

Thanachart Capital Public Company Limited

Management Discussion and Analysis of the 3rd quarter and 9-month of 2006

(Financial Statement Unreviewed)

Economy and the Finance & Banking Sector Outlooks

Domestic demand indicator of the private sector showed the obvious slowdown in both consumption and investment, confirmed by the decrease in business sentiment and consumer confidential index. The situation can be attributed to the unfavorable business environment, specifically, high interest and inflation rate, political instability and even natural disaster, flood, in many provinces.

However, the international trade has been growing consistently. The current account tends to be surplus, after experienced a trade deficit in the second quarter. The risk from inflow and outflow of capital still persisted. This caused a fluctuation in the value of Baht, whose exchange value at the end of the third quarter was Baht 37.4 / USD 1, stronger than Baht 38.1 / USD 1 of the previous quarter.

The foreign reserve improved that, at the end of September, it increased to USD 61.6 billion, which indicated a solid foreign stability position. Likewise, the domestic stability revealed favorable signs as well. The inflation rate in the third quarter was 3.6%, which dramatically reduced from 6.0% of the last quarter. Parts of the explanation are the high base value of the last year, the decrease in the domestic oil price as a consequence of the world market, and the shrinking of the unemployment rate and public debt.

Due to the decrease of the inflation rate, in the third quarter, the Bank of Thailand had maintained the R/P 14 rate at 5.0% throughout the period. The competition among commercial banks, in term of interest rate, had been less intense that most of the rate adjustments were only in particular size of deposit in order to maintain their high net-worth. At the same time, there had been no change in the saving deposit rate due to the higher excess liquidity in the banking system.

Major events in the 3rd quarter 2006

For the 3rd quarter of 2006, there were considerable events affected to the performance of the Company and its subsidiaries as follows:

1. The Board of Directors adopted a resolution approving payments of an interim dividend of Baht 0.30 per share or the total of Baht 400 million for the performance of the first half of the year from January 1 to June 30, 2006. The closing date of the registered book was on October 16, 2006 and the payment is scheduled on October 27, 2006.

2. Thanachart Bank, a subsidiary company, opened 55 new branches in 9-month of 2006. As a result, as of the end of the 3rd quarter of 2006, Thanachart Bank had 121 branches (excluding the head office) in total. Of all branches, 66 of them are in Bangkok and its surroundings while the remaining 55 branches are in the regions. In addition, the Bank had 192 ATMs and 41 exchange booths in total.
3. To be harmonized with the guidance of the Bank of Thailand about the “Consolidated Supervision” that will be in effect within 2006 and the raising of the corporate governance standard to the level of “international best practice”, the Company’s subsidiary (the Bank) has prepared and filed the petition regarding the issue to the Bank of Thailand. At the mean time, the Bank of Thailand is considering on granting the approval.

The Company Overview

The Group’s consolidated financial statement as of the end of the 3rd quarter of 2006 shows total assets of Baht 300,663 million, representing an increase of 31.8% from Baht 228,073 million at the end of last year. Most of this increase was due to the increase in deposits from Baht 148,371 million at the end of 2005 to Baht 219,925 million, representing an increase of 48.2%. This was the result of our strategies to move forward by launching new deposit products and expanding branches which helped support the liquidity of the Bank in expanding its business stability. The public deposits were the main source of funds to support the continuously high loan growth of the hire purchase business, which grew by 25.5% from the end of last year. In addition, the market share increased all along resulted in the market leader of the new car hire purchase. Moreover, the Bank continued to expand its branches in order to build up the confidence of its own business progression.

For 9-month of 2006, the operations of the Company and its subsidiaries resulted in earnings before income tax and minority interest were Baht 2,468 million, representing a decrease of 16.6% or Baht 490 million. The corporate income tax decreased by 1.2% or Baht 9 million. As a result, the net earnings of the Company and its subsidiaries amounted to Baht 1,585 million, representing a decrease of 26.8% or Baht 581 million. The earning per share was Baht 1.19. The decrease of the net earnings was due to the increase of the interest rate expenses from deposit growth and market interest rate rise accompanying with the acceleration in expanding banking branches and the development of the information technology system for building up strong fundamental to support future business expansion.

