

Vietcombank (VCB)

Officially took CBBank mandatory transfer

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3Q24 PBT jumped 18.2% YoY to VND10,699 billion

In 3Q24, Vietcombank (VCB) posted VND3,578 billion in NII (-2.4% QoQ, +7.8% YoY) and VND16,836 billion in TOI (+0.5% QoQ, +6.7% YoY). Provisions sharply fell to VND326 billion (-78.5% QoQ, -78.2% YoY), making PBT reach VND10,699 billion in 3Q (+5.8% QoQ, +18.2% YoY) and VND31,533 billion in 9M24 (+6.7% YoY).

2024F credit growth was maintained at 14%

Credit growth in 9M24 was 10.2% YTD. KBSV still believes that VCB will achieve a credit growth rate of 14% this year when: (1) System-wide credit tends to increase at the end of the year; and (2) the real estate market and (3) the manufacturing sector are recovering.

NIM will face pressure in 2025

VCB's NIM may face pressure in 2025 when (1) the pressure on CoF increases due to exchange rate and liquidity risks in the context of low deposit growth; and (2) lending interest rates are expected to stay low to support the economy.

VCB officially took CBBank under the mandatory transfer

On October 17, 2024, the State Bank of Vietnam (SBV) announced the mandatory transfer of Vietnam Construction Commercial Joint Stock Bank (CBBank) to VCB. CBBank is an independent legal entity and is not consolidated into VCB's financial statements. After the transfer, VCB can expand its network, increase its business scale, merge or divest CBBank after completing the mandatory transfer plan.

Valuation: BUY rating – Target price VND107,500

Based on the valuation results, business prospects, and risks, we recommend BUY for VCB shares. The target price for 2025 is VND107,500/share, 17.8% higher than the price on November 25, 2024.

Buy maintain

Target price VND107,500

Upside	17.8%
Current price (Nov 25, 2024)	VND91,300
Consensus target price	VND109,100
Market cap (VNDtn/USDtn)	519.2/20.4

Trading data

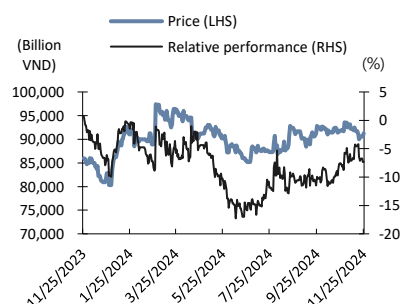
Free float	25.2%
3M avg trading value (VNDbn/USDmn)	124.5/5.0
Foreign ownership	23.2%
Major shareholder	State Bank of Vietnam (74.80%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	-0.5	-0.8	1.2	6.2
Relative	0.9	2.8	3.4	-6.5

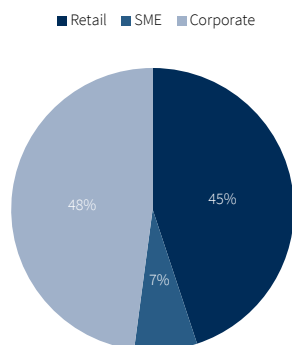
Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net interest income (VNDbn)	53,246	53,621	56,737	62,765
PPOP (VNDbn)	46,832	45,809	47,256	52,529
NPAT-MI (VNDbn)	29,899	33,033	34,359	34,257
EPS (VND)	6,318	5,910	6,147	6,129
EPS growth (%)	6.5	(6.4)	4.0	(0.3)
PER (x)	14.5	15.4	14.9	14.9
BVPS	28,663	29,524	35,672	41,801
PBR (x)	3.19	3.09	2.56	2.18
ROE (%)	24.4	22.0	18.9	15.8
Dividend yield (%)	0.0	0.0	0.0	0.0



Source: Bloomberg, KB Securities Vietnam

Revenue composition (2023)



Source: Vietcombank, KB Securities Vietnam

Business operation

Vietnam Joint Stock Commercial Bank for Foreign Trade (VCB) is a state-owned joint stock commercial bank with assets of VND1,839 trillion by the end of 2023, ranking fourth in the industry. VCB's loan portfolio is quite safe and focuses on two main customer groups, large corporate customers (48.2%) and individual customers (44.6%).

