



Management Discussion and Analysis

For the three-month period ended 31 March 2016

(Reviewed Financial Statements)

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Thanachart Capital Public Company Limited and Its Subsidiaries

Management Discussion and Analysis (Reviewed Financial Statements)

Economics Outlook and Competition in Banking Industry

In this first quarter, the Thai economy has indications of a slower growth in comparison to the previous quarter due to a decline in export sectors as the counter-trading countries' economic growth have also subsided. Furthermore, private consumptions is expected to have a decline growth as household spending continues to be rather cautious. Private investment is expected to be low as both domestic and foreign demands weakened. However, government spending has good growth prospect although might be at a lesser growth as compared to the end of last year due to a delayed budget disbursement. Tourism sector continues to grow as the number of Chinese tourists arises. Overall, the progress of the Thai economy seems delayed, and thus, the Monetary Policy Committee of the Bank of Thailand, adjusted down the GDP growth of the year 2016 from 3.50 percent to 3.10 percent. Taking into consideration the uncertain economic environment, the high household debt and the ability to service the debt, the MPC issued a resolution to maintain the policy rate at 1.50 percent per annum.

With indications of a slow economic growth in the first quarter, loan volume in the commercial bank industry is expected to be low as demand from the private and business sectors declined. Furthermore, large corporations have chosen to raise funds through debt issuance to take advantage on the lower funding cost. Commercial banks have been more cautious with credit policy. Consequently, competition to acquire deposits is low as the growth in the lending side will be small.

Key Events in the First Quarter of 2016

On 5 April 2016, the Annual General Meeting of Shareholders for the year 2016 of Thanachart Capital Public Company Limited ("the Company") had a resolution to pay dividend to shareholders at the rate of 1.10 baht per share, amounting to 1,282 million baht. Taking into account this round of dividend payment and the interim dividend payment worth 0.70 baht per share or 815 million baht, total dividend payment amounted to 1.80 baht per share or 2,097 million baht.

For clarification of information disclosure, Thanachart Group has submitted Management Discussion and Analysis of Thanachart Bank and its subsidiaries separately from this report.

Financial Highlights

Reviewed Financial Statements	For the 3 months ended		
	31-Mar-16	31-Mar-15	31-Dec-15
Operating Performance (Million Baht)			
Interest Income	11,649	12,595	11,860
Interest Expenses	4,694	5,723	4,875
Net Interest Income	6,955	6,872	6,985
Non-interest Income	2,948	3,254	2,891
Net Operating Income ⁽¹⁾	9,903	10,126	9,876
Other Operating Expenses	5,135	5,111	5,194
Pre-Provision Operating Profit (PPOP)	4,768	5,015	4,682
Impairment Loss of Loans -Normal Operation	1,303	1,647	1,473
Impairment Loss of Loans -Special Provision	464	-	240
Profit before Tax	3,001	3,368	2,969
Income Tax	186	688	179
Profit for the Period	2,815	2,680	2,790
Net Profit Attributable to the Company	1,350	1,332	1,359
Operating Performance Ratios			
ROAA (%)	1.13	1.07	1.12
ROAE ⁽²⁾ (%)	9.99	10.25	10.41
Interest Spread ⁽³⁾ (%)	2.70	2.62	2.72
Loan Spread ⁽⁴⁾ (%)	3.56	3.22	3.53
Credit Cost (%)	0.94	0.85	0.89
Credit Cost from Normal Business Operation (%)	0.69	0.85	0.76
Non-interest Income Ratio ⁽⁵⁾ (%)	29.77	32.14	29.27
Cost to Income Ratio ⁽⁶⁾ (%)	51.85	50.47	52.59
Financial Position (Million Baht)	31-Mar-16	31-Mar-15	31-Dec-15
Loans	700,651	731,038	714,628
Total Assets	1,000,124	990,377	997,581
Deposits and Debt Issued and Borrowings	760,378	765,788	754,383
Total Liabilities	883,585	883,457	886,258
Total Equity	116,539	106,920	111,323
Financial Position Quality			
Loans to Deposits and Debt Issued and Borrowings (%)	92.15	95.46	94.73
Non-performing Loans (Million Baht)	21,467	31,695	22,581
NPL Ratio (%)	2.81	4.07	2.96
Coverage Ratio ⁽⁷⁾ (%)	119.43	88.90	117.16
Reserve to Required Reserve ⁽⁸⁾ (%)	161.08	134.99	157.71

