

BID Bank (BID)

NIM should rebound in 2H24

June 13, 2024

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1Q PBT gained 6.8% YoY to VND7,390 billion

In 1Q24, Bank for Investment & Development of Vietnam (BID) recorded VND13,541 billion in NII (-8.9% QoQ, -2.8% YoY) and VND3,630 billion in NOII (-36.7% QoQ, +8.6% YoY), making TOI reach VND17,171 billion (-16.7% QoQ, -0.6% YoY). Provisions were VND4,389 billion (-10.2% QoQ, +6.8% YoY), causing PBT to increase to VND7,390 billion (-6.3% QoQ, +6.8% YoY).

NIM should improve in 2H24 thanks to low CoF

1Q NIM dropped 2bps QoQ to 2.55%, mostly resulting from BID's lowering lending interest rates to support the economy. KBSV expects NIM of the bank to rebound in 2H24 thanks to reduced costs of fund (CoF), but the recovery will not be too strong as BID will still maintain low lending interest rates, leading the banking industry in supporting the economic recovery.

The bank expects a credit growth of 14.04% for 2024

2024E guidance includes credit growth of 14.04% YoY and NPL ratio $\leq 1.4\%$. In addition, the general shareholders approved the plan on raising charter capital by VND13,619 billion (+23.9% YTD) in 2024 from two sources: (1) VND11,970 billion worth stock dividends for 2022 and (2) a private placement on December 31, 2023 with an expected ratio of 2.89% of charter capital.

Valuation: NEUTRAL rating with target price VND52,200/share

Based on valuation results, business prospects and potential risks of the bank, we give a NEUTRAL rating to BID. The target price for 2024 is VND52,200/share, 9.0% higher than the price on June 12, 2024.

Neutral maintain

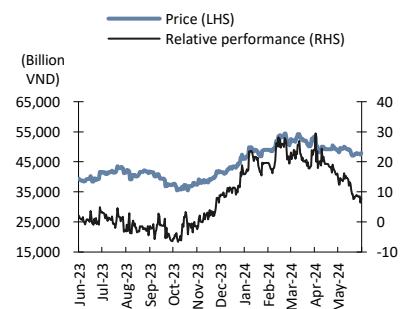
| | |
|------------------------------|------------------|
| Target price | VND52,200 |
| Upside | 9.0% |
| Current price (Jun 12, 2024) | VND47,900 |
| Consensus target price | VND51,900 |
| Market cap (VNDtn/USDbn) | 273.9/10.8 |

| | |
|------------------------------------|--------------------------------|
| Trading data | |
| Free float | 4.01% |
| 3M avg trading value (VNDbn/USDmn) | 83.8/3.3 |
| Foreign ownership | 17.1% |
| Major shareholder | State Bank of Vietnam (80.99%) |

| | | | | |
|--------------------------------|------|-------|------|------|
| Share price performance | | | | |
| (%) | 1M | 3M | 6M | 12M |
| Absolute | -1.4 | -8.9 | 15.1 | 21.7 |
| Relative | -6.3 | -11.3 | -1.5 | 5.9 |