Investment Catalysts

NIM will be under pressure in 2025. Deposit interest rates may increase while lending interest rates remain low to support the economy.

Asset quality is well controlled, leading the system.

Credit growth is expected to reach 14%. The driving force comes from increased credit demand, especially among retail customers and large enterprises.

Notes

Please find more details [here](#)

Please see more details below

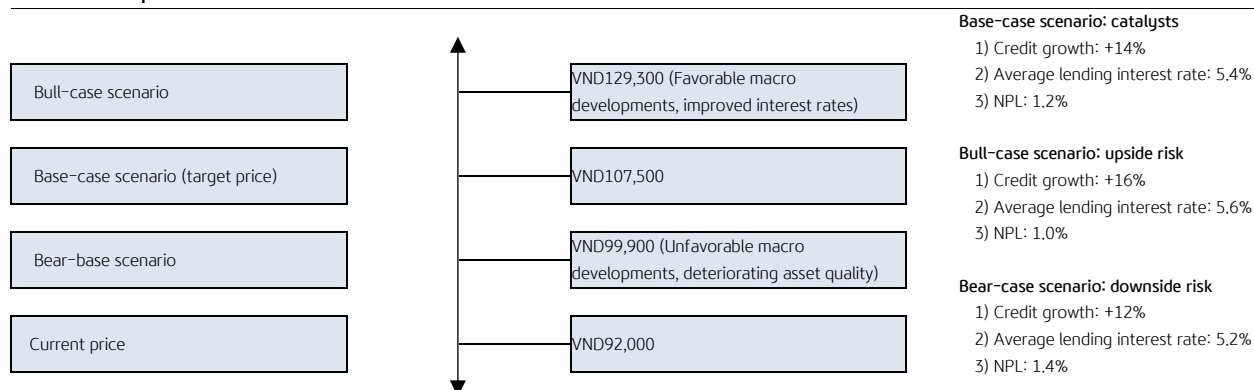
Please see more details below

Revised earnings estimates

(VNDbn)	KBSV estimates		Change vs previous estimates		Consensus*		Difference	
	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	56,737	62,765	-5%	-9%	58,160	67,276	-2%	-7%
EBIT	47,256	52,529	-7%	-9%	49,898	59,616	-5%	-12%
NP after MI	34,359	34,257	-1%	-6%	34,775	41,088	-1%	-17%

Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



3Q24 performance updates

3Q24 PBT jumped 18.2% YoY to VND10,699 billion

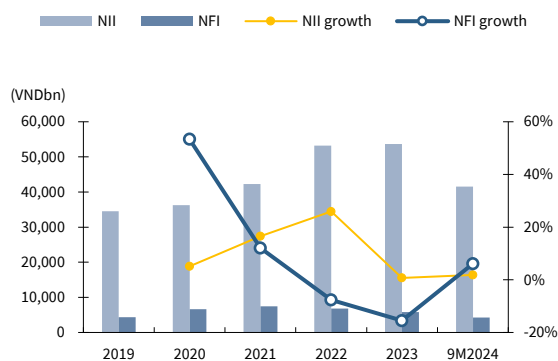
In 3Q24, VCB posted VND3,578 billion in NII (-2.4% QoQ, +7.8% YoY) and VND3,258 in NOII (+14.6% QoQ, +2.4% YoY), making TOI reach VND16,836 billion (+0.5% QoQ, +6.7% YoY). Provisions sharply fell to VND326 billion (-78.5% QoQ, -78.2% YoY), making PBT reach VND10,699 billion in 3Q (+5.8% QoQ, +18.2% YoY) and VND31,533 billion in 9M24 (+6.7% YoY).