(1) Net Operating Income = Net Interest Income + Non-interest Income

(2) ROAE is calculated from equity attributable to the Company's shareholders

(3) Interest Spread = Yield - Cost of Fund

Yield = Interest Income / Average Earning Assets

Cost of Fund = Interest Expenses / Average Paying Liabilities

(4) Loan Spread = Loan Yield - Cost of Fund

(5) Non-interest Income Ratio = Non-interest Income / Net Operating Income

(6) Cost to Income Ratio = Other Operating Expenses / Net Operating Income

(7) Coverage Ratio = Total Allowance / Non-performing Loans

(8) Reserve to Required Reserve = Total Allowance / Reserve Required by the BOT

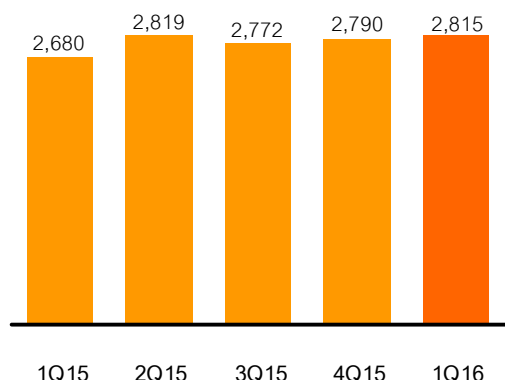
Operating Results for the First Quarter of 2016

Performance Overview

Thanachart Capital Public Company Limited (“the Company”) operates as the holding company and thus is the parent company of Thanachart Financial Business Conglomerate. The Company’s performance is mainly from the performance of Thanachart Bank and its subsidiaries. The Company holds shares in Thanachart Bank 50.96 percent. As a result, profit attributable to the Company is calculated from the proportion shareholding of the Company in each subsidiary company. In order to compare its operating results with other companies’ in the industry, the financial information presented in this report is based on consolidated financial statements.

In the first quarter of 2016, **Thanachart Bank and its subsidiaries which are the Group’s main businesses still had a continuous growth in their performances** from a shift in its strategies to cope with an economic slowdown by focusing more on efficiently cost of deposit and impairment loss of loans management. **Moreover, the Bank’s asset quality and capital fund have been improving.** As a result, **Thanachart Group’s net profit in the first quarter of 2016 amounted to 2,815 million baht, an increase of 135 million baht or 5.04 percent** from the same quarter last year. Net interest income increased while impairment loss of loans from normal business operation decreased, due to a proper risk management.

Net Profit of Thanachart Group (Million Baht)



In the first quarter of 2016, net profit attributable to the Company was 1,350 million baht, an increase of 18 million baht or 1.35 percent from the same quarter last year. This was from the fact that Siam City Life Assurance Public Company Limited, a subsidiary of the Company, had an increase in life insurance provision which was affected by a huge decrease in government bond yield in this quarter. As a result, earning per share (EPS) was 1.16 baht, an increase from 1.10 baht. Return on average assets (ROAA) and return on average equity (ROAE) of the Company’s shareholders were at 1.13 percent and 9.99 percent respectively.

