

# Military Bank (MBB)

## Expecting robust growth for 2025–2027

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**MBB accelerated to the finish line in the last quarter of the year, fulfilling the profit target for 2024**

4Q24 credit growth of Military Bank (MBB) surged and ranked second in the industry (+24.7% YTD) thanks to seasonality. 2024 NII saw a modest gain of 6.4% YoY amid competitive lending among banks, offset by an impressive 65.4% YoY growth in NOI. Provisions showed a spike in 4Q, giving MBB more room to lower its NPL ratio to 1.6% from the peak of 2.23% in 3Q24. At the end of 2024, the bank recorded a PBT of VND28,829 billion (+9.6% YoY), fulfilling the target.

**Credit growth target for 2025–2027 is above 20%**

We expect MBB to maintain high credit growth (over 20%) in 2025–2027. The bank will continue to leverage its advantages to boost credit to sectors that account for a large proportion in its loan portfolio and play an important role in the economic recovery such as trade, manufacturing, household businesses, and real estate development.

**Asset quality improved considerably after MBB's boosting provisioning**

2025 NPL should be kept under 1.7% thanks to (1) the economic recovery that helps improve financial capacity of customers; (2) legal clearance for a number of large projects financed by MBB (related to the Novaland and Trung Nam customer groups); and (3) positive profit growth that supports the bank in strengthening its reserve buffer.

**Valuation: BUY rating – Target price VND31,600/share**

Based on the valuation and potential risks, we give MB a BUY rating with a target price of VND31,600/share, 39% higher than the closing price on March 13, 2025.

**Buy** maintain

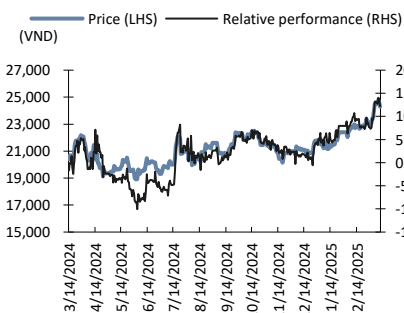
<b>Target price</b>	<b>VND31,600</b>
Upside	30%
Current price (Mar 13, 2025)	VND24,300
Consensus target price	VND27,500
Market cap (VNDtn/USDbn)	148.3/5.8

<b>Trading data</b>	
Free float	69.0%
3M avg trading value (VNDbn/USDmn)	299.3/11.8
Foreign ownership	23.2%
Major shareholder	Viettel Group (14.14%)

<b>Share price performance</b>				
(%)	<b>1M</b>	<b>3M</b>	<b>6M</b>	<b>12M</b>
<b>Absolute</b>	6.3	15.2	16.9	19.2
<b>Relative</b>	2.4	10.2	11.0	14.3

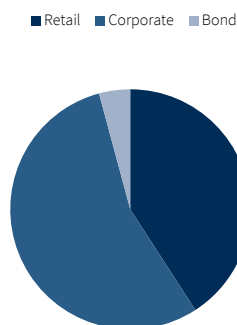
### Forecast earnings & valuation

FY-end	2023	2024	2025F	2026F
Net interest income (VNDbn)	38,684	41,152	48,930	60,029
PPOP (VNDbn)	32,393	38,406	41,545	50,556
NPAT-MI (VNDbn)	21,054	22,951	25,849	31,928
EPS (VND)	3,966	4,265	4,166	5,141
EPS growth	3	8	-2	23
PER (x)	6.1	5.7	5.8	4.7
BVPS (VND)	18,548	22,060	22,636	27,177
PBR (x)	1.31	1.10	1.07	0.89
ROE (%)	23.9	21.5	20.3	21.0
Dividend yield (%)	2.47	2.47	2.88	2.47



Source: Bloomberg, KB Securities Vietnam

## Revenue composition (2024)



Source: Military Bank, KB Securities Vietnam

## Business operation

Founded in 1994, Military Commercial Joint Stock Bank (MBB) originally concentrated on offering financial services to military enterprises. Over the course of more than three decades, MBB has evolved into the largest private commercial bank in terms of assets and credit base. As a leading digital bank, MBB boasts the largest customer base and the highest CASA ratio in the industry.

