

Sacombank (STB)

2024 PBT growth target at 10.47%

May 31, 2024

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1Q24 PBT gained 11.4% YoY to VND2,654 billion

In 1Q24, Sacombank (STB) recorded VND5,951 billion in NII (+5.6% QoQ, +2.0% YoY) and VND6,875 billion in TOI (+2.5% QoQ, +1.1% YoY). Provision costs were low and flat QoQ, maintaining at VND678 billion (+24.6% QoQ, -32.3% YoY). This helped PBT to improve considerably by 11.4% YoY to VND2,654 billion.

STB successfully sold debt related to Phong Phu Industrial Park

According to the 2024 AGM, STB successfully sold debt related to Phong Phu Industrial Park. Up to now, the bank has collected 20% of the total sale value and expected to collect another 40% in 2024 and the remaining 40% in 2025. We hope STB will record other income from the deal of about VND1,336 billion in 2024 after provisioning all VAMC bond debt.

The bank set a prudent 2024 target PBT growth at 10.47% YoY

STB plans for outstanding credit balance to reach VND535,800 billion, equivalent to a growth rate of 11% YoY, with NPL under 2% and PBT of VND10,600 billion (+10.47% YoY). We believe that the bank will achieve better results, based on: (1) NIM maintains at a good level thanks to improved cost of funds (CoF); (2) asset quality is well controlled; and (3) revenue from the sale of Phong Phu Industrial Park should be recorded.

Valuation: BUY rating – price target VND40,000

Observing valuation results, business prospects and potential risks of TPB, we gave a BUY rating to STB shares. The target price for 2024 is VND40,000/share, 41.6% higher than the price on May 30, 2024.

Buy maintain

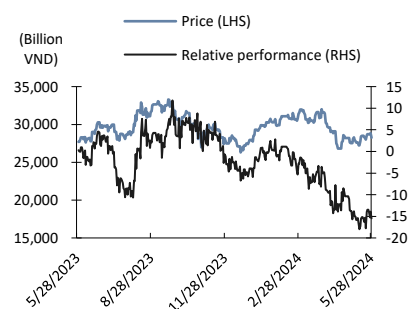
Target price	VND40,000
Upside	41.6%
Current price (May 30, 2024)	VND28,250
Consensus target price	VND39,100
Market cap (VNDtn/USDbn)	52.5/2.1

Trading data	
Free float	94.5%
3M avg trading value (VNDbn/USDmn)	546.1/21.9
Foreign ownership	23.2%
Major shareholder	Chairman Duong Cong Minh (3.32%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	0.2	-10.5	2.7	2.0
Relative	-5.0	-12.0	-13.6	-16.1

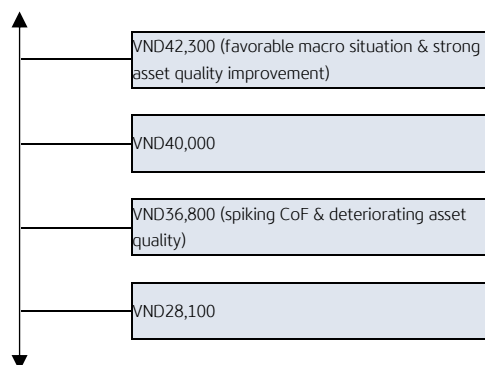
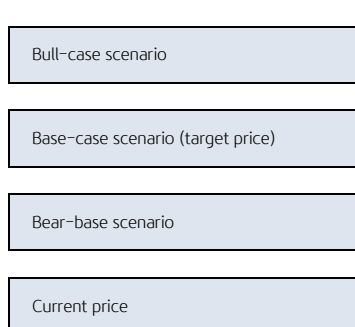
Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net interest income (VNDbn)	17,147	22,072	25,368	27,871
PPOP (VNDbn)	15,221	13,283	16,159	19,871
NPAT-MI (VNDbn)	5,041	7,719	10,238	12,413
EPS (VND)	2,674	4,094	5,430	6,584
EPS growth (%)	48%	53%	33%	21%
PER (x)	10.5	6.9	5.2	4.3
Book value per share (VND)	20,489	24,259	29,690	36,274
PBR (x)	1.38	1.16	0.95	0.78
ROE (%)	13.8	18.3	20.1	20.0
Dividend yield (%)	0.0	0.0	0.0	0.0



Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



Base-case scenario: catalysts

- 1) 2024 credit growth: +15%
- 2) Average deposit interest rate: 5.2%
- 3) NPL ratio: 1.9%

Bull-case scenario: upside risks

- 1) 2024 credit growth: +17%
- 2) Average deposit interest rate: 5.0%
- 3) NPL ratio: 1.6%

Bear-case scenario: downside risks

- 1) 2024 credit growth: +13%
- 2) Average deposit interest rate: 6.0%
- 3) NPL ratio: 2.4%

Revised earnings estimates

(VNDbn, %)	Revised		Previous		Change	
	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	25,538	28,253	25,368	27,871	(0.7)	(1.4)
EBIT	17,157	20,914	16,159	19,871	(5.8)	(5.0)
NP after MI	9,762	15,477	10,238	12,413	4.9	(19.8)

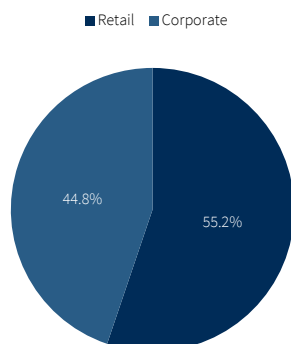
Source: KB Securities Vietnam

KBSV estimate vs consensus

(VNDbn, %)	KBSV estimates		Consensus		Difference	
	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	25,368	27,871	-	-	-	-
EBIT	16,159	19,871	-	-	-	-
NP after MI	10,238	12,413	9,418	13,135	8.7	(5.5)

Source: Bloomberg, KB Securities Vietnam

Credit composition (2023)



Source: Sacombank, KB Securities Vietnam

Business operation

Saigon Thuong Tin Commercial Joint Stock Bank (STB) is one of the largest private commercial joint stock banks in Vietnam with asset scale by the end of 2023 reaching VND674.39 trillion, ranked eighth in the industry.

STB is in the final stage of the restructuring project after merging with Phuong Nam Commercial Joint Stock Bank. It has basically resolved most of the existing problems. STB has high proportion of retail credit balance, reaching 55.2% in 2023.

1Q24 performance updates

1Q24 PBT gained 11.4% YoY to VND2,654 billion

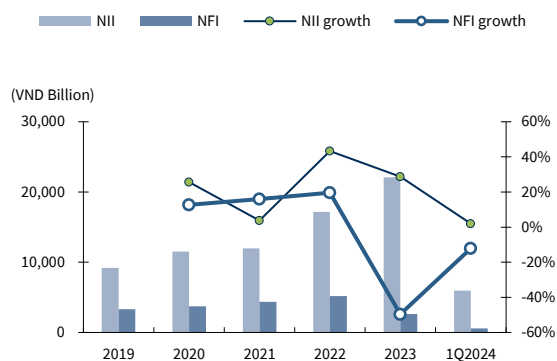
In 1Q24, STB's NII hit VND5,951 billion (+5.6% QoQ, +2.0% YoY), and NOII reached VND924 billion (-4.1% QoQ, -14.1 YoY), making TOI reach VND6,875 billion (+2.5% QoQ, +1.1% YoY). Provisions remained low and flat QoQ at VND678 billion (+24.6% QoQ, -32.3% YoY), which helped PBT to gain 11.4% YoY to VND2,654 billion.