For the operational results of the subsidiary companies, the Assets Management Companies could have more debt restructuring which resulted to Baht 345 million profits for 9-month period this year. Thanachart Life Assurance increased its insurance premium caused its underwriting profits to increase by 152.8% compared with the same period last year. Its net profits in 9-month of 2006 were Baht 45 million. Thanachart Insurance experienced high growth as insurance premium income increased by 48.3% compared with the same period last

year which resulted to Baht 22 million net profits for 9-month of 2006. The ongoing decrease in volume traded of the Stock

Exchange of Thailand, Thanachart Securities, however, made some gains on investment, which resulted to having an increase of its net profit by 47.2% compared with the same period last year.

As of September 30, 2006, the non-performing loans (NPLs) of the Company and its subsidiaries amounted to Baht 9,878 million, representing a decrease of Baht 251 million or 2.5% from the end of last year. Thus, the percentage of Group's NPLs to total Group's lending decreased from 6.2% at the end of 2005 to 5.1 % at the end of the 3rd quarter of 2006.

The Company and its subsidiaries had the allowance for doubtful accounts amounting to Baht 6,969 million which divided into the specific reserve of Baht 5,416 million and the allowance for future risk of Baht 1,553 million.

Operating Results of the Company and its subsidiaries

Operating Results

Statements of Earnings of the Company and its subsidiaries

(Unit: Baht million)

	3 rd quarter of 2006	2 nd quarter of 2006	% Change	9-month period of 2006	9-month period of 2005	% Change
Interest and Dividend Income	4,458	4,285	4.0	12,148	7,796	55.8
Expenses on Borrowings	(2,755)	(2,563)	7.5	(6,984)	(3,091)	125.9
Net Interest and Dividend Income	1,703	1,722	(1.1)	5,164	4,705	9.8
Reversal of Bad Debt and Doubtful Accounts						
(Bad Debts and Doubtful Accounts)	(59)	82	(172.0)	(26)	225	(111.6)
Loss on Debt Restructuring	(85)	(34)	(150.0)	(134)	(291)	(54.0)
Net Interest and Dividend Income after Bad Debts and Doubtful Accounts and Loss on Debt Restructuring	1,559	1,770	(11.9)	5,004	4,639	7.9
Non-Interest Income	2,092	1,456	43.7	5,647	3,786	49.2
Operating Expenses	(2,955)	(2,611)	13.2	(8,183)	(5,467)	49.7
Earnings before Income Tax and Minority Interest	696	615	13.2	2,468	2,958	(16.6)
Corporate Income Tax	(159)	(213)	(25.4)	(763)	(772)	(1.2)
Earnings before Minority Interest	537	402	33.6	1,705	2,186	(22.0)
Minority Interest in Net Earnings in Subsidiary Companies	(61)	(41)	48.8	(120)	(20)	500.0
Net Earnings	476	361	31.9	1,585	2,166	(26.8)

The operations of the Company and its subsidiaries resulted in net earnings as of the end of the 3rd quarter of 2006 were Baht 476 million, representing an increase of 31.9% or Baht 115 million from the 2nd quarter. For 9-month of 2006, the net earnings were Baht 1,585 million, representing a decrease of 26.8% or Baht 581 million from the same period last year. The decreases were attributable to the following factors:

- **Interest and Dividend Income**

For the 3rd quarter of 2006, the interest and dividend income of the Company and its subsidiaries amounted to Baht 4,458 million, representing an increase of 4.0% or Baht 173 million from the 2nd quarter of 2006. For the 9-month period of 2006, the interest and dividend income amounted to Baht 12,148 million, representing an increase of 55.8% or Baht 4,352 million from the same period last year. The related four main factors were:

- The interest on loans of the Company and its subsidiaries for the 3rd quarter of 2006 increased by 3.5% from Baht 749 million at the end of the 2nd quarter 2006 to Baht 775 million. For the 9-month of 2006, the interest on loans amounted to Baht 2,138 million, an increase of 32.6% or Baht 526 million from the same period last year, mostly from the increase on the market interest rate.

- The interbank and money market items for the 3rd quarter of 2006 decreased by 14.0% from Baht 687 million at the end of the 2nd quarter 2006 to Baht 591 million. For the 9-month of 2006, the interbank and money market items amounted to Baht 1,537 million, an increase of 348.1% or Baht 1,194 million from the same period last year, mostly from the increase of the interest income from securities purchased under resale agreements.

- For the 3rd quarter of 2006, the automobile hire purchase income amounted to Baht 2,741 million, representing an increase of 8.6% or Baht 217 million from the 2nd quarter of 2006. This was due to the Company's growth in the automobile hire purchase business for both new and used cars. For 9-month of 2006, the automobile hire purchase income amounted to Baht 7,472 million, representing an increase of 47.1% or Baht 2,392 million from the same period last year.