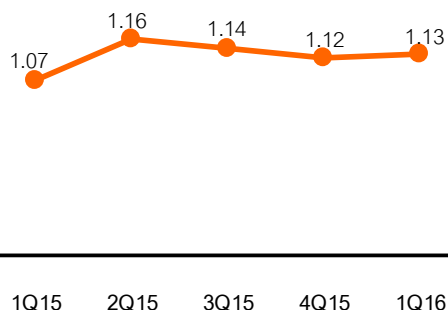
Financial position of Thanachart Group that has significantly been strengthening was a result of its ability to systematically manage NPLs. As a result, **NPL ratio decreased to 2.81 percent while coverage ratio improved to stand at 119.43 percent.** The improvements were reflected from the improvement of the Bank’s NPL and coverage ratio. The details of which are disclosed in TBANK and its subsidiaries’ MD&A submitted to the SET together with this report. **On capital fund, the Bank had capital adequacy ratio of 18.22 percent,** an increase from 17.92 percent from the end of last year which was significantly higher than the minimum requirement of the Bank of Thailand.

Summary of key operating results in **the first quarter of 2016 comparing with the first quarter of 2015** is as follows:

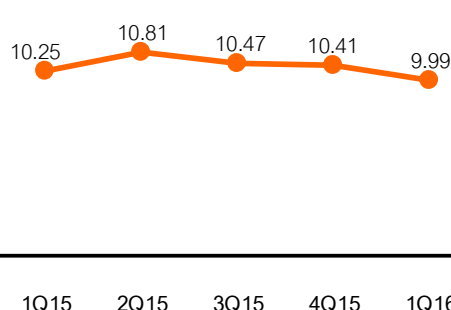
- Net interest income increased by 1.21 percent from an appropriate management of funding costs. Interest spread increased from 2.62 percent to 2.70 percent.
- Impairment loss of loans expenses from normal business operation decreased by 20.89 percent from an effective management and a strong asset quality.
- Operating expenses increased by 0.47 percent mainly from increases in employee's expenses and premise and equipment expenses.
- Net Profit of the Group increased by 5.04 percent from the ability to manage cost of fund and the concisely risk management which resulted in a low level of impairment loss of loans expenses from normal business operation.
- NPL ratio decreased to stay at 2.81 percent while coverage ratio increased to 119.43 percent.

Reviewed Financial Statements	For the 3 months ended		
	31-Mar-16	31-Mar-15	31-Dec-15
Net Profit (Million Baht)			
Profit for the period	2,815	2,680	2,790
Net Profit Attributable to the Company	1,350	1,332	1,359
Net Profit Attributable to Non-controlling interests	1,465	1,348	1,431
Basic Earning per Share (Baht)	1.16	1.10	1.17

ROAA (%)



ROAE* (%)



*Equity attributable to the Company's shareholders

Net Interest Income

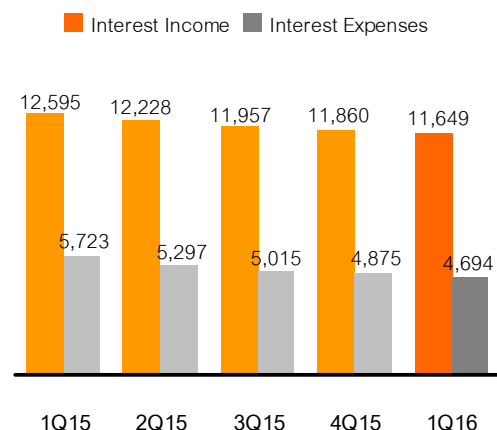
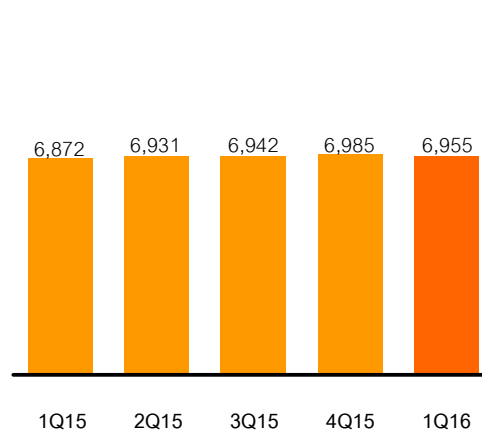
Unit: Million Baht