Table 1. STB – 1Q24 updated results

(VNDbn, %)	1Q23	4Q23	1Q24	+/-%QoQ	+/-%YoY	Notes
NII	5,837	5,633	5,951	5.6%	2.0%	Net interest income improved slightly thanks to credit growth (+3.7%).
NFI	658	586	578	-1.4%	-12.2%	
NOII	305	489	346	-29.3%	13.2%	The FX segment earned VND308 billion (+19.1% YoY) while the securities investment & trading segment made a negligible contribution with VND22 billion. Net income from other activities was VND16 billion (-91.9% QoQ or -44.3% YoY).
TOI	6,800	6,708	6,875	2.5%	1.1%	
OPEX	(3,416)	(3,410)	(3,543)	3.9%	3.7%	
POPP	3,384	3,299	3,332	1.0%	-1.5%	
Provisions	(1,002)	(544)	(678)	24.6%	-32.3%	Provisions decreased sharply thanks to the full provisioning of VAMC debt. During the period, STB made a provision of VND691 billion for customer loans of (-40.8% QoQ).
PBT	2,383	2,755	2,654	-3.6%	11.4%	
NPAT-MI	1,900	2,259	2,111	-6.5%	11.1%	
Credit growth	2.2%	10.1%	3.7%	-6.3 ppts	1.4 ppts	Credit growth reached 3.7% YTD, higher than the industry average of 0.26% YTD.
Deposit growth	2.0%	11.4%	4.9%	-6.4 ppts	2.8 ppts	Deposit growth rose 4.9% YTD, outperforming the industry average (-0.76% YTD).
NIM	3.70%	3.69%	3.58%	-11 bps	-11 bps	NIM dropped 11bps QoQ when the bank promoted reducing yield on earnings asset (IEA) to boost credit growth and support customers. STB's average IEA fell 55bps QoQ, which is among the sharpest declines in the group of monitored banks (with Vietnam International Bank - VIB and Maritime Bank - MSB).
Average IEA	8.01%	9.36%	8.80%	-55 bps	79 bps	
Average CoF	4.59%	6.17%	5.69%	-48 bps	109 bps	
CIR	50.2%	50.8%	51.5%	0.7 ppts	1.3 ppts	
NPL	1.19%	2.28%	2.28%	0 bps	108 bps	NPL went sideways in 1Q24 with bad debt increasing by 24bps QoQ while substandard and doubtful debt lowering by 4bps QoQ and 20bps QoQ, respectively. Special mention inched up 13bps QoQ.

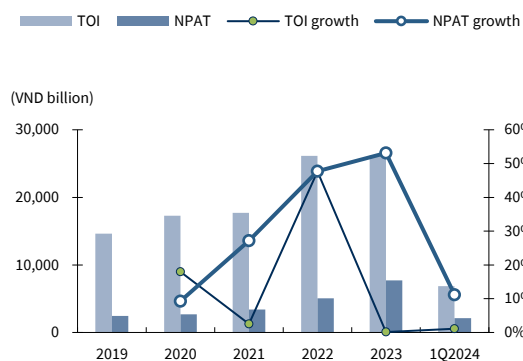
Source: Sacombank, KB Securities Vietnam

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



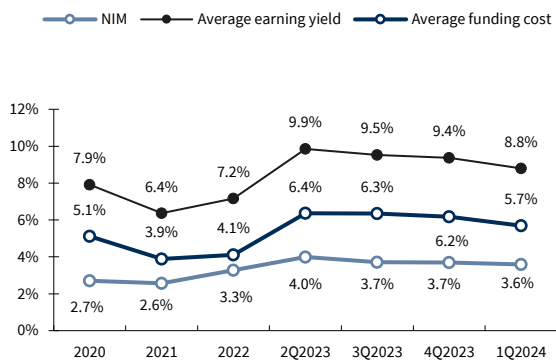
Source: Sacombank, KB Securities Vietnam

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



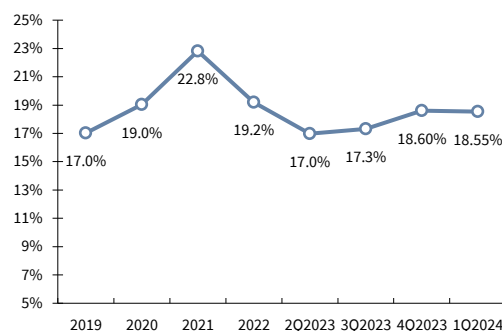
Source: Sacombank, KB Securities Vietnam

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



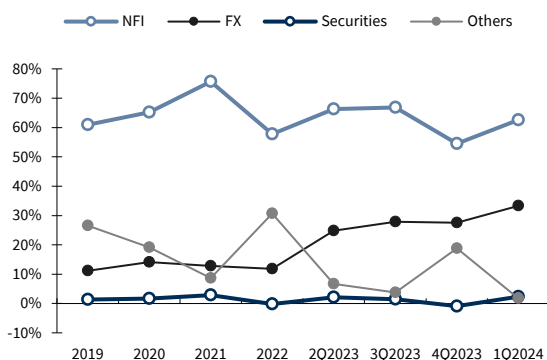
Source: Sacombank, KB Securities Vietnam