- At the end of the 3rd quarter of 2006, interest and dividend income from investment was Baht 351 million, representing an increased of 8.0% or Baht 26 million. For the 9-month of 2006, interest and dividend income from investment was Baht 1,001 million, representing an increase of 31.5% or Baht 240 million from the same period last year. This was due to the increase in the debt securities.

- **Expenses on Borrowings and Deposits**

The expenses on borrowings and deposits of the Company and its subsidiaries in the 3rd quarter of 2006 were Baht 2,755 million, an increase of 7.5% or Baht 192 million from Baht 2,563 million of the 2nd quarter of 2006. For the 9-month of 2006, the expenses on borrowings and deposits were Baht 6,984 million, an increase of 125.9% or Baht 3,893 million from the 9-month last year. This was due to the increase of total borrowings and deposits, and the rise on the interest rate. While the total borrowings and deposits of the

Company and its subsidiaries as of the end of the 3rd quarter of 2006 was Baht 263,509 million, increased by Baht 88,219 million from Baht 175,290 million of the 3rd quarter last year, representing an increase of 50.3%.

- **Bad debts and doubtful accounts**

For the 3rd quarter of 2006, the Company and its subsidiaries had the bad debts and doubtful accounts amounted to Baht 59 million while in the second quarter of 2006, the Company and its subsidiaries had the reversal of bad debts and doubtful accounts amounted to Baht 82 million. For the 9-month of year 2006, the bad debts and doubtful accounts amounted to Baht 26 million, while the same period last year the Company and its subsidiaries had the reversal of bad debts and doubtful accounts amounted to Baht 225 million. This was due to debt restructuring and closures of some lending accounts of the Company and its subsidiaries and the transfer of the automobile hire purchase business to Thanachart Bank.

- **Non-interest income**

For the 3rd quarter of 2006, the non-interest income of the Company and its subsidiaries amounted to Baht 2,092 million, an increase of 43.7% or Baht 636 million from the 2nd quarter 2006. The most important determinants were:

- 1) Insurance premium / Life Insurance premium income amounted to Baht 815 million, an increase of 27.9% or Baht 178 million.
- 2) Gain on debt settlement / property transferred in settlement of debts amounted to Baht 314 million, an increase of 460.7% or Baht 258 million.
- 3) Gains on investment amounted to Baht 247 million, an increase of 194.0% or Baht 163 million.
- 4) Fees and charges amounted to Baht 144 million, an increased of 27.4% or Baht 31 million.
- 5) Discounted income on insurance premium amounted to Baht 141 million, a decrease of 2.1% or Baht 3 million.
- 6) Brokerage fee was Baht 137 million, an increase of 3.8% or Baht 5 million.
- 7) Share of profit from investment in associated companies amounted to Baht 66 million, an increase of 4.8% or Baht 3 million.

For the 9-month of 2006, the non-interest income of the Company and its subsidiaries amounted to Baht 5,647 million, an increase of 49.2% or Baht 1,861 million from the same period last year. The most important determinants were:

- 1) Insurance premium / Life Insurance premium income amounted to Baht 2,031 million, an increase of 63.8% or Baht 791 million.
- 2) Gain on debt settlement / property transferred in settlement of debts amounted to Baht 634 million, an increase of 66.4% or Baht 253 million.
- 3) Gains on investment amounted to Baht 501 million, an increased of 125.7% or Baht 279 million.
- 4) Brokerage fee was Baht 474 million, an increase of 16.7% or Baht 68 million.
- 5) Discounted income on insurance premium amounted to Baht 455 million, an increase of 25.0% or Baht 91 million.
- 6) Fees and charges amounted to Baht 364 million, an increased of 48.0% or Baht 118 million.
- 7) Gains on property foreclosed were Baht 362 million, an increase of 124.8% or Baht 201 million.
- 8) Share of profit from investment in associated companies amounted to Baht 186 million, an increase of 27.4% or Baht 40 million.

- **Operating Expenses**

At the end of the 3rd quarter of 2006, the Company and its subsidiaries had the operating expenses of Baht 2,955 million, representing an increase of 13.2% or Baht 344 million from the 2nd quarter this year. Premises and equipment expenses and personnel expenses increased by 11.9% and 8.3%, respectively. Insurance / Life Insurance expenses increased by 20.9% or Baht 107 million.