Net Interest Income	1Q16	1Q15	Change	
			+ / (-)	%
Interest Income	11,649	12,595	(946)	(7.51)
Interbank and Money Market Items	415	406	9	2.22
Investments for trading	64	106	(42)	(39.62)
Investments for debts securities	876	1,066	(190)	(17.82)
Loans	4,737	4,932	(195)	(3.95)
Hire Purchase and Financial Leases	5,557	6,085	(528)	(8.68)
Interest Expenses	4,694	5,723	(1,029)	(17.98)
Deposits	2,786	3,641	(855)	(23.48)
Interbank and Money Market Items	201	274	(73)	(26.64)
Fund Contributed to FIDF and DPA	859	857	2	0.23
Debts Issued	846	950	(104)	(10.95)
Borrowing Fee	2	1	1	100.00
Net Interest Income	6,955	6,872	83	1.21

In the first quarter of 2016, the Company and its subsidiaries had 6,955 million baht in net interest income, an increase of 83 million baht or 1.21 percent from the same quarter last year. Interest Spread was at 2.70 percent, an increase from 2.62 percent.

- Interest income was 11,649 million baht, a decrease of 946 million baht or 7.51 percent. This was mainly from loans contraction particularly hire purchase loans as well as a decrease in yield on earning assets which was in line with the downward trend of the market interest rate.
- Interest expenses were 4,694 million baht, a decrease of 1,029 million baht or 17.98 percent. This was due mainly to the effective cost of fund management under the Bank's liquidity management strategy.

	1Q15	2Q15	3Q15	4Q15	1Q16
Average Policy Interest Rate	1.94	1.58	1.50	1.50	1.50
Yield	5.32	5.31	5.18	5.06	4.95
Cost of Fund	2.70	2.58	2.44	2.34	2.25
Interest Spread	2.62	2.73	2.74	2.72	2.70

Interest Income and Interest Expenses (Million Baht)

Net Interest Income (Million Baht)


Non-interest Income

Unit: Million Baht

Non-interest Income	1Q16	1Q15	Change	
			+ / (-)	%
Net Fees and Service Income	1,291	1,366	(75)	(5.49)
Gains on Trading and Foreign Exchange Transactions	328	256	72	28.13
Gains on Investments	517	678	(161)	(23.75)
Share of Profit from Investments in Associated Companies Accounted for under Equity Method	109	73	36	49.32
Net Insurance / Life Insurance Income	331	495	(164)	(33.13)
Dividend Income	57	70	(13)	(18.57)
Other Income	315	316	(1)	(0.32)
Operating Income	1,657	1,888	(231)	(12.24)
Non-interest Income	2,948	3,254	(306)	(9.40)

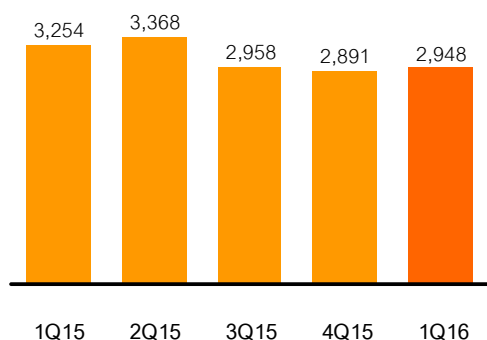
Non-interest income of the Company and its subsidiaries in the first quarter of 2016 was 2,948 million baht, a decrease of 306 million baht or 9.40 percent from the same quarter last year. The decrease was mainly from net insurance premium/ life insurance premium income, and gains on investments.

- Net fees and service income amounted to 1,291 million baht, a decrease of 75 million baht or 5.49 percent. This was a result of decreases in brokerage fees from securities business.
- Operating income amounted to 1,657 million baht, a decrease of 231 million baht or 12.24 percent. This was mainly due to a decrease of 164 million baht in net insurance / life insurance premium income which was the impact from a huge decrease in government bond yield during the first quarter resulting in an increase of life insurance provision in accordance with the Gross Premium Valuation: GPV¹. Also, gains on investments decreased by 161 million baht.

