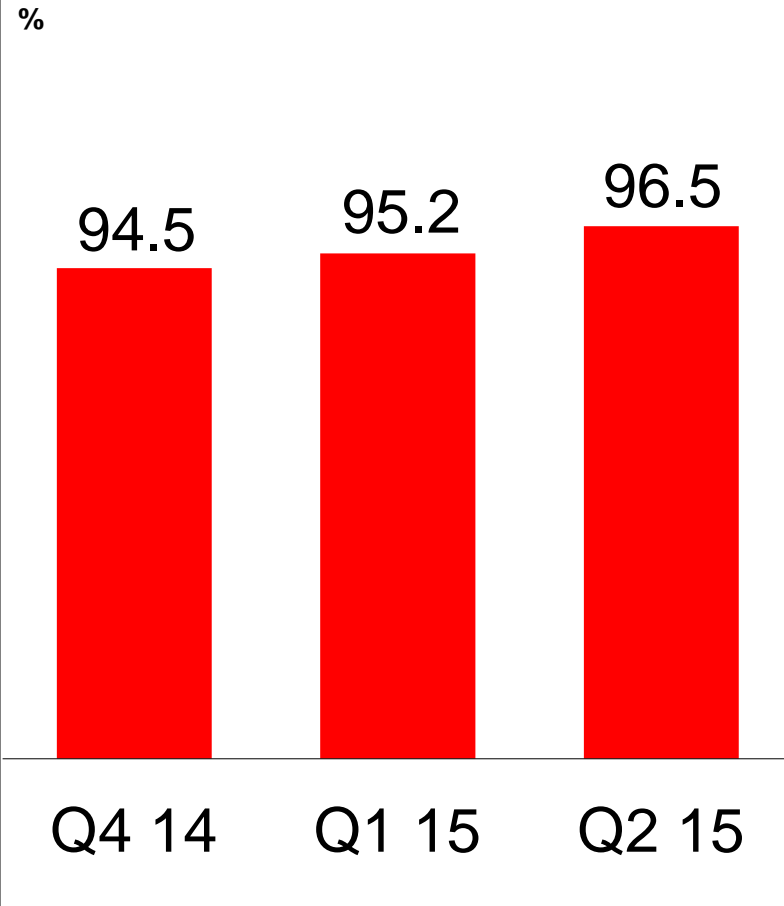
Policy after Conversion by Type	Percentage
Long-term care insurance	25%
Health insurance	75%

Comment

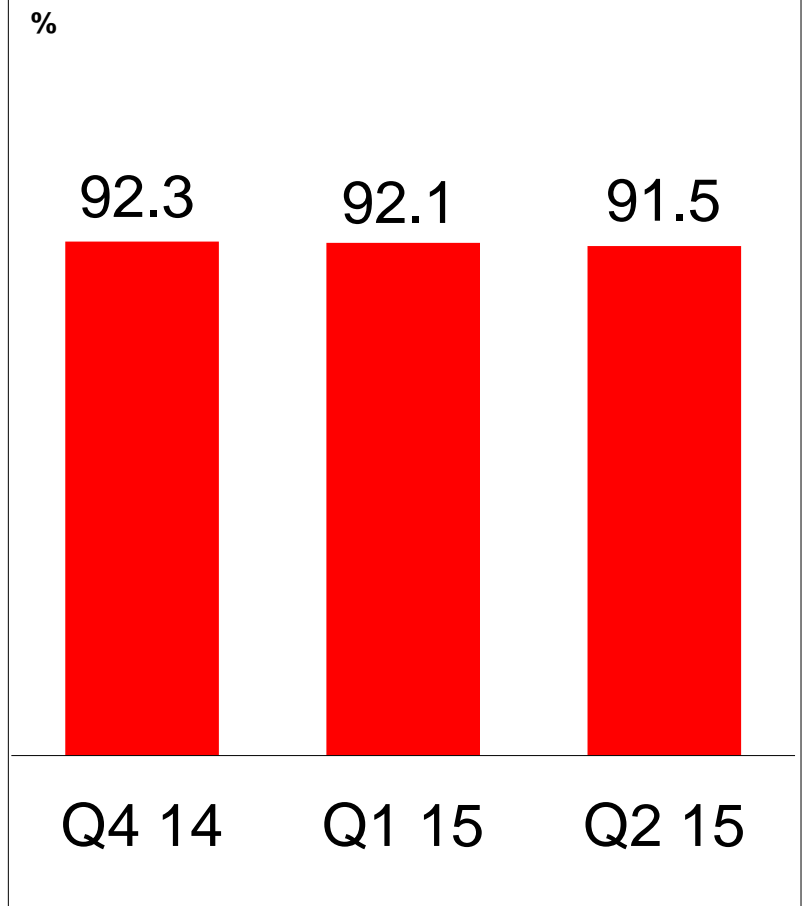
- In response to government's new measure allowing life insurance conversion and increasing demand from policyholders, 1,793 policies have been converted with original policy value reserve of NT\$530mn
- Savings and policies with only death benefits were switched to long-term care and health insurance, indicating well-aware and growing demand for health and long-term care products across demographics