## Investment Catalysts

**MBB is expected to maintain an annual credit growth of over 20% in 2025–2027**, underpinned by both corporate and individual customers with the general direction of diversifying the loan portfolio.

**NIM may decline in the short term but stabilize in the long term thanks to good CoF management.** MBB has the advantage in accessing preferential capital from the SBV thanks to its takeover of Oceanbank and the second highest CASA in the industry.

**Asset quality should improve after the Government removes difficulties for the projects of big customers.** Positive profit growth gives the bank more room to consolidate its reserve buffer.

## Notes

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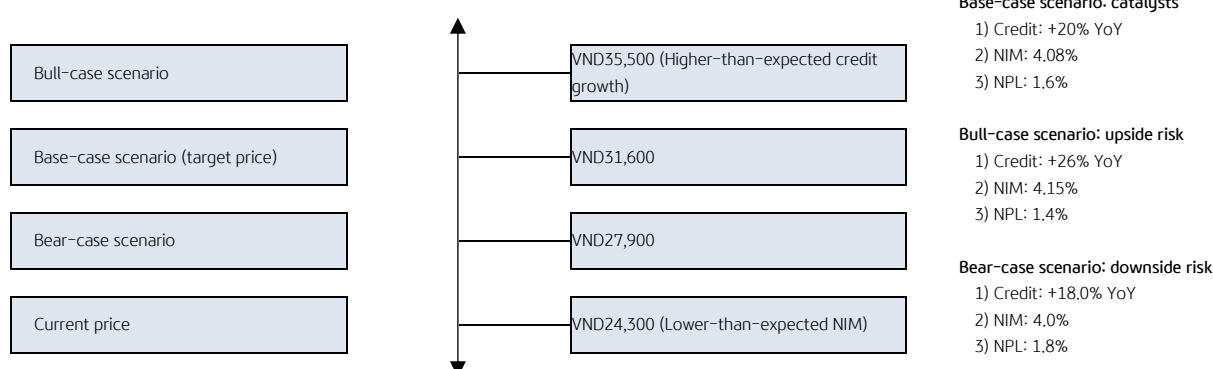
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## Revised earnings estimates

(VNDbn)	KBSV estimates		Change vs previous estimates		Consensus*		Difference	
	2025E	2026E	2025E	2026E	2025E	2026E	2025E	2026E
Revenue	48,930	60,029	-2%	-5%	49,539	59,358	1%	-1%
EBIT	41,545	50,556	-5%	-6%	42,211	49,824	2%	-1%
NP after MI	25,437	31,392	9%	10%	25,095	30,404	-1%	-3%

Source: Bloomberg, KB Securities Vietnam

## Investment opinion &amp; risks



## 4Q24 performance updates

**MBB accelerated to the finish line in the last quarter of the year, fulfilling the profit target for 2024**

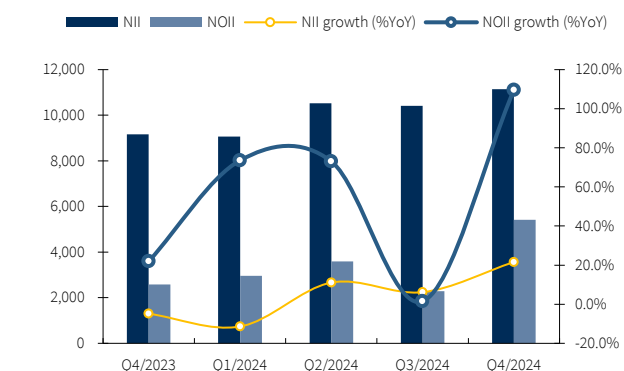
4Q credit growth of MBB surged and ranked second in the industry (+24.7% YTD) thanks to seasonality. 2024 NII saw a modest gain of 6.4% YoY amid competitive lending among banks. However, an impressive 65.4% YoY growth in NOII helped maintain two-digit growth for TOI. Operating expenses climbed 14% in 2024 for the bank's 30th anniversary celebrations. Provisions showed a spike in 4Q, giving MBB more room to lower its NPL ratio to 1.6% from the peak of 2.23% in 3Q24. At the end of 2024, the bank recorded a PBT of VND28,829 billion (+9.6% YoY), fulfilling the target.