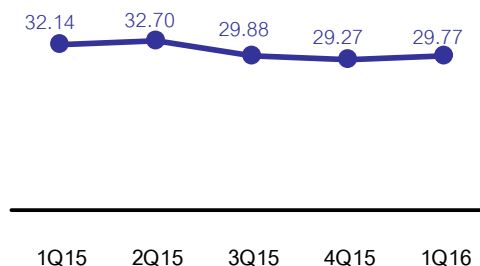
¹The calculation method of life insurance reserve that adjusts the hypothesis based on present value.

Consequently, non-interest income ratio in the first quarter of 2016 was 29.77 percent, a decrease from the same quarter last year of 32.14 percent.

Non-interest Income (Million Baht)



Non-interest Income Ratio (%)



Other Operating Expenses

Unit: Million Baht

Other Operating Expenses	1Q16	1Q15	Change	
			+ / (-)	%
Employee's Expenses	2,865	2,798	67	2.39
Premises and Equipment Expenses	755	711	44	6.19
Taxes and Duties	200	222	(22)	(9.91)
Directors' Remuneration	10	9	1	11.11
Other Expenses	1,305	1,371	(66)	(4.81)
Total Other Operating Expenses	5,135	5,111	24	0.47

In the first quarter of 2016, other operating expenses of the Company and its subsidiaries amounted to 5,135 million baht, an increase of 24 million baht or 0.47 percent from the same quarter last year. Key factors include the following.

- Employee's expenses increased by 67 million baht or 2.39 percent following an increase in compensation of employees.
- Premises and equipment expenses increased by 44 million baht or 6.19 percent due mainly to an increase in depreciation expenses of IT infrastructure and service systems that have already been developed.

As a result, cost to income ratio of the first quarter of 2016 was 51.85 percent, an increase from the same quarter last year of 50.47 percent.

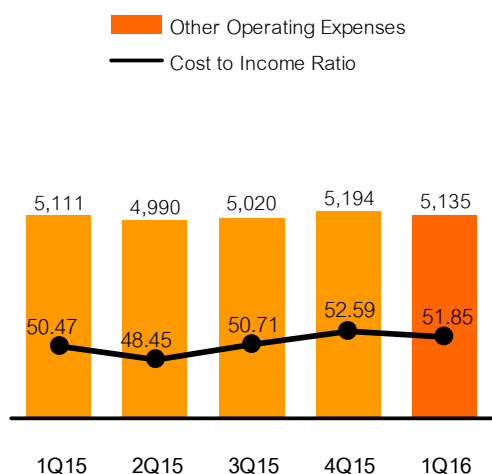
Impairment Loss of Loans and Debt Securities

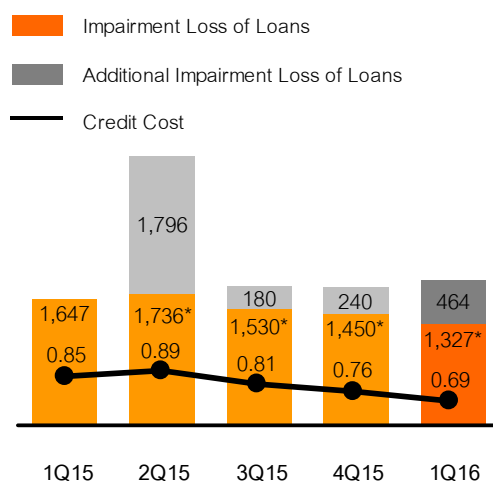
Unit: Million Baht

Impairment Loss of Loans and Debt Securities	1Q16	1Q15	Change	
			+ / (-)	%
Impairment Loss of Loans	1,327	1,647	(320)	(19.43)
Impairment Loss of Loans -Special Provision	464	-	464	100.00
Loss from impairment of Investments	(24)	-	(24)	(100.00)
Total Impairment Loss of Loans and Debt Securities	1,767	1,647	120	7.29
Credit Cost (%)	0.94	0.85	0.09	10.59
Credit Cost Excluding Special Provision (%)	0.69	0.85	(0.16)	(18.82)