Persistence Ratio

13 Month Persistence

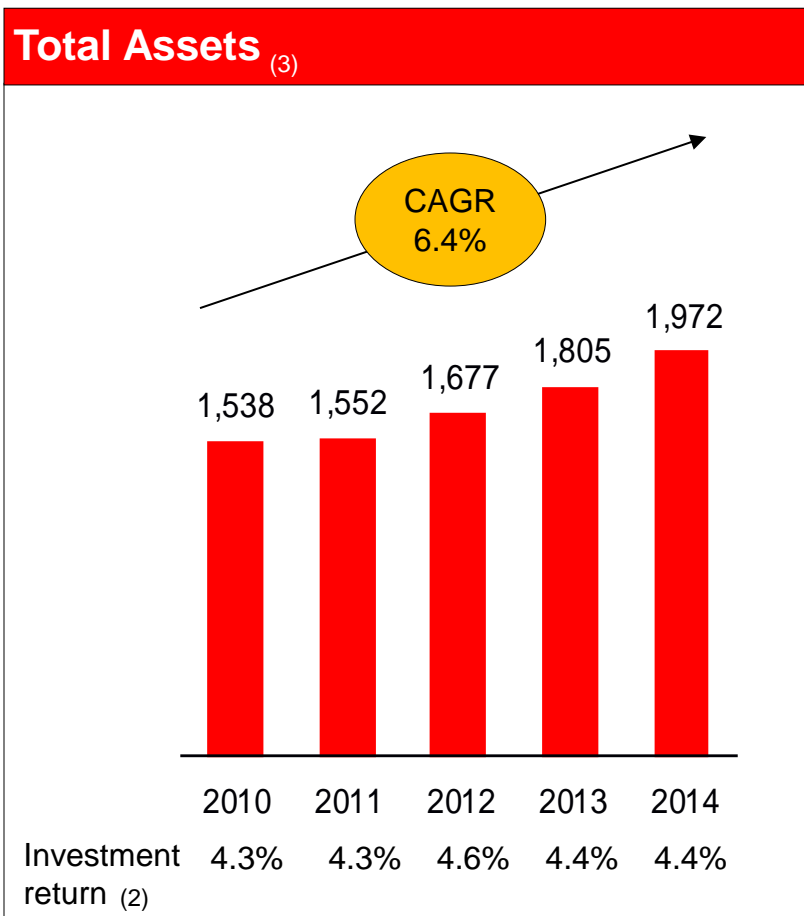


25 Month Persistence



Investment Portfolio

NT\$bn

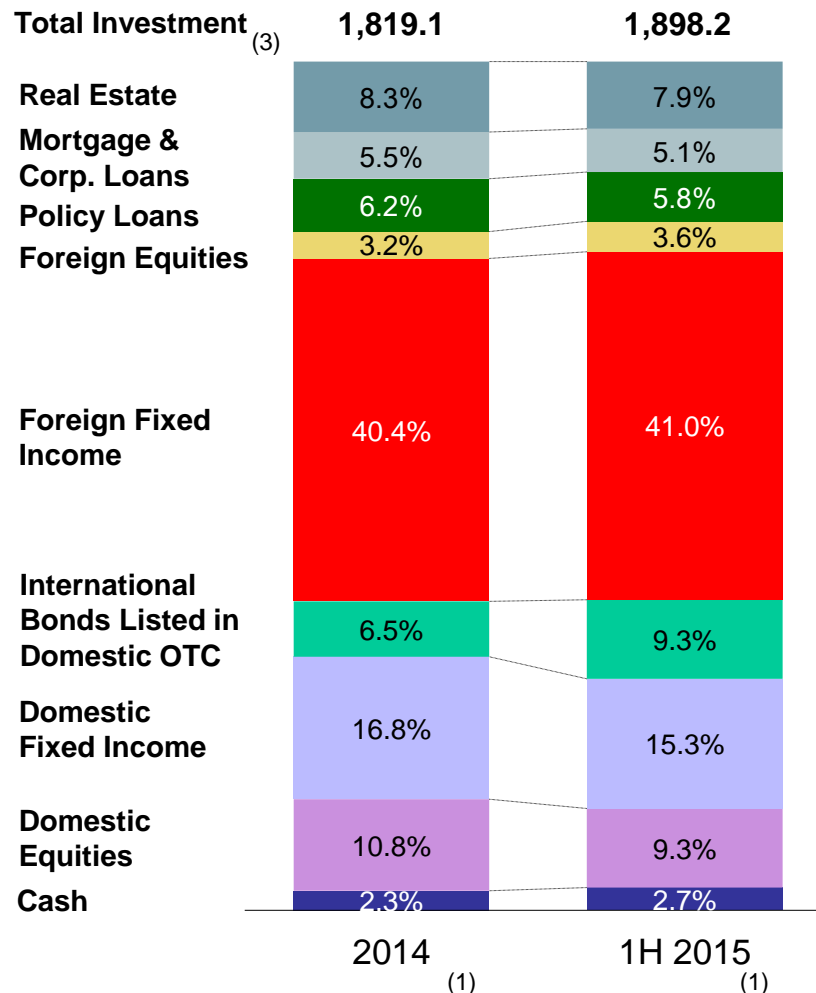


Note:

(1) Due to rounding, asset allocation figures may not add up to 100%

(2) Includes capital gains and FX hedging cost

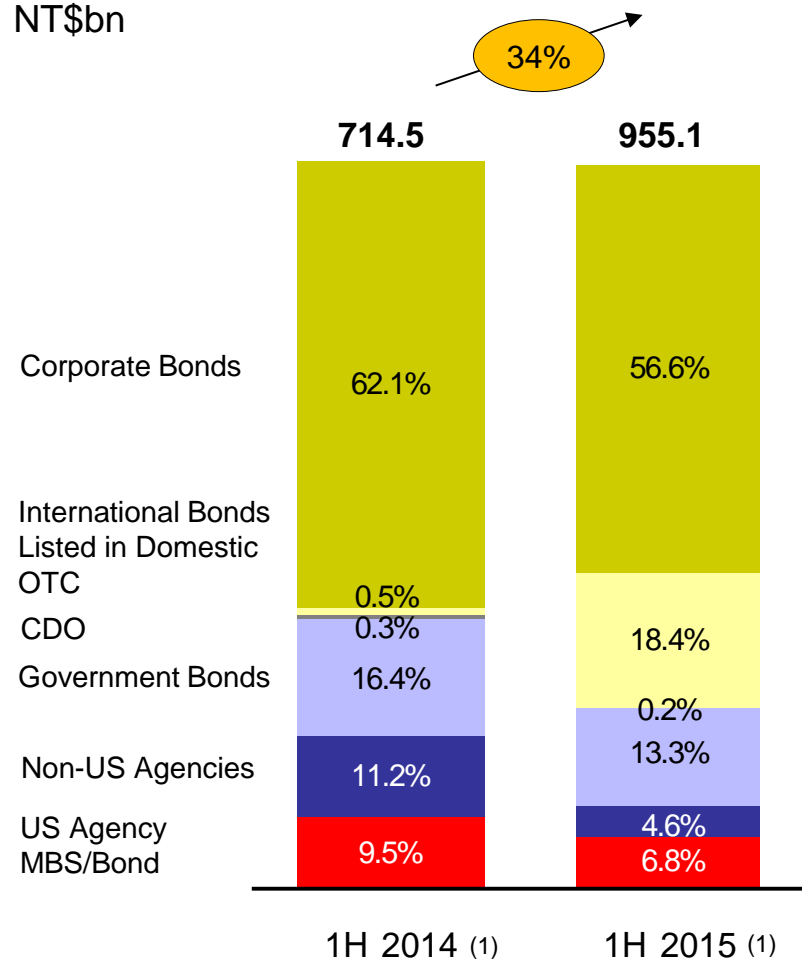
(3) Since 2012, total assets and total investment include impact on investment real estate from first time adoption of IFRSs