**Table 1. MBB – 4Q24 business performance**

(VNDbn)	4Q23	3Q24	4Q24	QoQ	YoY	Notes
Net interest income (NII)	9,163	10,417	11,142	7.0%	21.6%	NII showed a strong increase in 4Q thanks to the year-end credit boost (from 13.5% in 3Q to 24.7%), while the yield on earnings (IEA) continued to decline.
Non-interest income (NOII)	2,587	2,287	5,421	137.0%	109.6%	NOII grew impressively in 4Q when recording irregular profits: – Income from securities investment reached VND2,412 billion while normal profits were around several hundred billion VND. It is likely that the bank closed bonds in its investment portfolio to offset profit growth. – Service activities gained 33% YoY mainly thanks to a sharp increase in payment services in the last months of the year. – Written-off debt brought in VND693 billion, also significantly contributed to help other non-interest income gain 58% YoY.
<b>Total operating income (TOI)</b>	<b>11,750</b>	<b>12,704</b>	<b>16,564</b>	<b>30.4%</b>	<b>41.0%</b>	
Operating expenses	(3,876)	(3,756)	(5,247)	39.7%	35.4%	Employee costs and year-end bonus payments rose.
CIR	33.0%	29.6%	31.7%	211bps	–131bps	
Provision expenses	(1,587)	(1,640)	(3,224)	96.6%	103.1%	Strong TOI growth gives MBB more room to increase provisions. Loan loss coverage ratio (LLCR) increased from 69% in 3Q to 92%.
<b>Profit before taxes (PBT)</b>	<b>6,287</b>	<b>7,308</b>	<b>8,093</b>	<b>10.7%</b>	<b>28.7%</b>	This is equal to 103% of KBSV's forecast.
Net profit after taxes (NPAT)	5,045	5,843	6,382	9.2%	26.5%	
<b>Credit growth (% YTD)</b>	<b>28.0%</b>	<b>13.5%</b>	<b>24.7%</b>			Credit growth was high compared to the whole industry, mainly driven by customer loans (+27% YTD) in the context of continued decline in corporate bond outstanding balance (–13% YTD). Corporate customer credit grew 33% YTD, mainly focusing on the fields of trade, agriculture, forestry, and real estate development. Retail lending also posted good growth (+20% YTD) in the context of weak demand for the corporate customer group.
Deposit growth (%YTD)	23.9%	22.4%	28.9%			
<b>NIM</b>	<b>4.79%</b>	<b>4.38%</b>	<b>4.08%</b>	<b>–30bps</b>	<b>–71bps</b>	NIM was flat compared to 3Q mainly due to strong credit growth in the last quarter of the year. However, on a 12-month basis, NIM continued to decline as we had previously forecast when IEA fell while CoF began to slow down.
<b>NPL ratio</b>	<b>1.60%</b>	<b>2.23%</b>	<b>1.62%</b>	<b>–61bps</b>	<b>1bps</b>	Boosting provisions in 4Q gave MBB more room to remove NPLs from the balance sheet. As a result, the NPL ratio was lowered to 1.62%.

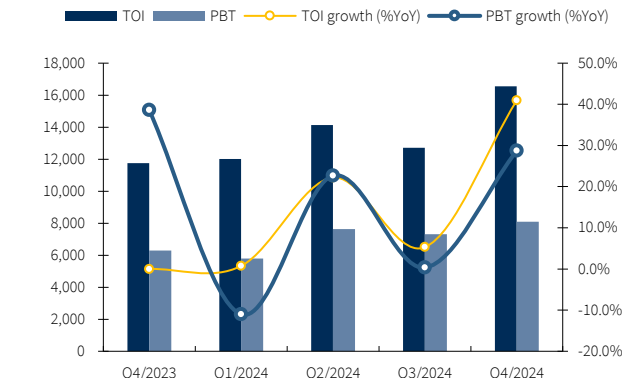
Source: Military Bank, KB Securities Vietnam