From the effective management of NPLs, **Thanachart Group's had impairment loss of loans from normal business operation in the first quarter of 2016 in the amount of 1,303 million baht, a decrease of 344 million baht or 20.89 percent** from the same quarter last year. Credit cost was at 0.69 percent, a decrease from 0.85 percent. In addition, as Thanachart Bank (a subsidiary company) did not have tax burden, Thanachart Bank has considered providing special provision in the amount of 464 million baht for supporting the economic volatility. Such special provision provided did not have any impact to the Group's profit. From the attempt to manage NPL of the Company and its subsidiaries, NPL ratios has been declining and coverage ratio has been improving. The details of which are shown in the NPL section.

Other Operating Expenses (Million Baht)

and Cost to Income Ratio (%)

Impairment Loss of Loans (Million Baht)

and Credit Cost (%)


*Normal operation

Income Tax

For the first quarter of 2016, Thanachart Bank (a subsidiary company) did not have income tax expenses, due to that it had tax losses from liquidation of SCIB Public Company Limited in the second quarter of 2015. At the same time, other subsidiaries still had income tax expenses as

usual. As a result, in the first quarter of 2016, the Company and its subsidiaries had income tax of 186 million baht, a decrease of 502 million baht or 72.97 percent which accounted for a tax rate of 6.20 percent of profit before income tax.

Financial Position

Unit: Million Baht

Consolidated Statements of Financial Position	31 March 2016		31 December 2015		Change	
	Amount	%	Amount	%	+ / (-)	%
Interbank and Money Market Items-net	84,895	8.49	58,138	5.83	26,757	46.02
Investment-net	174,012	17.40	184,562	18.50	(10,550)	(5.72)
Investment in Associated Company-net	2,712	0.27	2,353	0.24	359	15.26
Loans to Customers and Accrued Interest Receivables	701,336	70.12	715,295	71.70	(13,959)	(1.95)
Allowance for Doubtful Accounts and						
Revaluation Allowance for Debt Restructuring	(25,423)	(2.54)	(26,244)	(2.63)	821	(3.13)
Property foreclosed-net	6,053	0.60	6,334	0.63	(281)	(4.44)
Intangible Assets Acquired in a Business Combination-net	1,398	0.14	1,511	0.15	(113)	(7.48)
Goodwill	17,265	1.73	17,207	1.73	58	0.34
Other Assets	37,876	3.79	38,425	3.85	(549)	(1.43)
Total Assets	1,000,124	100.00	997,581	100.00	2,543	0.25
Deposits	679,037	67.90	669,454	67.11	9,583	1.43
Interbank and Money Market Items	73,788	7.38	85,600	8.58	(11,812)	(13.80)
Debt Issued and Borrowings	81,341	8.13	84,929	8.51	(3,588)	(4.22)
Other Liabilities	49,419	4.94	46,275	4.64	3,144	6.79
Total Liabilities	883,585	88.35	886,258	88.84	(2,673)	(0.30)
Company's Shareholders' Equity	55,356	5.53	52,674	5.28	2,682	5.09
Non-controlling Interests	61,183	6.12	58,649	5.88	2,534	4.32
Total Shareholders' Equity	116,539	11.65	111,323	11.16	5,216	4.69
Total Liabilities and Shareholders' Equity	1,000,124	100.00	997,581	100.00	2,543	0.25
Book Value per Share (Baht)	47.51		45.21			

Assets

As of 31 March 2016, **Thanachart Group's total assets amounted to 1,000,124 million baht, an increase of 2,543 million baht or 0.25 percent** from the end of 2015. Key factors are as follows:

- Net interbank and money market amounted to 84,895 million baht, an increase of 26,757 million baht or 46.02 percent from the end of the previous year due to excess liquidity management.
- Net investment amounted to 174,012 million baht, a decrease of 10,550 million baht or 5.72 percent from the end of last year. This was mainly from financial assets management following the business opportunity.