Overseas Fixed Income

Overseas Fixed Income Portfolio

NT\$bn



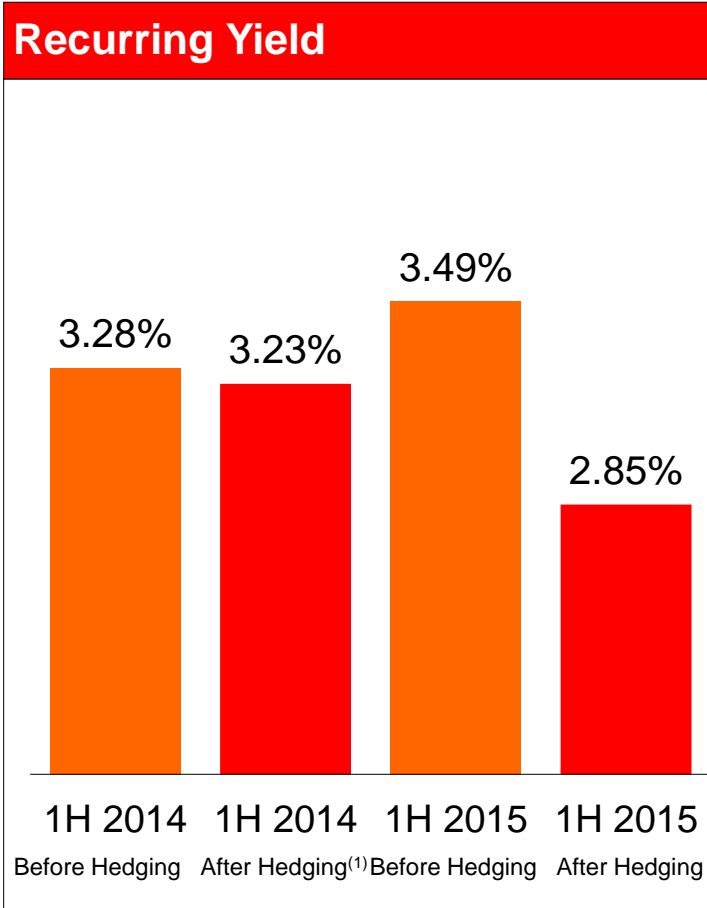
Comments

- Overseas fixed income increased 34% YoY, mainly deployed in international bonds listed in domestic OTC. As of end of 1H 2015, SKL has invested NT\$176.34bn in international bonds
- International bonds listed in domestic OTC offer average yield before hedging of 4.4%, which after hedging is still significantly higher than domestic bonds. Position expected to continuously increase and reach NT\$200bn at end of 2015
- Portfolio reallocation enhanced interest rates. Recurring yield before hedging for 1H 2015 grew 21 bps YoY

Note :

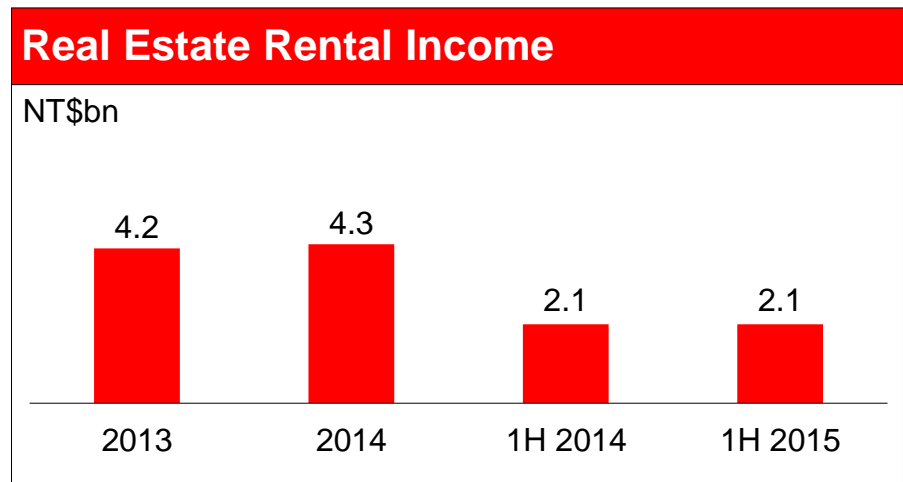
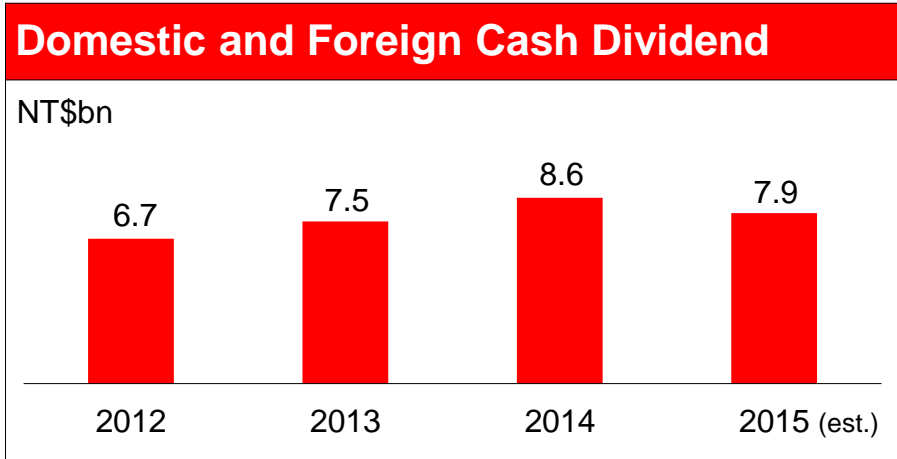
(1) Due to rounding, asset allocation figures may not add up to 100%

Recurring Yield



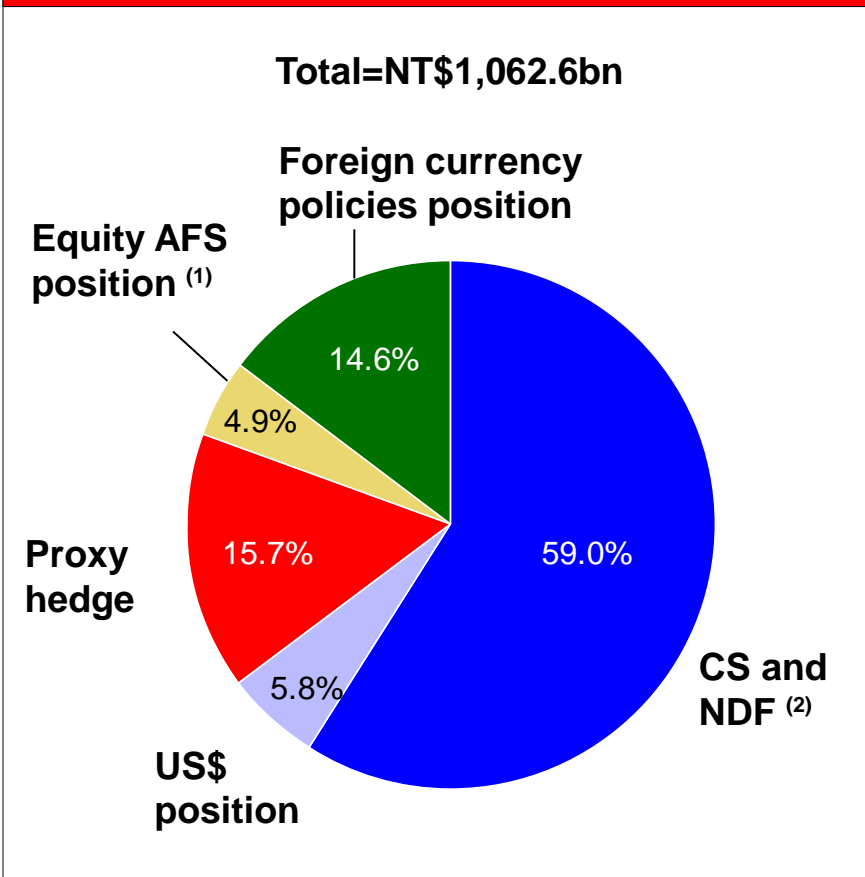
Note :

(1) Recurring yield after hedging for Q1 2014 is calculated based on the annual hedging cost of 0.37%



Hedging Strategy

Mix of Hedging Strategies Used



Comments

- Annualized hedging cost for 1H 2015 was 1.23%
- Hedging ratio was 73.6%, including CS, NDF, and naturally-hedged foreign currency policies position. Mid- to long-term target of hedging ratio ranges from 65% to 90% under stringent risk management
- Among traditional hedges, CS and NDF accounted for 80% and 20%, respectively
- AFS⁽¹⁾ position in foreign equities accounted for 4.9% and was not marked to market in income statement