Fig 5. STB – CASA ratio in 2019–2023 (%)



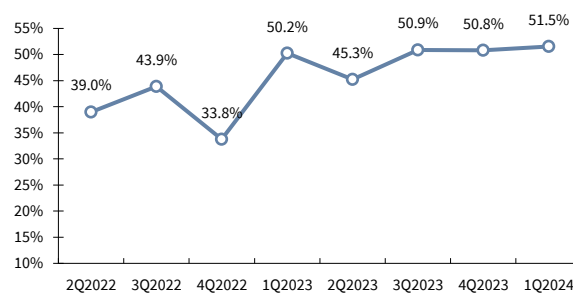
Source: Sacombank, KB Securities Vietnam

Fig 6. STB – NOI breakdown (%)



Source: Sacombank, KB Securities Vietnam

Fig 7. STB – CIR (%)



Source: Sacombank, KB Securities Vietnam

STB's deposit interest rates remain low but may increase in the second half of the year

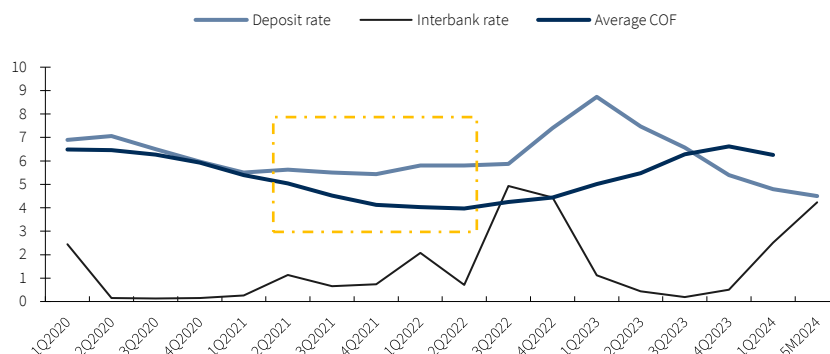
While the whole banking industry has started raising deposit interest rates in the last two months, STB kept its deposit interest rates low. The rate for 12M term in May 2024 went down 30bps compared to March to 4.5%. KBSV highly appreciates the possibility that STB will slightly raise its interest rates in the rest of the year by about 100 – 150bps, based on: (1) Shrinking system liquidity makes customer deposit interest rates need to be more attractive to attract cash flow; and (2) exchange rate pressure is still high. To control exchange rates from now until the end of the year, State Bank of Vietnam (SBV) may raise OMO interest rates or policy rates, thereby affecting STB's customer deposit interest rates.

NIM should continue to recover this year, but the recovery may be not too strong

KBSV believes that the CoF of STB will continue to improve in the rest of 2024 because: (1) High-interest deposits in the late 2022–early2023 period will mature this year; and (2) the deposit interest rate of 5.5 – 6.0%/year (which has increased by 100–150bps) is relatively low compared to the past (Figure 8). We expect that with the support from CoF, STB's NIM will improve in 2024 but hardly return to 2H22 highs due to (1) poorer asset quality affecting interest income and (2) the bank's reduce lending interest rates to promote credit growth while credit demand of the economy is still weak.

The average CoF should experience a downtrend as in the 2021–2022 period when deposit interest rates increase again but are still low compared to the past.

Fig 8. STB – Interest expenses, deposit & interbank interest rates (%)