Fig 2. MBB – NII, NOI growth (VNDbn, %)



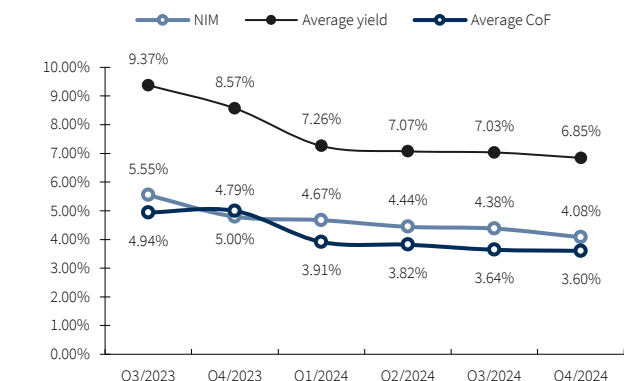
Source: Military Bank, KB Securities Vietnam

Fig 3. MBB – TOI, NPAT growth (VNDbn, %)



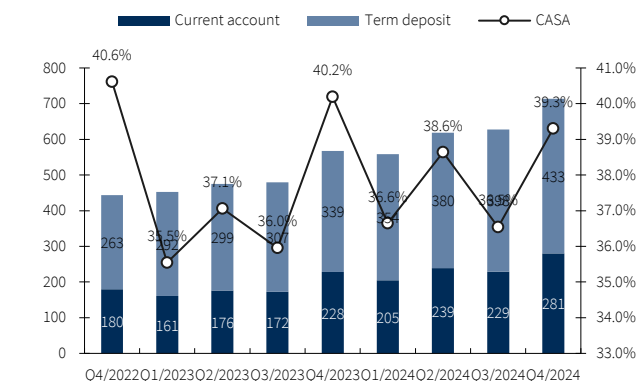
Source: Military Bank, KB Securities Vietnam

Fig 4. MBB – NIM, average IEA yield &amp; CoF (%)



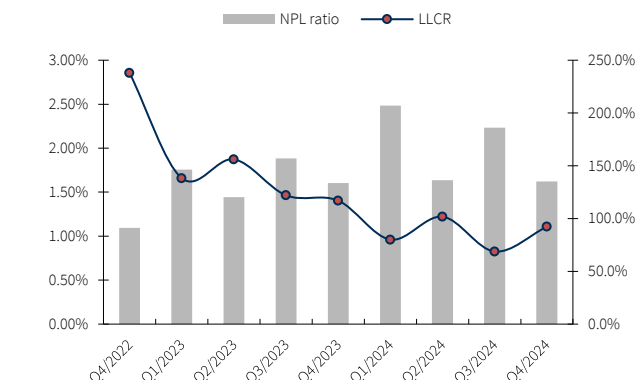
Source: Military Bank, KB Securities Vietnam

Fig 5. MBB – Deposit portfolio (VNDtn, %)



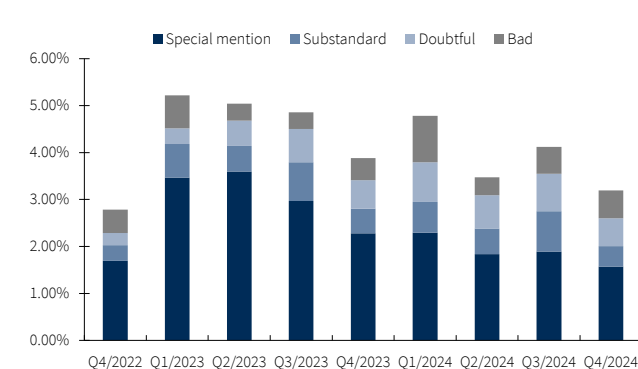
Source: Military Bank, KB Securities Vietnam

Fig 6. MBB – NPL, LLCR (%)



Source: Military Bank, KB Securities Vietnam

Fig 7. MBB – Credit portfolio composition (%)