Note:

(1) Available for sale position

(2) Currency swaps and non-delivery forwards

Investment Strategy

Strong ALM Discipline

- Develop Strategic Asset Allocation based on liability profile and capital budget
- Deploy funds from NTD policies in international bonds listed in domestic OTC and funds from FX policies in foreign bonds to enhance recurring yield
- Achieve diversification and yield pick-up through overseas investments. Continue to deploy in corporate bonds with rating of A- and above to increase fixed interest income

Well-diversified Portfolio

- Diversification by asset class (equity, credit, currency, commodity, real estate)
- Diversification by strategy for uncorrelated sources of alpha

Cost-effective Currency Hedging

- Dynamically adjust FX hedging ratio. Mid- to long-term target of CS, NDF, and naturally-hedged foreign currency policies position together ranges from 65% to 90%
- Target hedging cost at 100 bps or below in the mid- to long-term

Enhance Investment Risk Management

- Consider current situations and characteristics of asset and liability to effectively manage overall investment risks through stringent SAA and TAA plans
- Enhance VAR models under risk management system to cope with changes in financial markets and strengthen risk control on equity and FX exposures

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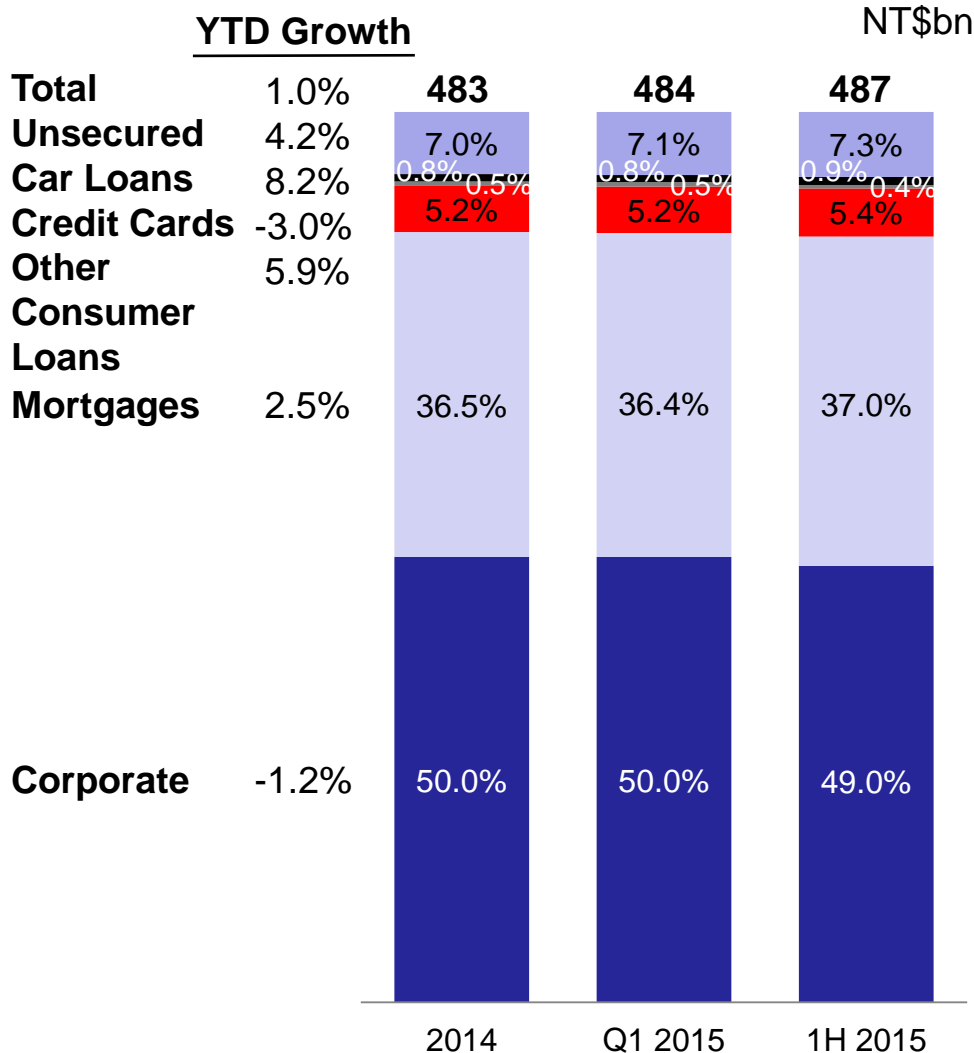
SKB – 1H 2015 Overview

- Consolidated after-tax profit for 1H 2015 grew 8.4% YoY and reached NT\$2.59bn, mainly due to net interest income up 6.8% YoY.
- Deposit balance increased 3.7% YTD to NT\$667.39bn, with foreign deposit increasing 13.0% YTD and facilitating international business. Loan balance was NT\$487.28bn, loan growth target for 2015 was adjusted to 4%, given low funding demand resulting from slow economic growth.
- With structural adjustments on deposits and loans, NIS rose 2 bps to 1.93% QoQ. NIM was 1.45%.
- Wealth management income for Q2 2015 climbed 12.8% QoQ to NT\$433mn. For developing clients with AUM above NT\$3mn, total number of sales heads and financial consultants expected to reach 480 at year end.
- With better than expected asset quality, new NPL generated in Q2 was only NT\$133mn, and NPL ratio was 0.24%. One-off provisions on real estate and Mainland exposures have been fully recognized, driving coverage ratio from 529.76% to 565.86% in Q2 2015.
- Overseas profit for 1H 2015 grew 43.0% YoY and reached NT\$1.17bn, representing 38.5% of earnings before tax.

Net Income – 1H 2015

	1H 2014	1H 2015	YoY Growth
NT\$mn, %			
Net interest income	4,726	5,049	6.8%
Net fee income	1,564	1,506	-3.7%
Investment income and other income	810	982	21.2%
Operating expense	-3,474	-3,805	8.6%
Pre-provision operating income	3,627	3,733	2.9%
Provision expense	-803	-680	-15.3%
Income tax benefit (expense)	-438	-467	6.5%
Consolidated Net Income	2,386	2,586	8.4%

Loan Mix



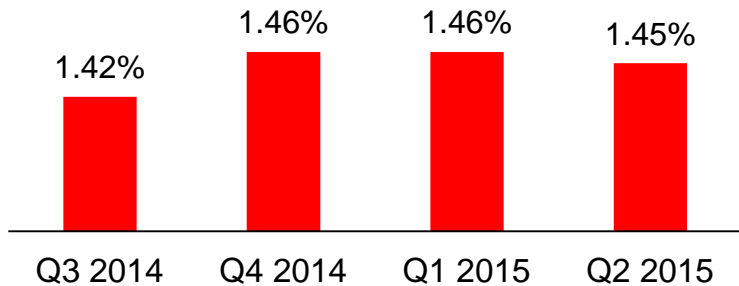
Note: Due to rounding, loan mix may not add up to 100%