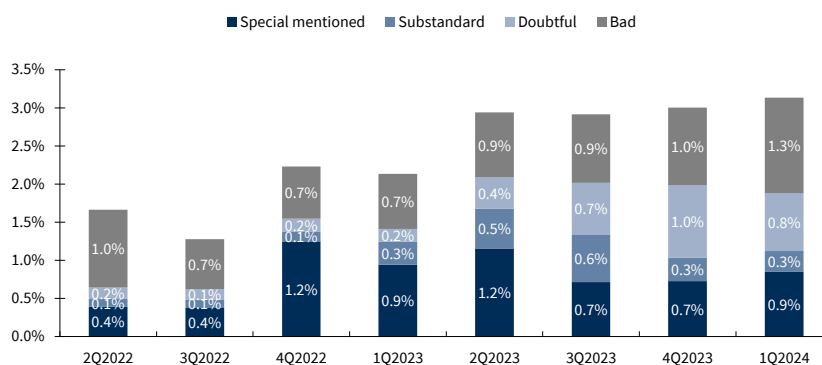
Source: KB Securities Vietnam

NPL went sideways YoY, and asset quality was well controlled

1Q NPL ratio of STB was flat at 2.28% after rising for four straight quarters. Bad debt climbed 24bps QoQ, while substandard and doubtful debt declined 4bps QoQ and 20bps QoQ, respectively. Special mention inched up 13bps QoQ to 0.85%, which is among the lowest levels at Vietnam banks, thereby significantly reducing the pressure on provisioning for the bank in the rest of the year. Newly formed NPLs decreased to zero in 1Q, showing that the asset quality is getting better. Restructured debt according to Circular 02/2023–NHNN reached VND1,400 billion (–25.3% QoQ), equal to 0.26% of total outstanding loan.

In 1Q, STB provisioned VND691 billion (–40.7% QoQ) for customer loans and collected VND14 billion in reversal for VAMC bond debt. The bank settled VND460 billion from reserves, bringing the unallocated debt to VND1,402 billion. STB should fully provision this debt in the rest of 2024.

Fig 9. STB – NPL structure in 2022–2024



Source: Sacombank, KB Securities Vietnam

Fig 10. Vietnam banks – NPL & special mention (%)

	% NPL	QoQ	% Group 2	QoQ	Provision (Billion VND)	LLCR
VPB	4.84%	-0.17%	8.30%	1.41%	-15,055	53.4%
VIB	3.60%	0.45%	5.65%	0.08%	-4,798	49.8%
MSB	3.18%	0.31%	1.75%	-0.02%	-2,658	53.6%
OCB	2.87%	0.12%	2.62%	0.55%	-2,398	55.2%
EIB	2.86%	0.22%	1.20%	0.15%	-1,569	37.3%
MBB	2.49%	0.88%	2.29%	0.02%	-12,244	80.1%
STB	2.28%	0.00%	0.85%	-0.13%	-8,268	72.5%
HDB	2.24%	0.45%	4.72%	-0.52%	-4,614	56.6%
TPB	2.23%	0.19%	2.69%	-0.12%	-2,701	60.3%
BID	1.51%	0.25%	2.05%	0.47%	-41,247	152.8%
ACB	1.45%	0.25%	0.78%	-0.04%	-5,773	78.6%
LPB	1.39%	0.05%	0.80%	-0.33%	-3,796	89.0%
CTG	1.35%	0.22%	1.59%	0.04%	-30,775	150.8%
VCB	1.22%	0.24%	0.56%	0.12%	-30,891	199.8%
TCB	1.13%	-0.03%	1.09%	0.23%	-6,700	106.1%

Source: Financial statements of the banks, KB Securities Vietnam

STB successfully sold debt related to Phong Phu Industrial Park

According to the 2024 AGM, STB successfully sold debt related to Phong Phu Industrial Park. Up to now, the bank has collected 20% of the total sale value and expected to collect another 40% in 2024 and the remaining 40% in 2025. We hope STB will record other income from the deal of about VND1,336 billion in 2024 after provisioning all VAMC bond debt. For the 32.5% of capital related to Mr. Tram Be held by VAMC, in early December 2023, STB submitted a plan to the SBV for proactive handling in the form of auction. Given the nature of the large-scale and strategic deal for the bank, KBSV believes that the bank will complete the deal between 2026 and 2027.

The bank set a prudent 2024 target PBT growth at 10.47% YoY

STB plans for outstanding credit balance to reach VND535,800 billion, equivalent to a growth rate of 11% YoY, with NPL under 2% and PBT of VND10,600 billion (+10.47% YoY). We believe that the bank will achieve better results, based on: (1) NIM maintains at a good level thanks to improved cost of funds (CoF); (2) asset quality is well controlled; and (3) revenue from the sale of Phong Phu Industrial Park should be recorded. We project 2024F PBT of the bank will increase 42.9% YoY to VND13,707 billion in the base case.