Source: Military Bank, KB Securities Vietnam

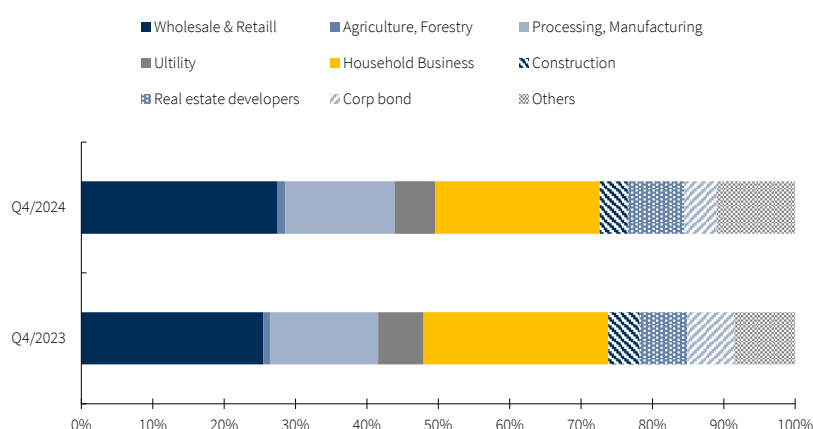
### Annual credit growth target reaches over 20% in 2025–2027

We expect MBB to maintain high credit growth (over 20%) in 2025–2027, supported by both exogenous and endogenous factors. Regarding exogenous factors, the State Bank of Vietnam (SBV) will continue to encourage commercial banks to expand credit (with a system-wide growth target of 16%) to boost economic growth. On the other hand, credit demand is expected to recover well in 2025 thanks to low lending interest rates. For endogenous factors, MBB will be granted a higher credit limit after its takeover of Ocean Bank, which not only helps the bank expand its outstanding loan balance but also takes advantage of the opportunity to increase its customer base, especially in SMEs as well as potential individual customers. In addition, MBB should leverage its advantages to boost credit to sectors that account for a large proportion in its loan portfolio and play an important role in the economic recovery cycle such as trade, manufacturing, household businesses, and real estate development. However, to achieve its growth target, MBB must accept lower lending rates, which may reduce its IEA, affect core business income, and put pressure on NIM.

Fig 8. MBB – Credit portfolio by sector (%)

In 2024, loan portfolio by sector of MBB are as follows:

- Trade: 27.5%
- Household business: 23%
- Processing and manufacturing: 15.3%
- Real estate development: 7.9%



Source: Military Bank, KB Securities Vietnam

### KBSV maintains the view that NIM of MBB will be under pressure in the short term but will stabilize in the medium and long term

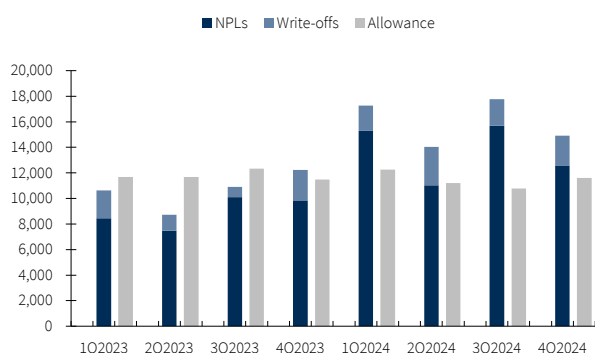
For 2025, we believe that NIM of MBB will be under pressure in the short term but can stabilize in the medium term thanks to the balance between CoF and IEA. In the first quarter of 2025, IEA is likely to decline due to temporary loan maturities from 4Q24. Overall, the room for lending interest rates to increase in 2025 is limited due to the SBV's orientation to maintain low interest rates, thereby causing IEA to remain flat or decrease slightly compared to 2024. As raising IEA may meet difficulties, we emphasize that the ability to manage CoF is important for banks to protect their NIMs. For MBB, it still has advantages in CoF, including: (1) the access to preferential capital from the SBV after the acquisition of Ocean Bank, helping to reduce mobilization pressure in the market; and (2) average CASA ranked second in the industry (after Techcombank – TCB). KBSV forecasts that MBB's NIM for the whole year of 2025 will be flat YoY at 4.08%.