Comments

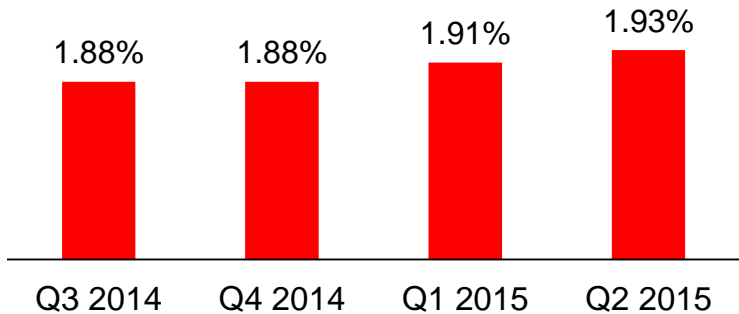
- Loan balance as of end of 1H 2015 grew only 1.0% YTD to NT\$487.27bn due to structural adjustments; however, unsecured and other consumer loans still rose 4.2% and 5.9% respectively. While corporate loans decreased 1.2% YTD, SME loans increased 1.6% YTD, SME loans expected to grow in 2H, with focus on loans with collaterals or backed by Credit Guarantee Fund
- Due to slow economic growth, loan growth target for 2015 adjusted to 4%

Interest Income

Net Interest Margin



Net Interest Spread

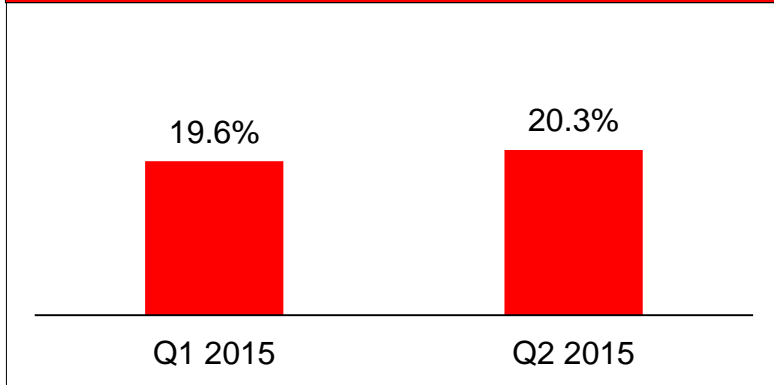


Comments

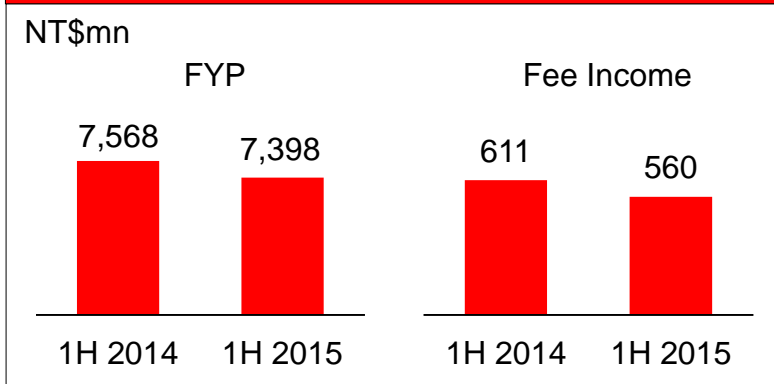
- With raised rates for SME loans and prudently controlled funding cost, NIS increased 2 bps to 1.93%
- NIM decreased 1 bp to 1.45%, expected to remain at similar level to 2014
- SKB will continue to:
 - Strengthen cash management business, increase demand deposits and lower cost of funds, and
 - Expand foreign deposit to facilitate international business

Fee Income

Net Fee Income / Total Income



Bancassurance



Fee Income Breakdown

NT\$mn

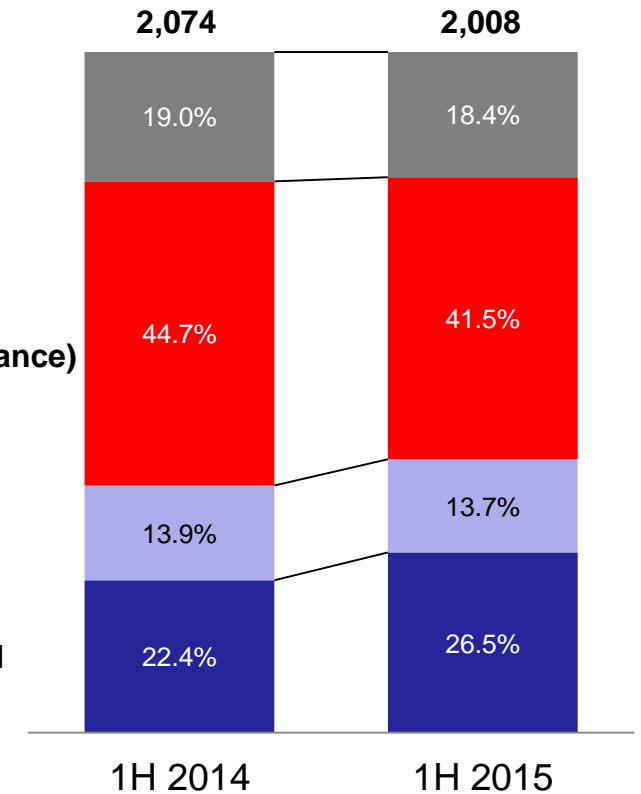
Total =

FX, Trust & Others

WM (incl. Bancassurance)

Loan

Credit Card

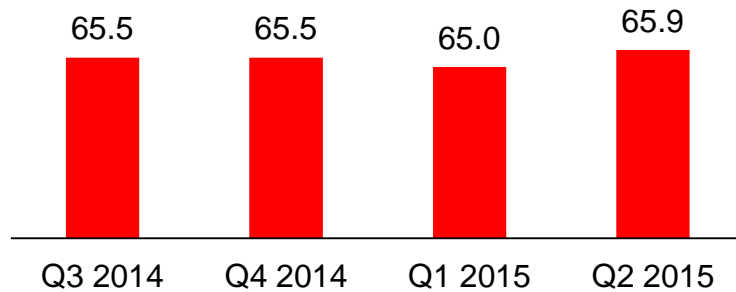


Note: Due to rounding, fee income breakdown may not add up to 100%

Wealth Management

AUM

NT\$bn

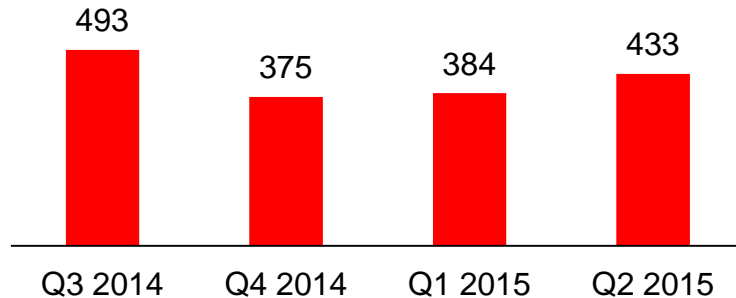


Wealth Management Center



WM Income

NT\$m



- Wealth management income for Q2 2015 climbed 12.8% QoQ to NT\$433mn, with bancassurance accounting for 51.8%
- Recruitment of sales force continues. Number of financial consultants increased by 37 YTD and will reach 400 at year end. Number of sales heads was only 42 in July and will reach 80 at year end
- Development of clients with AUM above NT\$3mn continues, while fixed income products and mutual funds remain marketing focus