- Loans and accrued interest receivables amounted to 701,336 million baht, a decrease of 13,959 million baht or 1.95 percent from the end of last year. Hire purchase loans still slowed down and declined in line with the automotive market condition. As well, the decrease was due to an effective NPL management which led to a decrease in NPL. Portion of retail loans to corporate and SME loans was 68 percent to 32 percent.

Liabilities

Total liabilities of Thanachart Group as of 31 March 2016 were 883,585 million baht, a decrease of 2,673 million baht or 0.30 percent from the end of 2015. The key items were as follows:

Unit: Million Baht

Deposits	31 March 2016		31 December 2015		Change	
	Amount	%	Amount	%	+ / (-)	%
Current	9,882	1.46	9,779	1.46	103	1.05
Savings	282,271	41.57	258,887	38.67	23,384	9.03
Fixed Deposits						
Less than 6 Months	37,244	5.48	38,632	5.77	(1,388)	(3.59)
6 Months and up to 1 Year	129,902	19.13	122,076	18.24	7,826	6.41
Over 1 Year	110,396	16.26	126,482	18.89	(16,086)	(12.72)
Certificate of Deposit	109,342	16.10	113,598	16.97	(4,256)	(3.75)
Total Deposits	679,037	100.00	669,454	100.00	9,583	1.43

- Deposits were 679,037 million baht, an increase of 9,583 million baht or 1.43 percent from the end of last year. This was mainly from deposit restructuring and cost of fund management.

The ratio of current and saving account to total deposits (CASA) was 43.03 percent, an increase from 40.13 percent at the end of last year.

- Debt issued and borrowings amounted to 81,341 million baht, a decrease of 3,588 million baht or 4.22 percent.
- Interbank and money market items were 73,788 million baht, a decrease of 11,812 million baht or 13.80 percent from the end of last year. This was due to liquidity management.

Shareholders' Equity

Total shareholders' equity as of 31 March 2016 was 116,539 million baht, an increase of 5,216 million baht or 4.69 percent from the end of 2015. This was mainly from operating profit of the Company and its subsidiaries of 2,815 million baht as well as the change in accounting policy relating to land appraisal surplus from stating at cost to stating at a new revaluation value which led to an increase of 1,661 million baht in total value. The total shareholders' equity comprised of the following:

- Equity attributable to the owners of the Company was 55,356 million baht, an increase of 2,682 million baht or 5.09 percent. This was mainly from an increase in operating profit attributable to the Company in the first quarter of 2016 amounting to 1,350 million baht. Also, premium on land revaluation of the subsidiary and associated companies amounted to 945 million baht.
- Equity attributable to non-controlling interest amounted to 61,183 million baht, an increase of 2,534 million baht or 4.32 percent, mainly from the operating results of subsidiary companies and premium on land revaluation of the subsidiary and associated companies.

Non-performing Loans: NPLs

	TCAP (Consol.)				
	31-Mar-15	30-Jun-15	30-Sep-15	31-Dec-15	31-Mar-16
NPL-gross (Million Baht)	31,695	29,290	26,587	22,581	21,467
Total Allowance* (Million Baht)	28,176	28,953	29,189	26,456	25,639
NPL-gross to Total Loans (%)	4.07	3.76	3.54	2.96	2.81
NPL-net to Total Loans (%)	1.97	1.77	1.55	1.30	1.24
Reserve to Required Reserve (%)	134.99	143.67	153.39	157.71	161.08
Coverage Ratio (%)	88.90	98.85	109.79	117.16	119.43