### Asset quality improved relatively after boosting provisioning

Asset quality showed notable improvement in 4Q24 when substandard and doubtful debts respectively plummeted by 44% QoQ and 17% QoQ. However, bad debt group increased by 14% QoQ possibly due to the impact of Circular 02 expiring. MBB also proactively increased its provisions in 4Q by more than VND3,200 billion (exceeding our forecast), thereby helping the bank in handling debt but also consolidating its reserve buffer. During the period, the total write-offs were valued at VND2,000 billion, equivalent to the average of the previous three quarters. Accordingly, NPL decreased to 1.6%, while LLCR bounced back to a high of 92%.

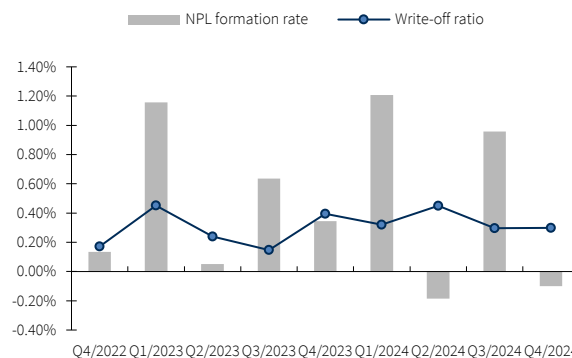
KBSV believes that MBB's asset quality is no longer a major concern as in the previous period. It is expected that in 2025, the bank will maintain its NPL below 1.7% thanks to (1) the economic recovery that helps improve financial capacity of customers; (2) legal clearance for a number of large projects financed by MBB (related to the Novaland and Trung Nam customer groups); and (3) positive profit growth that supports the bank in strengthening its reserve buffer.

Fig 9. MBB – NPL, write-offs, LLCR (VNDbn)



Source: Military Bank, KB Securities Vietnam

Fig 10. MBB – NPL vs NPL formation (%)



Source: Military Bank, KB Securities Vietnam

## Forecast & valuation

Table 11. MBB –2025–2026F business performance

(VNDbn, %)	2024	2025F	% Yoy 2024	2026F	%YoY 2025	Assumptions
<b>Net interest income (NII)</b>	<b>41,152</b>	<b>48,930</b>	<b>19%</b>	<b>60,029</b>	<b>23%</b>	Taking over a weak credit institution (Ocean Bank) helps MBB gain more credit limits and expand its customer base. Credit growth is expected to reach over 20% in the 2025–2027 period. High comparative bases of 2024 put pressure on the YoY growth as it is difficult for the bank to record extra income from bond trading in the coming years. Meanwhile, NFI should maintain growth rate with larger customer base, and debt collection activities are also more active thanks to improved liquidity in the real estate market.
Non-interest income (NOII)	14,261	12,165	–15%	13,882	14%	
<b>Total operating income (TOI)</b>	<b>55,413</b>	<b>61,095</b>	<b>10%</b>	<b>73,911</b>	<b>21%</b>	
Pre-provision operating profit (PPOP)	38,406	41,545	8%	50,556	22%	The forecast is lowered compared to the old forecast as the financial situation of some large customers will improve, but we still maintain a cautious view. In 2026, better profit growth helps the bank be more flexible in provisioning to keep up with the increase in credit scale.
Provision expenses	(9,577)	(9,233)	–4%	(10,645)	15%	
<b>Profit before tax (PBT)</b>	<b>28,829</b>	<b>32,312</b>	<b>12%</b>	<b>39,911</b>	<b>24%</b>	
<b>Net interest margin (NIM)</b>	<b>4.08%</b>	<b>4.08%</b>	<b>0bps</b>	<b>4.23%</b>	<b>14bps</b>	NIM is unlikely to improve in the short term but will recover in the next year.
Average IEA yield	6.85%	6.90%	5bps	7.32%	43bps	Increased costs result from Oceanbank restructuring.
Average cost of funds	3.17%	3.21%	4bps	3.54%	33bps	
Cost-to-income ratio (CIR)	30.7%	32.0%	131bps	31.6%	–40bps	
<b>NPL ratio</b>	<b>1.62%</b>	<b>1.55%</b>	<b>–7bps</b>	<b>1.45%</b>	<b>–10bps</b>	
Total assets	1,128,801	1,325,943	17%	1,582,113	19%	
Equity	117,060	138,222	18%	165,950	20%	