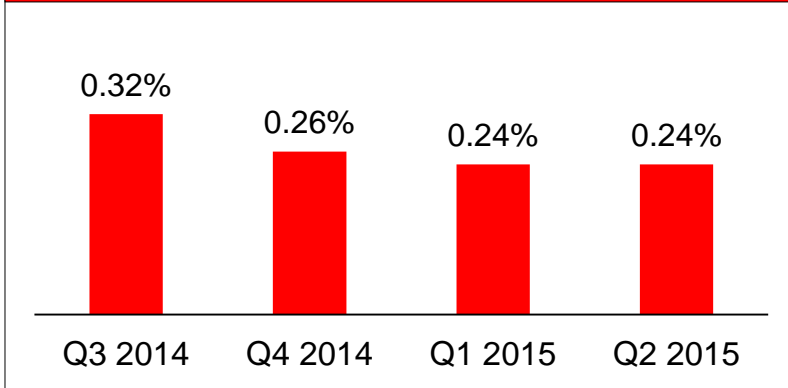
Note:

(1) Wealth management income includes income from structured deposits

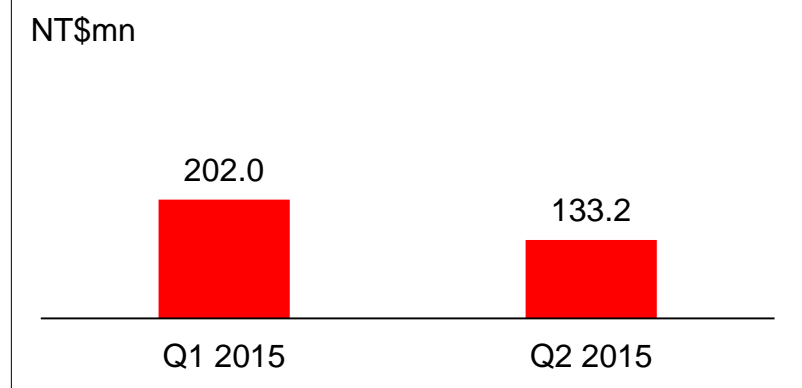
(2) Income figure for each quarter is adjusted due to rounding

Asset Quality

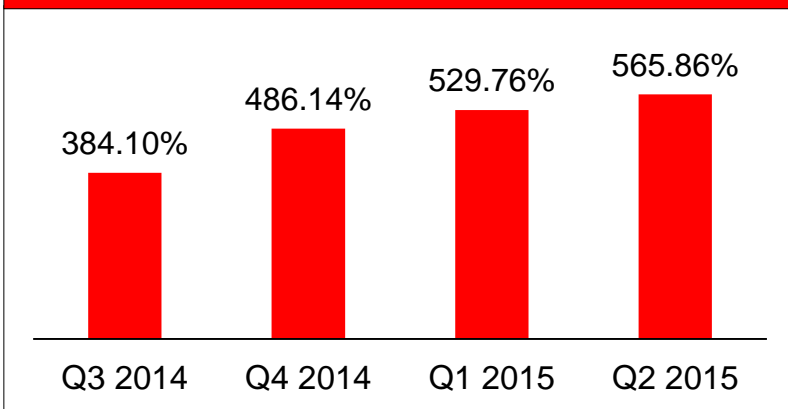
NPL Ratio



New NPL Generation



Coverage Ratio



- New NPL generation in Q2 2015 was only NT\$133mn, better than expectation
- NPL ratio remain at 0.24%, lower than industry average
- Due to superior asset quality, one-off provisions on real estate and Mainland exposures have been fully recognized, driving coverage ratio from 529.76% to 565.86% in Q2 2015

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SP / RP Breakdown

NT\$bn

1H 2015 FYP	Single Premium	Regular Premium	Flexible Payment	Total
Traditional	32.03	10.98		43.01
Investment-linked				
VUL / VA		0.13	1.08	1.21
Structured note				
Interest Sensitive				
Annuity	0.05		0.01	0.06
Life				
PA, health and others ⁽¹⁾		3.65		3.65
Total	32.09	14.76	1.09	47.94
Share	66.9%	30.8%	2.3%	100.0%

Note :

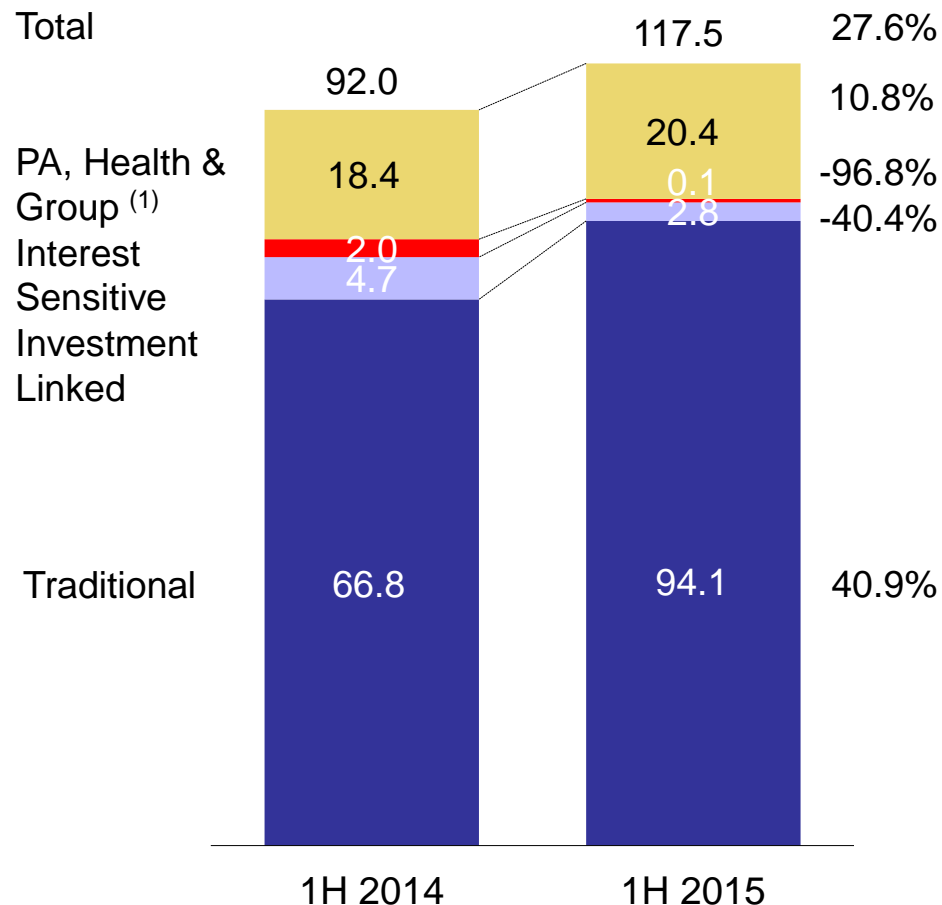
(1) Long-term disability Type A policy is classified as health insurance

Total Premium – 1H 2015

NT\$bn

Market Share = 8.3%

Growth



Comments

- Driven by FYP of traditional products up 52.5% YoY, total premium of traditional products grew 40.9% YoY and overall total premium increased 27.6% YoY
- Total investment-linked premium declined 40.4% YoY without promotion of single premium structured note products
- PA, Health & Group products grew steadily YoY due to strong sales of long-term care health insurance