Table 1. VCB – 3Q24 updated results

(VNDbn, %)	3Q23	2Q24	3Q24	+/-%QoQ	+/-%YoY	Notes
Net interest income (NII)	12,596	13,908	13,578	-2.4%	7.8%	Net interest income decreased slightly compared to the previous quarter as CoF rose 7.4% QoQ while interest income grew by a mere of 1.4% QoQ.
Net fee income (NFI)	891	1,499	1,272	-15.1%	42.8%	The main growth drivers came from two segments with large contributions, trade finance and bancassurance, which increased by 42.8% YoY and 31.5% YoY, respectively.
Other non-interest income (NOII)	2,290	1,345	1,986	47.7%	-13.3%	The FX segment showed a good improvement compared to the previous quarter, reaching VND1,347 billion (+16.0% QoQ, -14.8% YoY) while securities trading & investment did not contribute much. Net income from other services hit VND555 billion, a sharp increase compared to the previous quarter with only VND24 billion.
Total operating income (TOI)	15,777	16,752	16,836	0.5%	6.7%	
Operating expenses	(5,233)	(5,122)	(5,811)	13.5%	11.1%	
Pre-provision operating profit (PPOP)	10,545	11,630	11,025	-5.2%	4.5%	
Provisions	(1,494)	(1,514)	(326)	-78.5%	-78.2%	VCB has leading asset quality in the industry and the highest provision buffer in the system, which are the basis for its low provisions in 3Q24.
Profit before taxes (PBT)	9,051	10,116	10,699	5.8%	18.2%	
Net profit after minority interest (NPAT-MI)	7,269	8,119	8,567	5.5%	17.9%	
Credit growth	3.8%	7.7%	10.2%	2.4 ppts	6.3 ppts	Credit continued to grow, driven by large corporate customers (+12.3% YTD) and retail customers (+9.5% YTD), while the SME group only increased by 2.6% YTD.
Deposit growth	-2.6%	3.4%	4.9%	1.4 ppts	7.4 ppts	Deposit growth was lower than the average of the observed banking group (+9.9% YTD) because VCB maintained the lowest deposit interest rate in the industry (~4.6% for 12M term deposits).
NIM	3.32%	2.99%	3.00%	0 bps	-32 bps	
Average earnings yield (IEA)	6.49%	5.51%	5.24%	-26 bps	-124 bps	
Average costs of fund (CoF)	3.51%	2.83%	2.52%	-30 bps	-99 bps	
CIR	33.2%	30.6%	34.5%	3.9 ppts	1.3 ppts	
NPL	1.21%	1.20%	1.22%	2 bps	1 bps	VCB still maintained its position as the bank with the best asset quality in the system. During the period, its bad debt grew 6bps QoQ, while the remaining debt groups all decreased. NPL formation increased according to KBSV's estimate at about 0.02%, down from previous quarters, showing that asset quality is still well controlled.

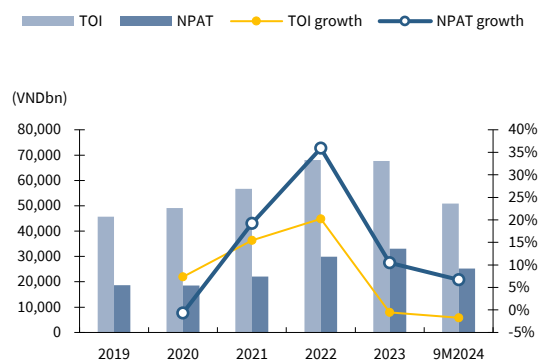
Source: Vietcombank, KB Securities Vietnam

Fig 2. VCB – NII, NFI growth (VNDbn, %YoY)



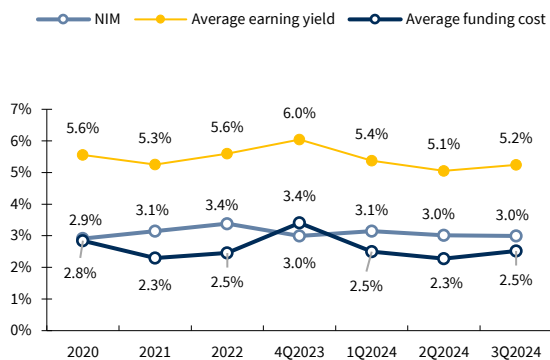
Source: Vietcombank, KB Securities Vietnam

Fig 3. VCB – TOI & NPAT growth (VNDbn, %YoY)