Source: Military Bank, KB Securities Vietnam

### Valuation: BUY rating – Target price VND31,600/share

We combined two valuation methods, P/B and residual income, to find a reasonable price for MBB shares:

(1) P/B valuation method:

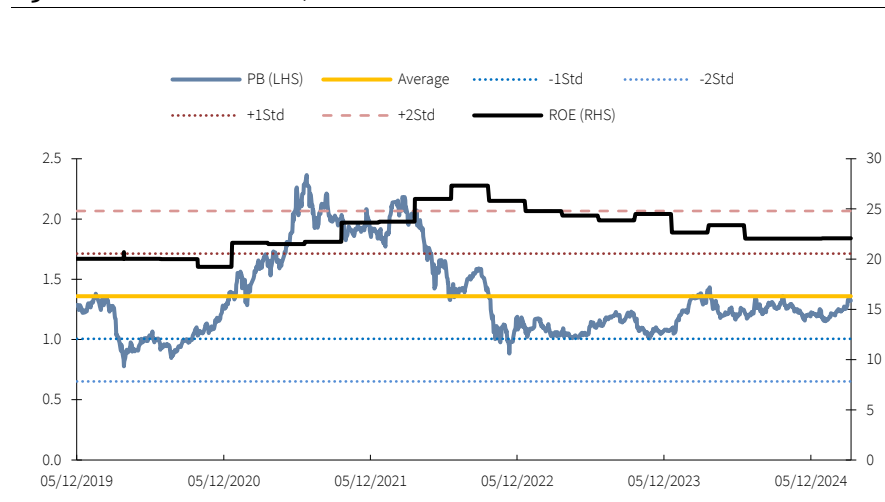
We maintain MBB's target P/B for 2025 at 1.3x as mentioned in the previous report on 3Q24 performance.

(2) Residual income:

In addition, we used residual income valuation method to reflect systematic risks and long-term expectations.

After adjusting the profit expectation to suit the current context, we concluded that the target price for MBB in 2025 is VND31,600/share and recommended BUY with a potential upside of 30% compared to the closing price on March 13, 2025.

Fig 12. MBB – ROE &amp; P/B (% , x)



Source: Bloomberg, KB Securities Vietnam

Table 13. MBB – Residual income valuation

(VNDbn)	2025F	2026F	2027F
NPAT	25,849	31,928	40,848
Excessed return	7,255	8,986	10,422
Required rate of return (re)	14.8%		
Growth (g)	3.0%		
Terminal value	28,194		
Present value (PV)	179,599		
<b>Value per share</b>	<b>33,846</b>		

Source: KB Securities Vietnam

Table 14. MBB – Valuation results

Valuation method	Forecast price	Weighting	Weighted price
Residual income	33,846	50%	16,923
P/B	29,427	50%	14,713
<b>Target price</b>			<b>31,600</b>