Note :

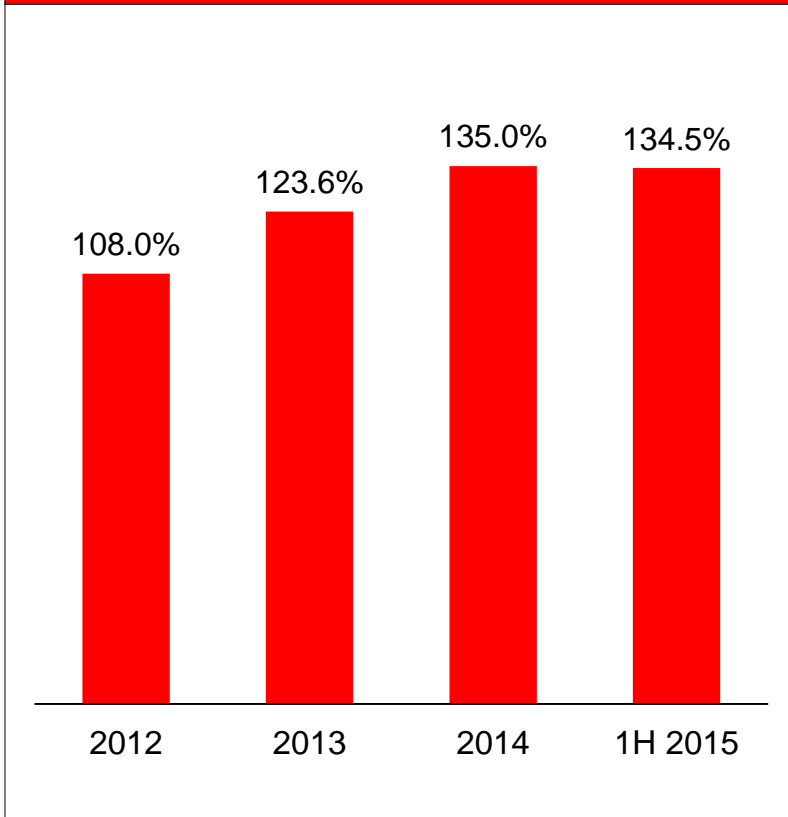
(1) Long-term disability Type A policy is classified as health insurance

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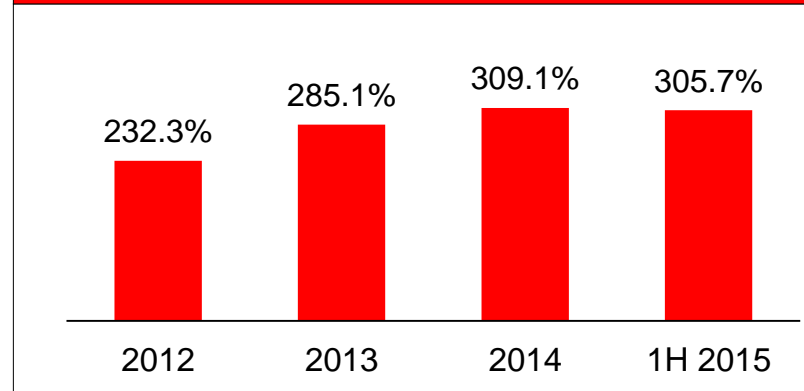
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Capital Adequacy

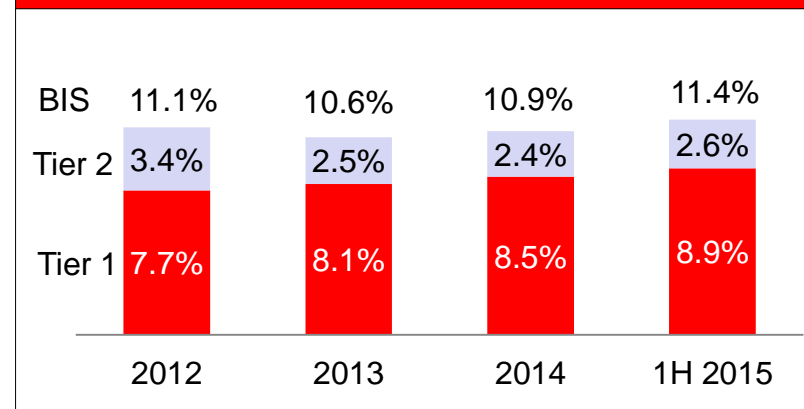
CAR of SKFH



RBC of SKL



BIS of SKB





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Shin Kong Financial HoldingFinancial Summary
(NT\$mn)

Income Statement Data	2014	1H 2014	1H 2015	1H 15/1H 14	Q2 2014	Q2 2015	Q2 15/Q2 14
				% change			% change
Net interest income	(185)	(89)	(123)	37.6%	(49)	(65)	31.9%
Income from subsidiaries							
Shin Kong Life	1,695	370	3,512	848.0%	446	1,465	228.2%
Shin Kong Bank	5,159	2,386	2,586	8.4%	1,197	1,369	14.3%
MasterLink Securities	483	297	156	-47.3%	193	44	-77.1%
Shin Kong Investment Trust	21	13	7	-44.3%	6	5	-11.6%
Shin Kong Venture Capital International	(82)	1	15	959.4%	6	7	19.5%
Shin Kong Property Insurance Agency	40	19	24	23.6%	11	11	-1.5%
Total income from subsidiaries	7,316	3,084	6,300	104.3%	1,856	2,902	56.3%
Other income	28	(63)	(11)	-83.2%	(37)	(19)	-49.6%
Administrative and general expenses	(268)	(119)	(124)	4.2%	(61)	(67)	9.7%
Income tax benefit (expense)	(0)	(129)	212	-264.9%	(188)	145	-176.9%
Cumulative effect of changes in accounting principle	0	0	0		0	0	
Net income	6,890	2,684	6,255	133.0%	1,521	2,896	90.4%
Other comprehensive income (loss), after tax	3,241	2,837	(1,369)	-148.3%	4,409	(5,427)	-223.1%
Total comprehensive income (loss)	10,132	5,520	4,886	-11.5%	5,930	(2,531)	-142.7%

Balance Sheet Data	2014	1H 2014	1H 2015	1H 15/1H 14	Q2 2014	Q2 2015	Q2 15/Q2 14
				% change			% change
Long term investment	121,034	115,419	125,187	8.5%	115,419	125,187	8.5%
Total assets	2,797,837	2,651,559	2,839,186	7.1%	2,651,559	2,839,186	7.1%
Shareholders' equity (excl. minority)	110,852	105,905	113,913	7.6%	105,905	113,913	7.6%

Note:

(1) Numbers have not been audited by the auditors.