Forecast & valuation

Table 11. STB – 2024–2025F business results

(VNDbn, %)	2023	2024F	+/-%YoY	2025F	+/-%YoY	Notes
NII	22,072	25,368	14.9%	27,871	9.9%	The growth comes from improved NIM and credit growth (15% YoY).
NFI	2,618	3,039	16.1%	3,966	30.5%	A decrease of 27.4% compared to the old forecast is attributable to a more cautious view on the recovery speed of the bancassurance and the payment services.
TOI	26,173	29,924	14.3%	36,460	21.8%	
Provisions	3,688	3,363	-8.8%	(,356)	29.5%	The new forecast was downgraded by 32.1% due to recording the reversal of asset sale provisions from the Phong Phu deal.
NPAT-MI	7,719	10,238	32.6%	12,413	21.2%	
NIM	3.69%	3.83%	14bps	3.78%	-5bps	Lowered 2024F NIM by 3bps compared to the old forecast reflects the expectation of increasing deposit interest rates in the rest of the year.
Average IEA	9.36%	8.66%	-70bps	8.05%	-61bps	
Average CoF	6.17%	5.30%	-87bps	4.69%	-61bps	
CIR	49.2%	46.0%	-325bps	45.5%	-50bps	
NPL	2.28%	1.90%	-38bps	1.90%	0bps	
Total assets	674,390	727,414	7.9%	831,990	14.4%	
Owner's equity	45,734	55,971	22.4%	68,384	22.2%	

Source: Sacombank, KB Securities Vietnam

Valuation: BUY rating with a price target of VND40,000

We combine two valuation methods, P/B and residual income to value STB shares.

(1) P/B valuation method:

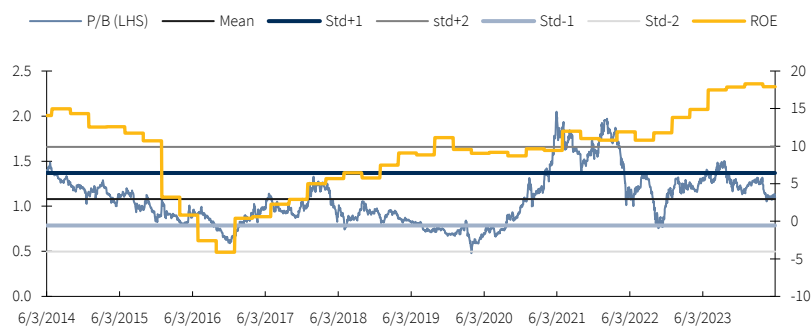
We maintained the 2024 forecast P/B at 1.38x, equivalent to +1SD of STB's 10-year average P/B, based on the expectations over improved NIM, completed restructuring projects, and good asset quality control.

(2) Residual income discount method (Table 14):

In addition, we used the residual income method to reflect systemic risks and long-term expectations for the bank.

Combining the above two valuation methods with a 50–50 ratio, we concluded that the price target for STB shares in 2024 is VND40,000/share, 41.6% higher than the price on May 30, 2024.

Fig 22. STB - P/B in 2019-2024 (x)



Source: Bloomberg, KB Securities Vietnam

Table 13. STB - Valuation according to residual income model

(VNDbn)	2024F	2025F	2026F
NPAT	10,237	12,412	12,389
Excessed return	3,712	4,426	2,632
Required rate of return	13.36%		
Growth	5.0%		
Terminal value	68,708		
2024-end fair value	250,561		
Value per share	31,581		

Source: KB Securities Vietnam

Table 14. STB - Final valuation & price target (VND)

Valuation method	Forecast price	Weighting	Price per weight
P/B	40,972	50%	20,486
Residual income	39,084	50%	19,542
Target price			40,000