* Including revaluation allowance for debt restructuring

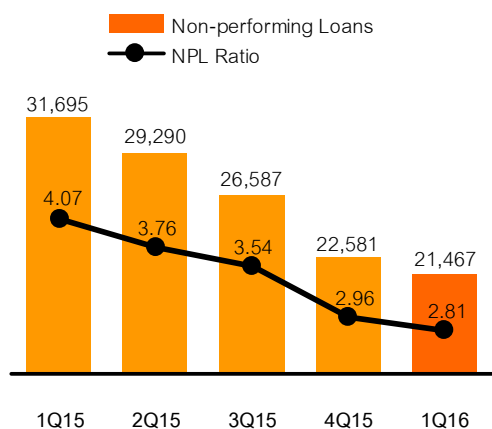
Although market and economic conditions continued to slow down and NPLs were on the uptrend across the industry, the Company and its subsidiaries managed to reduce NPLs through systematic and effective control. As a result, **NPLs as of 31 March 2016 amounted to 21,467 million baht, a decrease of 1,114 million baht or 4.93 percent** from the end of last year. Consequently, NPLs have been declining for the seventh consecutive quarter.

Non-performing loans to total loans to customers (NPL Ratio) was at 2.81 percent, a decrease from 2.96 percent at the end of the previous year. Despite loans contraction, NPL ratio decreased from the effective NPL management. Non-performing loans after deducting reserve (NPL-net) amounted to 9,314 million baht while the ratio of NPL-net to total loans was at 1.24 percent.

Coverage ratio at the end of March 2016 was at 119.43 percent, an increase from 117.16 percent at the end of December 2015. The ratio of reserve to required reserve under the BOT's regulation was at 161.08 percent at the end of March 2016, an increase from 157.71 percent from the end of December 2015. Excess reserve was 9,722 million baht.

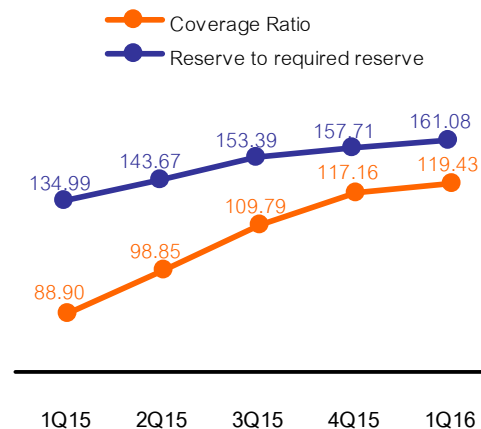
Non-performing Loans (Million Baht) and

NPL Ratio (%)



Coverage Ratio (%) and Reserve to Required

Reserve (%)



Operating Results of Subsidiaries

Unit: Million Baht

Subsidiaries	% holding Direct/Indirect	Net Profit (Loss)		
		1Q16	1Q15	4Q15
Thanachart Bank Plc.				
Consolidated Financial Statements		2,844	2,561	2,767
Thanachart Securities Plc.	50.96%	139	183	122
Thanachart Fund Management Company Limited	38.22%	86	84	80
Thanachart Insurance Plc.	50.96%	251	304	219
TS AMC Company Limited	50.96%	(71)	(104)	(71)
Ratchthani Leasing Plc.	33.22%	210	174	169
NFS AMC Company Limited	100.00%	(10)	25	7
MAX AMC Company Limited	83.44%	(7)	(5)	71
Siam City Life Assurance Public Company Limited	51.00%	(123)	(2)	(45)

Risk Management and Risk Factors

For risk management, the Company and its subsidiaries have put in place the process to manage risk systematically by having the Company's Board of Directors specify risk management policies of Thanachart Group to ensure complete policy alignment throughout the entire organization. There is a business unit that is dedicatedly responsible for risk management and consistently monitors and controls risks to be in accordance with the specified policies of the Company. The measurement and analysis of various risks are done by using an appropriate tools and methodology. Such various risks include strategic risk, credit risk, market risk, interest rate risk, liquidity risk, and operational risk. For risk measurement and monitoring discipline, the risk limit and warning signal are set to ensure that business operation would always be within such acceptable risk limit. Moreover, the Executive Committee and the Board of Directors of the Company closely govern and monitor risk status and the efficiency of risk management system on a monthly basis.

In overall view, the risks of the Company and subsidiaries are within the risk limit and have enough capital after risk allocation to support the business expansion in sustainable and secure manners.

Disclaimer

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