Shin Kong Life
Financial Summary
(NT\$mn)

Income Statement Data	2014	1H 2014	1H 2015	1H 15/1H 14		Q2 2014	Q2 2015	Q2 15/Q2 14	
				% change				% change	
Premium income	199,498	86,966	114,987	32.2%		47,670	56,991	19.6%	
Investment income									
Interest income	52,299	25,150	29,592	17.7%		12,731	14,990	17.7%	
Gains on investments in securities	24,047	12,718	11,178	-12.1%		8,768	5,452	-37.8%	
Gains on real estate investments	4,189	2,093	2,807	34.1%		1,045	1,044	-0.1%	
FX	1,071	(2,820)	(9,564)	239.2%		(4,992)	(3,410)	-31.7%	
FX gain or loss	38,547	(286)	(19,094)	6586.0%		(12,503)	(8,730)	-30.2%	
Hedging	(37,476)	(2,534)	9,529	-476.0%		7,511	5,319	-29.2%	
FX Reserve	(4,033)	(448)	3,518	-885.4%		1,566	1,165	-25.6%	
Impairment loss	(77)	20	242	1102.8%		0	(5)		
Total Investment income	77,495	36,713	37,772	2.9%		19,117	19,235	0.6%	
Other operating income	2,435	1,287	854	-33.7%		648	535	-17.4%	
Provisions for reserves									
Provisions	(234,518)	(105,255)	(132,942)	26.3%		(56,581)	(66,254)	17.1%	
Recoveries	86,377	33,030	44,302	34.1%		18,247	21,304	16.8%	
Total provisions for reserves, net	(148,140)	(72,225)	(88,640)	22.7%		(38,334)	(44,950)	17.3%	
Insurance payments	(104,328)	(41,375)	(48,863)	18.1%		(22,777)	(24,001)	5.4%	
Commission expenses	(8,615)	(3,943)	(4,308)	9.2%		(2,247)	(1,904)	-15.3%	
Separate account revenues	14,027	11,700	(1,262)	-110.8%		3,986	235	-94.1%	
Separate account expenses	(14,027)	(11,700)	1,262	-110.8%		(3,986)	(235)	-94.1%	
General and administrative expenses	(14,686)	(6,508)	(6,855)	5.3%		(3,452)	(3,838)	11.2%	
Other operating costs and expenses	(1,236)	(585)	(774)	32.3%		(298)	(367)	23.3%	
Operating income	2,423	332	4,173	1158.4%		326	1,700	420.7%	
Non-operating income and expenses	643	183	116	-36.7%		116	89	-23.0%	
Income taxes	(1,362)	(137)	(772)	461.3%		9	(320)	-3853.0%	
Cumulative effect of changes in accounting principles	0	0	0			0	0		
Net income	1,705	377	3,517	832.9%		451	1,469	226.0%	
Other comprehensive income (loss)									
Exchange differences on translation of foreign operations financial statements	4	(6)	(3)	-55.7%		(4)	(1)	-66.8%	
Unrealized gains (losses) on available-for-sale financial assets	4,817	3,075	(1,721)	-156.0%		5,054	(6,021)	-219.1%	
Gains (losses) on effective portion of cash flow hedges	0	0	0			0	0		
Actuarial gains (losses) on defined benefit plans	(1,163)	0	0			0	0		
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(2)	193	25	-86.8%		1	14	1189.9%	
Income tax relating to components of other comprehensive income	(579)	(413)	240	-158.0%		(691)	761	-210.1%	
Total comprehensive income (loss)	4,783	3,225	2,059	-36.2%		4,811	(3,779)	-178.5%	
Balance Sheet Data	2014	1H 2014	1H 2015	1H 15/1H 14		Q2 2014	Q2 2015	Q2 15/Q2 14	
				% change				% change	
Total assets	1,971,959	1,866,814	2,015,623	8.0%		1,866,814	2,015,623	8.0%	
Total shareholders' equity	69,632	68,075	71,682	5.3%		68,075	71,682	5.3%	

Note:

(1) Numbers have not been audited by the auditors.

Shin Kong Bank
Financial Summary
(NT\$m)

Income Statement Data	2014	1H 2014	1H 2015	1H 15/1H 14	Q2 2014	Q2 2015	Q2 15/Q2 14
				% change			% change
Interest income	15,410	7,549	7,921	4.9%	3,832	4,008	4.6%
Interest expense	(5,692)	(2,822)	(2,872)	1.7%	(1,442)	(1,443)	0.1%
Net interest income	9,717	4,726	5,049	6.8%	2,391	2,565	7.3%
Fee income	4,051	2,074	2,008	-3.2%	1,017	1,036	1.9%
Fee expense	(1,013)	(510)	(502)	-1.6%	(207)	(247)	19.3%
Net fee income	3,038	1,564	1,506	-3.7%	810	789	-2.6%
Gains on bill & securities	1,379	734	1,013	37.9%	499	741	48.3%
Gains on foreign exchange, net	443	64	(98)	-251.7%	(186)	(239)	28.3%
Other gains or losses, net	638	12	67	472.8%	45	21	-53.8%
Operating expense	(7,236)	(3,474)	(3,805)	9.5%	(1,739)	(1,921)	10.5%
Pre-provision income or loss	7,980	3,627	3,733	2.9%	1,820	1,956	7.5%
Provision expense	(1,892)	(803)	(680)	-15.3%	(400)	(340)	-14.9%
Income tax (expense) benefit	(931)	(438)	(467)	6.5%	(223)	(247)	10.9%
Net income	5,157	2,386	2,586	8.4%	1,197	1,369	14.3%
Other comprehensive income (loss)							
Exchange differences on translation of foreign operations financial statements	89	(2)	3	-241.4%	(10)	(1)	-88.1%
Unrealized gains (losses) on available-for-sale financial assets	84	(42)	215	-617.2%	27	(124)	-556.1%
Actuarial gains and losses on defined benefit plans	(150)						
Income tax relating to components of other comprehensive income	26						
Other comprehensive income (loss), after tax	48	(44)	218	-599.0%	17	(125)	-848.2%
Total comprehensive income (loss)	5,205	2,342	2,804	19.7%	1,214	1,243	2.4%

Balance Sheet Data	2014	1H 2014	1H 2015	1H 15/1H 14	Q2 2014	Q2 2015	Q2 15/Q2 14
				% change			% change
Total assets	759,912	748,683	764,754	2.1%	748,683	764,754	2.1%
Total shareholders' equity	41,335	38,472	43,638	13.4%	38,472	43,638	13.4%
Total loans, net ⁽¹⁾	475,282	463,448	479,620	3.5%	463,448	479,620	3.5%
Total deposits	643,680	655,522	667,391	1.8%	655,522	667,391	1.8%

Operating Metrics	2014	1H 2014	1H 2015	Q2 2014	Q2 2015
Fee income ratio	20.0%	22.0%	20.0%	22.7%	20.3%
Cost income ratio	47.1%	48.5%	50.1%	48.3%	49.2%
Loan/deposit ratio (excl. credit card)	73.8%	70.7%	71.8%	70.7%	71.8%
Loan/deposit ratio (incl. credit card)	74.2%	71.0%	72.2%	71.0%	72.2%
Net interest margin	1.43%	1.42%	1.46%	1.40%	1.45%
Net interest spread	1.85%	1.82%	1.92%	1.84%	1.93%
Pre-provision earnings/assets	1.10%	0.50%	0.49%	0.25%	0.26%
Pre-provision earnings/equity	20.47%	9.66%	8.79%	4.85%	4.60%

Note:

(1) Excludes credit cards but include overdue receivables.

(2) Numbers have not been audited by the auditors.