Source: KB Securities Vietnam

STB – 2021A–2025F financials

ENG Income Statement (VNDbn)						Balance Sheet (VNDbn)					
	2021	2022	2023	2024F	2025F	2021	2022	2023	2024F	2025F	
Net interest income	11,964	17,147	22,072	25,368	27,871	Loans	381,012	432,998	475,169	548,079	630,291
Interest income	29,691	37,391	55,927	57,319	59,330	Marketable securities	-	-	-	-	-
Interest expense	(17,726)	(20,244)	(33,855)	(31,950)	(31,460)	Cash (ex. Reserves)	8,222	7,850	7,545	8,892	10,226
Fees & commissions	4,343	5,194	2,618	3,039	3,966	Interest earning assets	484,151	559,656	635,164	688,831	786,036
Other non-interest income	457	2,745	327	266	3,268	Fixed assets & other assets	41,503	44,467	53,858	53,192	60,288
Total operating income	17,704	26,141	26,173	29,924	36,460	Total assets	521,117	591,908	674,390	727,414	831,990
SG&A expenses	(9,750)	(10,921)	(12,890)	(13,765)	(16,589)	Customer deposits	427,387	454,740	510,744	555,141	638,412
Pre-provisioning OP	7,954	15,221	13,283	16,159	19,871	Borrowings & call money/repos	21,491	26,060	29,407	39,440	44,792
Provision for credit losses	(3,554)	(8,882)	(3,688)	(3,363)	(4,356)	Interest bearing liabilities	464,629	519,132	578,121	627,795	713,412
Other income	865	2,874	445	380	3,440	Other liabilities	22,226	34,148	50,535	43,647	50,194
Other expense	(408)	(129)	(119)	(114)	(172)	Total liabilities	486,856	553,281	628,656	671,442	763,606
Pre-tax income	4,400	6,339	9,595	12,796	15,515	Charter capital	18,852	18,852	18,852	18,852	18,852
Income tax expense	(989)	(1,298)	(1,876)	(2,559)	(3,103)	Capital surplus	1,748	1,748	1,748	1,748	1,748
NP	3,411	5,041	7,719	10,237	12,412	Retained earnings	9,907	13,972	20,387	30,624	43,037
Minority interest profit	-	-	-	-	-	Capital adjustments	-	-	-	-	-
Parent NP	3,411	5,041	7,719	10,238	12,413	Total shareholders' equity	34,261	38,627	45,734	55,971	68,384

Financial Indicators (%)						Valuation (VND, X, %)					
	2021	2022	2023	2024F	2025F	2021	2022	2023	2024F	2025F	
Profitability						Share Price Indicators					
ROE	10.8%	13.8%	18.3%	20.1%	20.0%	EPS	1,810	2,674	4,094	5,430	6,584
ROA	0.7%	0.9%	1.2%	1.5%	1.6%	BVPS	18,174	20,489	24,259	29,690	36,274
Pre-provision ROE	19.8%	33.3%	25.3%	25.4%	25.6%	Tangible BVPS	16,223	18,867	22,675	28,075	34,681
Pre-provision ROA	1.2%	2.2%	1.7%	1.8%	2.0%	Valuations					
Net interest margin (NIM)	2.6%	3.3%	3.7%	3.8%	3.8%	PER	15.6	10.5	6.9	5.2	4.3
Efficiency						PBR	1.6	1.4	1.2	0.9	0.8
Pure Loan to deposit ratio	90.8%	96.5%	94.5%	100.0%	100.0%	Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Cost-income ratio	55.1%	41.8%	49.2%	46.0%	45.5%	ROE	10.8%	13.8%	18.3%	20.1%	20.0%
Growth						Capital Adequacy					
Asset growth	5.8%	13.6%	13.9%	7.9%	14.4%	CAR	9.9%	9.5%	>9%	>9%	>9%
Loan growth	13.8%	13.6%	9.7%	15.3%	15.0%	Asset Quality					
PPOP growth	24.8%	91.3%	-12.7%	21.7%	23.0%	NPL ratio (substandard)	15%	10%	2.3%	1.9%	1.9%
Parent NP growth	27.2%	47.8%	53.1%	32.6%	21.2%	Coverage ratio (substandard)	118.6%	131.0%	68.8%	66.9%	66.9%
EPS growth	27.2%	47.8%	53.1%	32.6%	21.2%	NPL ratio (precautionary)	1.9%	2.2%	3.0%	2.7%	2.7%
BVPS growth	18.3%	12.7%	18.4%	22.4%	22.2%	Coverage ratio (precautionary)	94.7%	57.6%	52.2%	47.1%	47.1%

Source: Sacombank, KB Securities Vietnam

KB SECURITIES VIETNAM RESEARCH

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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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