Source: KB Securities Vietnam



## MBB – 2023A–2026F summarized financials &amp; forecasts

Income Statement						Balance Sheet					
(VNDbn)	2022	2023	2024	2025F	2026F	(VNDbn)	2022	2023	2024	2025F	2026F
Net interest income	36,023	38,684	41,152	48,930	60,029	Loans	448,599	599,579	765,048	924,286	1,090,307
Interest income	52,486	69,143	69,062	82,601		Marketable securities	4,106	44,251	7,932	10,895	12,975
Interest expense					104,026	Cash (ex. Reserves)	3,744	3,675	3,349	4,813	5,732
Fees & commissions	(16,463)	(30,459)	(27,910)	(33,671)	(43,997)	Interest earning assets	697,256	916,370		1,294,377	1,545,939
	4,136	4,085	4,368	5,038	7,053	Fixed assets & other assets	38,836	34,928	1,101,327	35,272	41,908
Other non-interest income	2,142	2,428	3,281	3,519	3,105	Total assets	728,532	944,954		1,325,943	1,582,113
Total operating income	45,593	47,306	55,413	61,095	73,911	Customer deposits	443,606	567,533	1,128,801	862,161	1,026,770
SG&A expenses						Borrowings & call money/repos	98,581	129,263	131,949	152,018	178,709
Pre-provisioning OP	(14,816)	(14,913)	(17,007)	(19,551)	(23,356)	Interest bearing liabilities	607,335	796,615	964,429	1,136,489	1,351,092
Provision for credit losses	(8,048)	(6,087)	(9,577)	(9,233)		Other liabilities	41,584	51,628	47,312	51,232	65,070
Other income	3,026	3,458	3,281	5,028	3,878	Total liabilities	648,919	848,242	1,011,741	1,187,721	1,416,163
Other expense	(884)	(1,030)	-	(1,508)	(773)	Charter capital	45,340	52,141	53,063	61,063	61,063
Pre-tax income	22,729	26,306	28,829	32,312	39,911	Capital surplus	869	869	1,304	1,304	1,304
Income tax expense	(4,574)	(5,252)	(5,878)	(6,462)	(7,982)	Retained earnings	19,064	25,560	40,718	53,880	81,609
NP	18,155	21,054	22,951	25,849	31,928	Capital adjustments	-	-	-	-	-
Minority interest profit	(672)	(377)	(318)	(413)	(537)	Total shareholders' equity	79,613	96,711	117,060	138,222	165,950
Parent NP	17,483	20,677	22,634	25,437	31,392						

Financial Indicators (%)						Valuation (VND, X, %)					
	2022	2023	2024	2025F	2026F		2022	2023	2024	2025F	2026F
Profitability						Share Price Indicators					
ROE	25.6%	23.9%	21.5%	20.3%	21.0%	EPS	3,856	3,966	4,265	4,166	5,141
ROA	2.7%	2.5%	2.2%	2.1%	2.2%	BVPS	17,559	18,548	22,060	22,636	27,177
Pre-provision ROE	34.6%	29.4%	28.6%	26.0%	26.6%	Tangible BVPS	17,197	18,226	21,742	22,327	26,834
Pre-provision ROA	3.7%	3.1%	3.0%	2.7%	2.8%	Valuations					
Net interest margin (NIM)	5.7%	4.8%	4.1%	4.1%	4.2%	PER	6.3	6.1	5.7	5.8	4.7
Efficiency						PBR	1.4	1.3	1.1	1.1	0.9
Pure Loan to deposit ratio	103.8%	107.7%	108.8%	109.0%	108.0%	Dividend yield	25.6%	23.9%	21.5%	20.3%	21.0%
Cost-income ratio	32.5%	31.5%	30.7%	32.0%	31.6%	ROE					
Growth						Capital Adequacy					
Asset growth	20.0%	29.7%	19.5%	17.5%	19.3%	CAR	10.4%	11.3%	11.4%	>11%	>11%
Loan growth	26.4%	33.7%	27.6%	20.8%	18.0%	Asset Quality					
PPOP growth	25.3%	5.3%	18.6%	8.2%	21.7%	NPL ratio (substandard)	1.1%	1.6%	1.6%	1.6%	1.5%
Parent NP growth	37.7%	18.3%	9.5%	12.4%	23.4%	Coverage ratio (substandard)	86.5%	89.3%	95.2%	106.2%	115.7%
EPS growth	14.7%	2.8%	7.6%	-2.3%	23.4%	NPL ratio (precautionary)	2.8%	3.9%	3.2%	3.4%	3.3%
BVPS growth	6.2%	5.6%	18.9%	2.6%	20.1%	Coverage ratio (precautionary)	33.9%	36.9%	48.3%	49.1%	51.6%

Source: Company report, KB Securities Vietnam

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**Investment ratings & definitions**

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**Investment Ratings for Stocks**

(based on expectations for absolute price gains over the next 6 months)

Buy:	Neutral:	Sell:
+15% or more	+15% to -15%	-15% or more

**Investment Ratings for Sectors**

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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