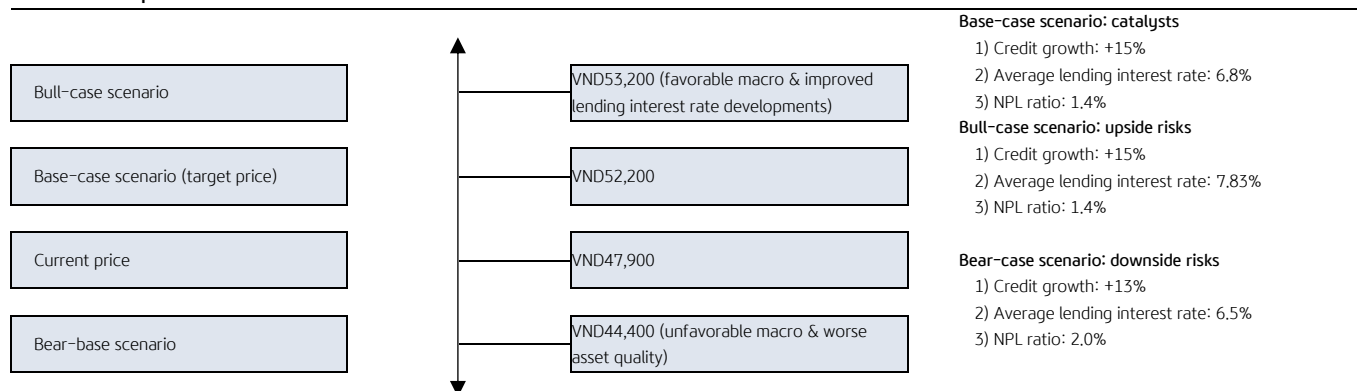
Forecast earnings & valuation

| FY-end | 2022 | 2023 | 2024F | 2025F |
|-----------------------------|--------|--------|--------|--------|
| Net interest income (VNDbn) | 56,070 | 56,136 | 67,219 | 79,561 |
| PPOP (VNDbn) | 47,025 | 47,932 | 55,852 | 65,512 |
| NPAT-MI (VNDbn) | 18,159 | 21,505 | 23,810 | 29,038 |
| EPS (VND) | 3,590 | 3,773 | 3,371 | 4,112 |
| EPS growth (%) | 72% | 5% | -11% | 22% |
| PER (x) | 13.3 | 12.7 | 14.2 | 11.6 |
| BVPS | 20,597 | 21,554 | 22,169 | 26,281 |
| PBR (x) | 2.33 | 2.22 | 2.16 | 1.82 |
| ROE (%) | 19.3 | 19.4 | 17.4 | 17.3 |
| Dividend yield (%) | 0.0 | 0.0 | 0.0 | 0.0 |



Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



Revised earnings estimates

| (VNDbn, %) | Revised | | Previous | | Change | |
|-------------|---------|--------|----------|--------|--------|-------|
| | 2024E | 2025E | 2024E | 2025E | 2024E | 2025E |
| Revenue | 69,075 | 80,075 | 67,219 | 79,561 | (2.7) | (0.6) |
| EBIT | 57,106 | 65,909 | 55,852 | 65,512 | (2.2) | (0.6) |
| NP after MI | 24,416 | 29,269 | 23,810 | 29,038 | (2.5) | (0.8) |

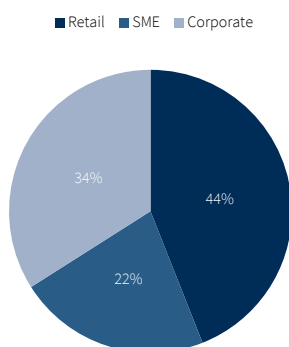
Source: KB Securities Vietnam

KBSV estimate vs consensus

| (VNDbn, %) | KBSV estimates | | Consensus | | Difference | |
|-------------|----------------|--------|-----------|--------|------------|-------|
| | 2024E | 2025E | 2024E | 2025E | 2024E | 2025E |
| Revenue | 67,219 | 79,561 | - | - | - | - |
| EBIT | 55,852 | 65,512 | - | - | - | - |
| NP after MI | 23,810 | 29,038 | 25,582 | 31,686 | (6.9) | (8.4) |

Source: Bloomberg, KB Securities Vietnam

Revenue composition (2023)



Source: Bank for Investment & Development, KB Securities Vietnam

Business operation

Bank for Investment and Development of Vietnam (BID) is a state-owned commercial joint stock bank with the largest asset size in the banking industry by the end of 2023, reaching VND2,300,814 billion. The retail segment contributes the largest proportion to BID's credit structure, reaching 44%.

1Q24 performance updates

1Q24 PBT gained 6.8% YoY to VND 7,390 billion

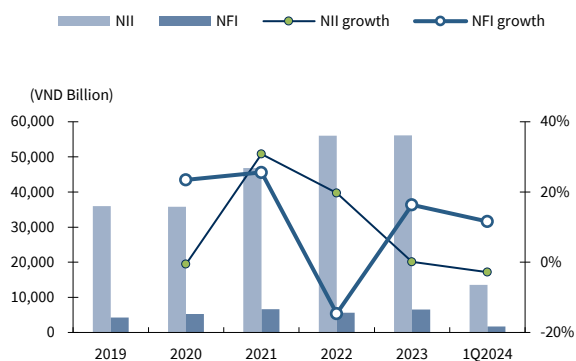
In 1Q24, BID recorded VND13,541 billion in NII (-8.9% QoQ, -2.8% YoY) and VND3,630 billion in NOII (-36.7% QoQ, +8.6% YoY), making TOI reach VND17,171 billion (-16.7% QoQ, -0.6% YoY). Provisions were VND4,389 billion (-10.2% QoQ, +6.8% YoY), causing PBT to increase to VND7,390 billion (-6.3% QoQ, +6.8% YoY).