For the 9-month of 2006, the operating expenses of the Company and its subsidiaries amounted to Baht 8,183 million, representing an increase of 49.7% or Baht 2,716 million from the same period last year. Premises and equipment expenses and personnel expenses increased by 37.5% and 27.5%, respectively. This was the result of the expansion of banking branches of Thanachart Bank. As of the end of the 3rd quarter of 2006, Thanachart Bank had 121 branches, compared with only 50 branches at the end of the 3rd quarter last year. In addition, as of the end of the 3rd quarter of 2006, the Company and its subsidiaries had 5,800 staff members, representing an increase of 42.7% or 1,734 staff members from 4,066 staff members as of the end of the 3rd quarter last year. This was due to the expansion of the Company and its subsidiaries for supporting the future business growth. While commission charged on hire purchase and other operating expenses for hire purchase increased by 61.1%, as a result of the immense growth of the Company's hire purchase portfolio as previously explained. Insurance / Life Insurance expenses increased by 67.3% or Baht 660 million from the 9-month last year.

Financial Status

Total Assets

(Unit: Baht million)

	Sep 30, 06	Dec 31, 05	Changes from 2005	
			Increase(Decrease)	% Change
Interbank and Money Market Items -Interest Bearing	11,773	348	11,425	3,283.0
Securities Purchased under Resale Agreements	47,900	19,700	28,200	143.1
Investments-net	34,179	33,203	976	2.9
Loans	194,995	162,722	32,273	19.8
Total Earning Assets	288,847	215,973	72,874	33.7
Other Assets	11,816	12,100	(284)	(2.3)
Total Assets	300,663	228,073	72,590	31.8

● Assets

The Group's assets grew from Baht 228,073 million at the end of 2005 to Baht 300,663 million at the end of the 3rd quarter of 2006, representing an increase of 31.8%. The majority of this increase was a result of the combination of loans and accrued interest receivable which amounted to Baht 188,141 million or accounted for 62.6% of the total assets, while the net investment accounted for Baht 34,179 million or 11.4% of all assets, with details as follows:

□ As of the end of the 3rd quarter of 2006, the total outstanding hire purchase loans were Baht 152,123 million, accounting for 77.9% of all total loans, representing an increase of 39.5% from Baht 109,042 million from the same quarter last year. The total outstanding hire purchase loans for the 3rd quarter of 2006 were Baht 20,578 million compared to Baht 15,909 million from the same quarter last year, representing an increase of 29.3%. The total contracts of hire purchase as of the end of the 3rd quarter of 2006 amounted to 538,321 units, an increase of 112,256 units from the end of 2005 or 154,871 units from the 3rd quarter last year, which resulted in a considerable increase in hire purchase income of the 3rd quarter this year.

□ Securities purchased under resale agreements amounted to Baht 47,900 million, representing an increase of 143.1% or Baht 28,200 million from the end of 2005. Taking into consideration the expansion of hire purchase loans and the increase in the interest rates, the Company needed to set a high level of the excess liquidity.

□ The net investment as of the end of the 3rd quarter of 2006 was Baht 34,179 million, representing an increase of 2.9% or Baht 976 million from the end of year 2005. This was due to an increase of 11.1% in debt securities investment to Baht 25,428 million from Baht 22,883 million as of the end of year 2005. The details of investments were as follows:

(Unit: Baht million)

	Sep 30, 06	%	Dec 31, 05	%
1) Debt* (Bonds and Debentures)	25,428	74.4%	22,883	68.9%
2) Equity	6,173	18.1%	8,551	25.8%
3) Investment in Receivables Purchased	2,578	7.5%	1,769	5.3%
Total Investment	34,179	100.0%	33,203	100.0%
Note:* Debt on September 30, 2006 composes of Treasury Bill and BOT Bonds 26.4%, Government Bonds (less than 5 years) 27.1%, Government Bonds (over 5 years) 32.5% and Debentures 14.0% of total investment in debt securities.				

□ Property foreclosed as of the end of the 3rd quarter of 2006 was valued at Baht 8,183 million, an increase of Baht 38 million from the end of year 2005. For the end of the 3rd quarter of 2006, the Company and its subsidiaries registered gains of Baht 11 million on property foreclosed. For the 9-month of 2006, the Company and its subsidiaries registered gains of Baht 362 million on property foreclosed and appropriated a reserve of Baht 912 million, an increase of Baht 187 million from the end of 2005, for covering the related risks.