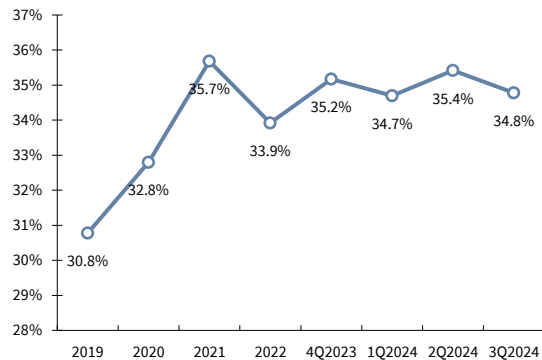
Source: Vietcombank, KB Securities Vietnam

Fig 4. VCB – NIM, average IEA & CoF (%)



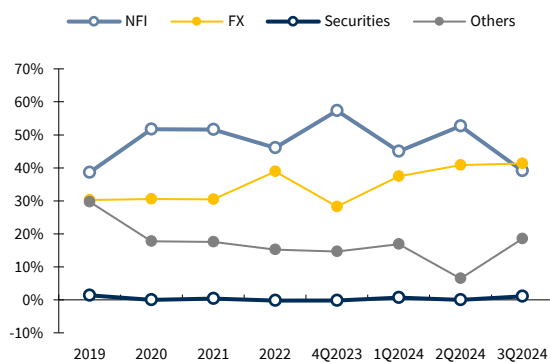
Source: Vietcombank, KB Securities Vietnam

Fig 5. VCB – CASA ratio (%)



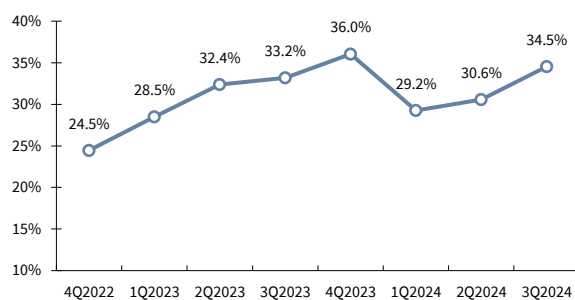
Source: Vietcombank, KB Securities Vietnam

Fig 6. VCB – NOII breakdown (%)



Source: Vietcombank, KB Securities Vietnam

Fig 7. VCB – CIR (%)



Source: Vietcombank, KB Securities Vietnam

2024F credit growth was maintained at 14%

Credit growth in 9M24 was 10.2% YTD, led by retail and large corporate customers, reaching 9.5% and 12.3%, respectively. KBSV still believes that VCB will achieve a credit growth rate of 14% this year when: (1) System-wide credit tends to increase at the end of the year; and (2) the real estate market and (3) the manufacturing sector are recovering. In the last three quarters, the apartment supply has improved with the total number of licensed apartments reaching 31,543, 62% higher than the previous four quarters. In KBSV's view, VCB's NIM will face pressure in 2025, based on:

CoF may increase in 2025 due to exchange rate & liquidity pressure

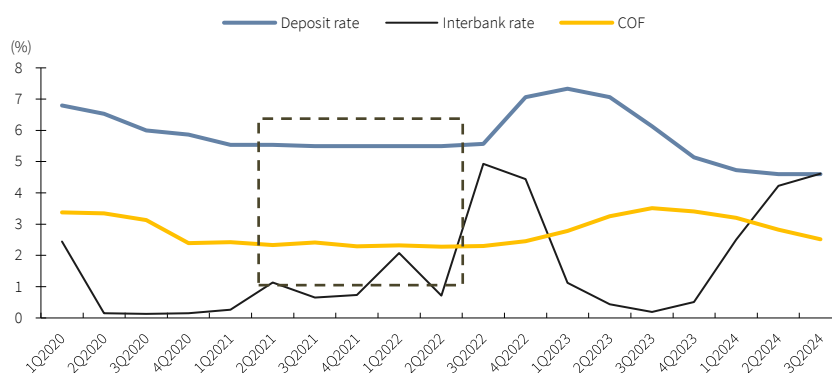
(1) VCB's CoF may improve in 4Q24 thanks to low deposit interest rates. The bank's current 12M individual deposit interest rate is at 4.7%, lower than the deposit interest rate in 2022 (~5.5%) when VCB has the best CoF in recent years (Figure 8). However, entering 2025, the pressure on CoF will increase since: (i) Foreign currency deposits in 3Q24 decreased by 36.9% QoQ, the lowest level in recent years, which needs further monitoring. (ii) Potential exchange rate risks due to President Trump's policies in 2025 may lead to a strong USD appreciation, making Vietnam banks lower deposit interest rates and curbing the decline in CoF. (iii) Low deposit growth due to low interest rates creates liquidity pressure when credit demand recovers.

Loan interest rates are expected to stay low

(2) On the other hand, KBSV expects the growth of retail lending and the recovery of the real estate industry to be the main drivers for improving IEA. However, the low lending interest rate average will still be maintained in 2025 to promote economic development, ensuring credit growth when (i) the economy recovers slowly with the PMI and total retail sales of consumer goods and services are both lower than in 2021 (low interest rate base). (ii) Fixed asset investment of listed enterprises grew by a mere of 10.1% from 2023's lows, and the short-term debt ratio continues to remain high, showing that businesses are tending to borrow short-term to finance working capital instead of long-term borrowing to expand production and business.

Average CoF is expected to decrease as in the 2021–2022 period when deposit interest rates increase again but remain at a low base level compared to the past.

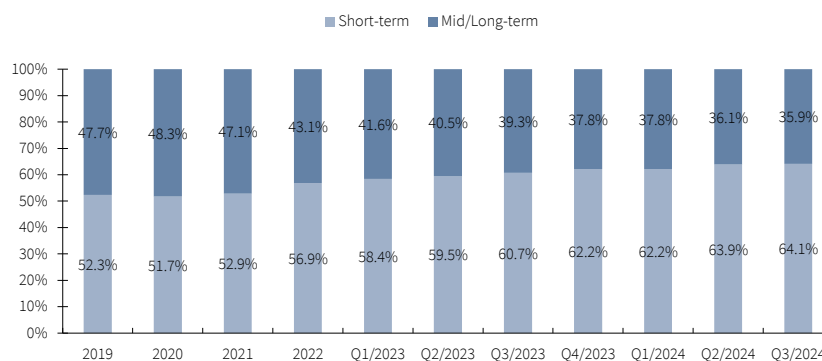
Fig 8. VCB – CoF, deposit & interbank interest rates (%)



Source: Vietcombank, KB Securities Vietnam

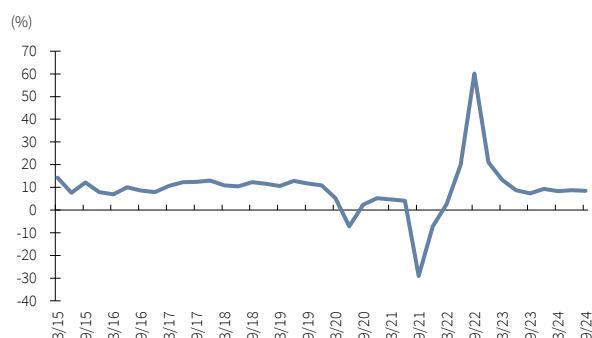
Fig 9. VCB – Credit composition by term (%)

The contribution ratio of short-term loans – less than one year remains high at over 64%, slowing down the recovery rate of average lending rates in 2025.



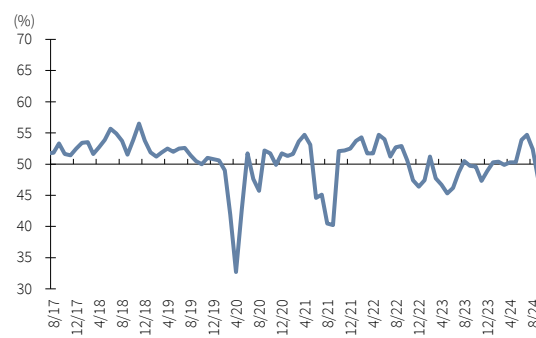
Source: Vietcombank, KB Securities Vietnam

Fig 10. Vietnam – Total retail sales of goods & services in 2015 – 2024 (%)



Source: General Statistics Office of Vietnam

Fig 11. Vietnam – PMI in 2017–2024 (%)