● Liabilities and shareholders' equity

(Unit: Baht million)

	Changes from 2005			
	Sep 30, 06	Dec 31, 05	Increase(Decrease)	% Change
Deposits	219,925	148,371	71,554	48.2
Interbank and Money Market Items -Interest Bearing	2,974	2,556	418	16.4
Short Term Borrowings	5,966	1,254	4,712	375.8
Long Term borrowings	34,341	40,696	(6,355)	(15.6)
Total Interest Bearing Liabilities	263,206	192,877	70,329	36.5
Other Liabilities	13,365	11,810	1,555	13.2
Total Liabilities	276,571	204,687	71,884	35.1
Total Shareholders' Equity	24,092	23,386	706	3.0
Total Liabilities and Shareholders' Equity	300,663	228,073	72,590	31.8

As of September 30, 2006, the Company and its subsidiaries had the total liabilities of Baht 276,571 million, representing an increase of 35.1% or Baht 71,884 million from the end of year 2005. The related main factors were:

- Deposits as of the 3rd quarter of 2006 increased from Baht 148,371 million at the end of 2005 to Baht 219,925 million, representing an increase of 48.2% or Baht 71,554 million.
- Total borrowings amounted to Baht 40,307 million, which consisted of short-term borrowings amounting to Baht 5,966 million and long-term borrowings amounting to Baht 34,341 million. The Company and its subsidiaries used the long-term borrowings for the financial restructuring in order to match the uses of funds. Therefore, the Company and its subsidiaries' total borrowings decreased by 3.9% or Baht 1,643 million from Baht 41,950 million at the end of 2005.

As of the end of the 3rd quarter of 2006, the Company and its subsidiaries had shareholders' equity of Baht 24,092 million, a 3.0% increase from Baht 23,386 million at the end of year 2005. This increase was a result of the performance of the Company and its subsidiaries.

Quality of Assets

The loans and accrued interest receivables of the Company and its subsidiaries increased by 19.8% from Baht 162,961 million at the end of year 2005 to Baht 195,247 million at the end of the 3rd quarter of 2006.

- The total outstanding loans and accrued interest receivables

Breakdowns by type of business were as follows:

(Unit: Baht million)

	Sep 30, 06	%	Dec 31, 05	%
1) Manufacturing & Commerce	6,663	3.4%	7,082	4.4%
2) Real Estate & Construction	6,804	3.5%	5,113	3.1%
3) Public Utilities & Services	7,865	4.0%	10,281	6.3%
4) Retail				
4.1 Hire Purchase	152,123	77.9%	121,251	74.4%
4.2 Housing loans	10,117	5.2%	11,120	6.8%
5) Others	11,948	6.1%	8,616	5.3%
<u>Less</u> Inter-company profits from loans receivables transferred	(273)	(0.1)%	(502)	(0.3)%
Total	195,247	100.0%	162,961	100.0%

- Non-performing Loans (NPLs)

As of the end of the 3rd quarter of 2006, the NPLs of the Company and its subsidiaries amounted to Baht 9,878 million, which accounted for 5.1% of all total loans.

Breakdowns of the Group's NPLs by type of loans were as follows:

(Unit: Baht million)

	Sep 30, 06	% Group loan	Dec 31, 05	% Group loan
Hire Purchase	2,191	1.1%	1,425	0.9%
Others *	7,687	4.0%	8,704	5.3%
Total	9,878	5.1%	10,129	6.2%

Note: * the major portion of these NPLs belongs to the AMC.

Breakdowns of the Group's NPLs by company were as follows:

(Unit: Baht million)

	Sep 30, 06	% Group loan	Dec 31, 05	% Group loan
Thanachart Capital Plc.	1,661	0.9%	1,498	0.9%
Thanachart Bank Plc.	3,036	1.6%	3,582	2.2%
Thanachart Securities Plc.	308	0.1%	319	0.2%
NFS-AMC	4,303	2.2%	4,244	2.6%
MAX-AMC	430	0.2%	398	0.2%
Others	140	0.1%	88	0.1%
Total	9,878	5.1%	10,129	6.2%

Allowance for Doubtful Accounts

As of the end of the 3rd quarter of 2006, the Company's total allowance for doubtful accounts amounted to Baht 2,677 million, which was the specific reserve of Baht 1,675 million, and higher than the BOT requirement of Baht 1,002 million. It is the Company's conservative policy to build up the level of reserves to protect against all types of risk in order to prevent a serious impact on the operating results. This will, in turn, lead to stability in the Company's long-term performance.

The Company's loans and accrued interest receivables as of September 30, 2006 were as follows:

(Unit: Baht million)

	Outstanding		Total Company's Reserve		
	Amount	Percent	Required by BOT	Addition	Total
Normal	47,860	84.4	469	936	1,405
Special Mention	7,178	12.7	143	-	143
Substandard	459	0.8	91	-	91
Doubtful	329	0.6	161	-	161
Doubtful of Loss	873	1.5	811	-	811
Total Outstanding	56,699	100.0			
Total Specific Reserve			1,675	936	2,611
General Reserve			-	66	66
Total Company's Reserve			1,675	1,002	2,677

Note: The Company's outstanding balances and receivables of the normal loans and special mention loans did not include accrued interest receivables

The consolidated allowance for doubtful accounts of the Company and its subsidiaries as of the end of the 3rd quarter of 2006 amounted to Baht 6,969 million, a decrease of Baht 12 million or 0.2% from the end of 2005. They consisted of a specific reserve of Baht 5,416 million and a reserve of Baht 1,553 million for future potential risks.

The following table shows a breakdown of the Group's allowance for doubtful accounts by type of loans

	(Unit: Baht million)			
	Sep 30, 06	% : NPL	Dec 31, 05	% : NPL
Hire Purchase	2,867	130.9%	2,150	150.9%
Others	2,549	33.2%	2,671	30.7%
Reserve for Potential Risks in the Future	1,553	-	2,136	-
Total	6,969	70.6%	6,957	68.7%

The total allowance of the doubtful accounts of the Groups was Baht 6,969 million, or 70.6% of the Group's NPLs. It can be broken down by company as follows:

	(Unit: Baht million)			
	Sep 30, 06	% : NPL	Dec 31, 05	% : NPL
Thanachart Capital Plc.	2,677	161.2%	3,245	216.6%
Thanachart Bank Plc.	2,269	74.7%	1,591	44.4%
Thanachart Securities Plc.	307	99.7%	320	100.3%
NFS-AMC	1,487	34.6%	1,533	36.1%
MAX-AMC	87	20.2%	184	46.2%
Others	142	101.4%	84	95.5%
Total	6,969	70.6%	6,957	68.7%

The allowance of doubtful debts for Thanachart Bank Plc. amounted to Baht 2,269 million with its specific reserve amounting to Baht 2,045 million and its general reserve amounting to Baht 224 million.

Operating Results of the Subsidiary Companies

(Unit: Baht million)

Subsidiary Companies	% of direct holding	3 rd quarter of 2006	2 nd quarter of 2006	9-month period of 2006	9-month period of 2005
Thanachart Bank Plc.	99.4%	57.3	143.1	250.8	179.6
Thanachart Securities Plc.	100.0%	45.8	44.2	112.9	76.7
Thanachart Fund Management	75.0%	13.1	15.1	43.5	20.1
Thanachart Insurance	70.0%	38.0	16.9	22.2	40.7
Thanachart Life Assurance	100.0%	(17.2)	30.1	44.5	66.8
NFS-AMC	100.0%	(101.7)	57.9	344.7	444.3
MAX-AMC	58.5%	101.6	86.2	248.0	38.2

Risk Management

The Company and its subsidiaries' risk policy and guidelines were approved by the Board of Directors. The Company has established a department responsible for regularly controlling and monitoring the implementation of the risk policy and guidelines. Having appropriate monitoring tools, the Company and its subsidiaries conduct analyses of risks in different areas including, among others, credit risk, market risk, interest rate risk, and operation risk, for the purpose of measuring the risks. Risk limits and warning signals have also been established in order to prevent the staff concerned from exceeding the established risk limits. The Executive Board and the Board of Directors will monitor the performance of the implementation of the risk management policy monthly.

For the 3rd quarter of 2006, the automobile hire purchase businesses continuously expanded caused credit risk, interest rate risk, and operational risk to increase while market risk declined from reducing investment portfolio. In addition, excess liquidity was still at high level from the expansion of public deposit.

Although each type of risk will be increased as a result of the rapid growth of the Company and its subsidiaries' business, the overall risk of the Company and its subsidiaries will remain under the risk limit. Taking into account the risk measures mentioned above, the Group shareholders' equity is still adequate to accommodate the established future plan of expansion.