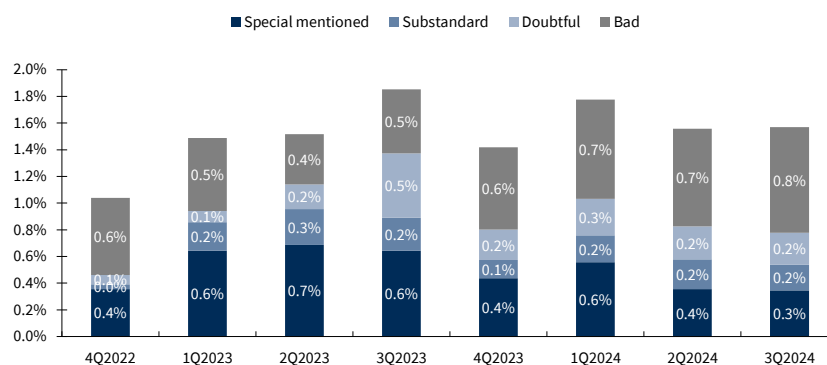


Source: General Statistics Office of Vietnam

Asset quality has been well controlled

Asset quality continues to be well controlled with NPL in 3Q24 reaching 1.22%, the lowest in the system. The estimated NPL formation is low, reaching 0.02% and the LLCR is 204.6%, the highest in the industry. In KBSV's view, with the current asset quality and large reserve buffer, VCB could be flexible in provisioning in 4Q24 and 2025 to complete the set targets. In addition, the bank's restructured debt balance according to Circular 02 until the end of 9M24 is only about 0.01% of total outstanding debt, thereby the expiration of Circular 02 at the end of 2024 will not have any impact on VCB's asset quality and profits.

Fig 12. VCB – NPL in 2022–2024 (%)



Source: Vietcombank, KB Securities Vietnam

Fig 13. Vietnam banks – NPL in 2022–2024 (%)

	% NPL	QoQ	% group 2	QoQ	Provision (Billion VND)	LLCR
VPB	4.81%	-0.27%	7.06%	-0.77%	-15,479	50.7%
VIB	3.85%	0.19%	3.65%	-0.81%	-5,404	47.1%
OCB	3.19%	0.07%	2.87%	0.45%	-2,715	53.9%
MSB	2.88%	-0.21%	1.92%	-0.19%	-3,093	62.9%
EIB	2.71%	0.06%	0.90%	-0.14%	-1,725	39.9%
STB	2.47%	0.04%	0.72%	0.02%	-9,755	75.0%
HDB	1.90%	-0.20%	3.75%	-0.75%	-4,985	65.9%
TPB	2.29%	0.23%	2.22%	-0.40%	-3,160	58.8%
LPB	1.96%	0.23%	1.16%	0.02%	-4,860	77.5%
MBB	2.23%	0.60%	1.89%	0.05%	-10,787	68.8%
CTG	1.45%	-0.12%	1.44%	0.00%	-35,537	153.0%
BID	1.71%	0.19%	1.67%	0.08%	-38,638	115.7%
ACB	1.49%	0.04%	0.63%	-0.15%	-6,661	80.5%
TCB	1.29%	0.06%	0.82%	0.00%	-8,366	103.5%
VCB	1.22%	0.02%	0.35%	-0.01%	-35,063	204.6%

Source: Vietnam banks, KB Securities Vietnam

VCB officially took CBBank under the mandatory transfer

On October 17, 2024, the SBV announced the mandatory transfer of a state wholly owned bank, CBBank, to VCB for better performance of CBBank. After the transfer, CBBank will continue to operate under the model of a 100% owned by VCB. This is an independent legal entity and is not consolidated into VCB's financial statements. After the transfer, VCB can expand its network, increase its business scale, merge or divest CBBank after completing the mandatory transfer plan.

Forecast & valuation

Table 14. VCB – 2024–2025F results

(VNDbn, %)	2023	2024F	+/-%YoY	2025F	+/-%YoY	Assumptions
NII	53,621	56,737	5.8%	62,765	10.6%	A 9.1% reduction in 2025 net interest income forecast is due to more cautious view on NIM outlook.
NFI	5,780	6,022	4.2%	6,529	8.4%	
TOI	67,723	70,009	3.4%	77,706	11.0%	
Provisions	(4,565)	(4,332)	-5.1%	(9,730)	124.6%	We lower provision forecast by 22.9% due to better-than-expected improvement in asset quality.
NP after MI	33,033	34,359	4.0%	34,257	-0.3%	
NIM	3.00%	2.97%	-3bps	2.95%	-2bps	NIM forecast was 29bps lower than the previous forecast, reflecting the risk of pressure from exchange rates and liquidity on deposit interest rates.
Average IEA	6.04%	5.02%	-102bps	5.41%	39bps	
Average CoF	3.41%	2.31%	-110bps	2.80%	49bps	
CIR	32.4%	32.5%	14bps	32.4%	-10bps	
NPL	0.98%	1.20%	22bps	1.20%	0bps	
Total assets	1,839,613	2,016,073	9.6%	2,269,692	12.6%	
Owner's equity	165,013	199,372	20.8%	233,628	17.2%	

Source: Vietcombank, KB Securities Vietnam

Valuation: BUY rating – Target price VND107,500/share

We combine two valuation methods, P/B and residual income, to find a reasonable price for VCB shares.

(1) P/B valuation method:

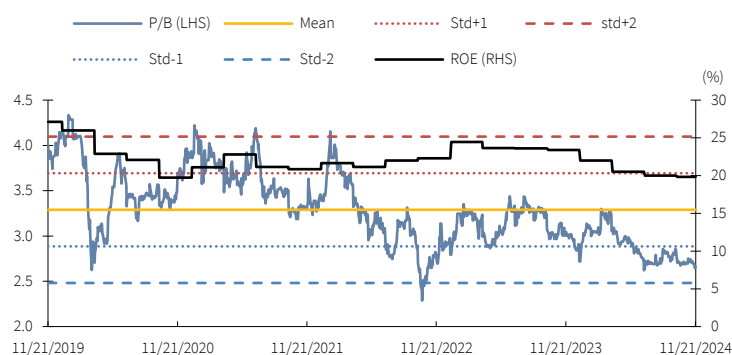
We lower the 2025 forecast P/B to 3.3x, equivalent to VCB's five-year average P/B based on the best asset quality in the industry, but the outlook for NIM is not positive.

(2) Residual income method (Table 16):

In addition, we also use a residual income model to reflect systematic risk and long-term expectations.

Combining the two valuation methods above at a 50-50 ratio gives the final fair price for VCB shares for 2025 at VND107,500/share, 17.8% higher than the price on November 25, 2024.

Fig 15. VCB – P/B in 2019–2024 (x)



Source: Bloomberg, KB Securities Vietnam

Table 16. VCB – Valuation according to residual income method

(VNDbn)	2024F	2025F	2026F
NPAT	34,382	34,282	37,847
Excessed return	16,478	12,650	12,498
Required rate of return (r)	10.85%		
Growth (g)	3.0%		
Terminal value	129,418		
2024-end fair value	431,022		
Value per share	77,118		

Source: KB Securities Vietnam

Table 17. VCB – Valuation according to residual income method

Valuation method	Forecast price	Weighting	Weighted price
P/B	137,942	50%	68,971
Residual income	77,118	50%	38,559
Target price			107,500

Source: KB Securities Vietnam

VCB – 2022A–2025F financials

Income Statement (VNDbn)						Balance Sheet (VNDbn)					
	2021	2022	2023	2024F	2025F		2021	2022	2023	2024F	2025F
Net interest income	42,273	53,246	53,621	56,737	62,765	Loans	935,010	1,120,287	1,241,675	1,414,303	1,614,292
Interest income	70,622	88,113	108,122	95,989	115,270	Marketable securities	2,800	1,500	2,495	2,878	2,952
Interest expense	(28,349)	(34,866)	(54,501)	(39,252)	(52,505)	Cash (ex. Reserves)	18,012	18,349	14,505	15,051	17,168
Fees & commissions	7,407	6,839	5,780	6,022	6,529	Interest bearing assets	1,386,650	1,759,898	1,819,045	2,004,396	2,255,793
Other non-interest income	2,393	2,054	2,272	1,450	2,135	Fixed assets & other assets	39,947	71,157	40,584	36,341	39,791
Total operating income	56,630	68,083	67,723	70,009	77,706	Total assets	1,414,986	1,813,815	1,839,613	2,016,073	2,269,692
SG&A expenses	(17,666)	(21,251)	(21,915)	(22,753)	(25,177)	Customer deposits	1,135,324	1,243,468	1,395,698	1,448,209	1,650,959
Pre-provisioning OP	38,964	46,832	45,809	47,256	52,529	Borrowings & call money/repos	17,395	25,341	20,031	26,485	29,663
Provision for credit losses	(11,478)	(9,464)	(4,565)	(4,332)	(9,730)	Interest bearing liabilities	1,271,945	1,568,635	1,631,238	1,766,787	1,979,189
Other income	3,100	2,928	4,050	3,625	3,882	Other liabilities	33,855	109,534	43,362	49,914	56,875
Other expense	(707)	(874)	(1,778)	(2,175)	(1,747)	Total liabilities	1,305,800	1,678,169	1,674,601	1,816,701	2,036,064
Pre-tax income	27,486	37,368	41,244	42,924	42,799	Charter capital	37,089	47,325	55,891	55,891	55,891
Income tax expense	(5,469)	(7,449)	(8,189)	(8,542)	(8,517)	Capital surplus	4,995	4,995	4,995	4,995	4,995
NP	22,017	29,919	33,054	34,382	34,282	Retained earnings	48,503	60,733	76,759	111,118	145,374
Minority interest profit	(20)	(20)	(21)	(23)	(26)	Capital adjustments	-	-	-	-	-
Parent NP	21,997	29,899	33,033	34,359	34,257	Total shareholders' equity	109,186	135,646	165,013	199,372	233,628

Financial Indicators (%)						Valuation (VND, X, %)					
	2021	2022	2023	2024F	2025F		2021	2022	2023	2024F	2025F
Profitability						Share Price Indicators					
ROE	21.7%	24.4%	22.0%	18.9%	15.8%	EPS	5,931	6,318	5,910	6,147	6,129
ROA	16%	19%	18%	18%	16%	BVPS	29,439	28,663	29,524	35,672	41,801
Pre-provision ROE	30.7%	30.6%	24.4%	20.8%	19.4%	Tangible BVPS	28,611	28,068	29,060	35,216	41,355
Pre-provision ROA	2.3%	2.3%	2.0%	2.0%	2.0%	Valuations					
Net interest margin (NIM)	3.1%	3.4%	3.0%	3.0%	2.9%	PER	15.4	14.5	15.4	14.9	14.9
Efficiency						PBR	3.1	3.2	3.1	2.6	2.2
Pure Loan to deposit ratio	84.6%	92.1%	91.0%	100.0%	100.0%	Dividend yield	0.2%	0.0%	0.0%	0.0%	0.0%
Cost-income ratio	312%	312%	32.4%	32.5%	32.4%	ROE	21.7%	24.4%	22.0%	18.9%	15.8%
Growth						Capital Adequacy					
Asset growth	6.7%	28.2%	14%	9.6%	12.6%	CAR	9.0%	10.0%	11.6%	>10%	>10%
Loan growth	13.9%	19.8%	10.8%	13.9%	14.1%	Asset Quality					
PPOP growth	18.0%	20.2%	-2.2%	3.2%	11.2%	NPL ratio (substandard)	0.6%	0.7%	1.0%	1.2%	1.2%
Parent NP growth	19.2%	35.9%	10.5%	4.0%	-0.3%	Coverage ratio (substandard)	424.4%	316.9%	230.3%	195.1%	185.1%
EPS growth	19.2%	6.5%	-6.4%	4.0%	-0.3%	NPL ratio (precautionary)	1.0%	1.0%	1.4%	1.6%	1.6%
BVPS growth	16.0%	-2.6%	3.0%	20.8%	17.2%	Coverage ratio (precautionary)	270.0%	208.2%	159.2%	146.3%	138.8%

Source: Vietcombank, KB Securities Vietnam

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Investment ratings & definitions

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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