Table 1. BID – 1Q24 business results

| (VNDbn, %) | 1Q23 | 4Q23 | 1Q24 | +/-%QoQ | +/-%YoY | Notes |
|---|---------------|---------------|---------------|---------------|----------------|---|
| Net interest income (NII) | 13,936 | 14,869 | 13,541 | -8.9% | -2.8% | NII decreased due to lower NIM and credit growth. |
| Net fee income (NFI) | 1,517 | 1,617 | 1,693 | 4.7% | 11.6% | |
| Other non-interest income (NOII) | 1,825 | 4,116 | 1,937 | -52.9% | 6.1% | The FX segment continued to record high profits, reaching VND1,465 billion (+117.8% YoY) while income from securities trading & investment activities was minus VND124 billion. Net income from other activities reached VND 500 billion (-48.8% YoY) due to other expenses increasing by 134.1% YoY. |
| Total operating income (TOI) | 17,278 | 20,602 | 17,171 | -16.7% | -0.6% | |
| Operating expenses | (4,832) | (7,830) | (5,393) | -31.1% | 11.6% | |
| Pre-provision operating profit (PPOP) | 12,447 | 12,772 | 11,779 | -7.8% | -5.4% | |
| Provisions | (5,527) | (4,885) | (4,389) | -10.2% | -20.6% | |
| Profit before taxes (PBT) | 6,920 | 7,887 | 7,390 | -6.3% | 6.8% | |
| Net profit after minority interest (NPAT-MI) | 5,468 | 6,074 | 5,813 | -4.3% | 6.3% | |
| Credit growth | 4.9% | 16.3% | 0.9% | -15.4 ppts | -4 ppts | Credit growth reached 0.9% YTD, higher than the industry average of 0.26% YTD. The main growth driver was the SME segment (+1.4% YTD) while the retail customer segment only rose 0.5% YTD. |
| Deposit growth | -1.2% | 7.5% | 1.3% | -6.2 ppts | 2.5 ppts | Deposit growth reached 1.3% YTD, higher than the industry-wide growth of 0.76% YTD. |
| NIM | 2.91% | 2.57% | 2.55% | -2 bps | -36 bps | NIM slightly drooped 2bps QoQ as the average IEA continued to decrease more than the CoF as BID accelerated cutting lending interest rates and implemented many preferential loan packages to support the economy. |
| Average earnings yield (IEA) | 6.72% | 7.00% | 6.79% | -20 bps | 6 bps | |
| Average costs of fund (CoF) | 4.07% | 4.71% | 4.53% | -18 bps | 45 bps | |
| CIR | 28.0% | 38.0% | 31.4% | -6.6 ppts | 3.4 ppts | |
| NPL | 1.55% | 1.25% | 1.51% | 25 bps | -4 bps | NPL gained 25bps QoQ due to substandard debt growing 15bps QoQ and bad debt increasing by 13bps QoQ. Special mention returned to a high level, reaching 2.05% (+47bps QoQ). |

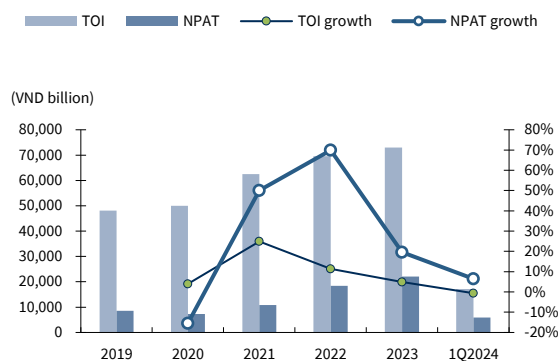
Source: Bank for Investment & Development, KB Securities Vietnam

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



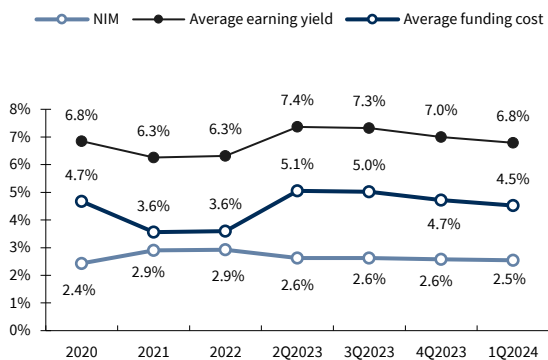
Source: Bank for Investment & Development, KB Securities Vietnam

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



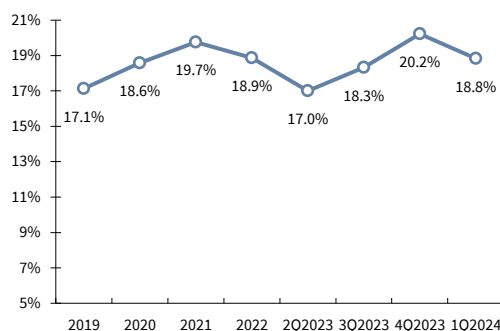
Source: Bank for Investment & Development, KB Securities Vietnam

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



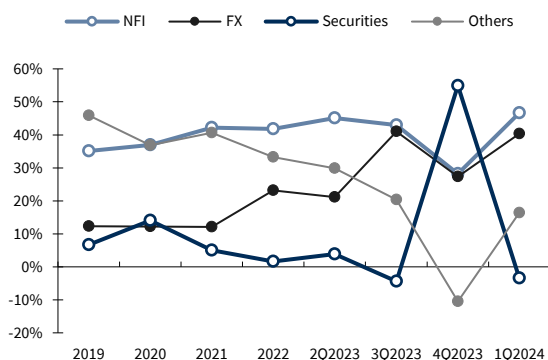
Source: Bank for Investment & Development, KB Securities Vietnam

Fig 5. BID – CASA ratio (%)



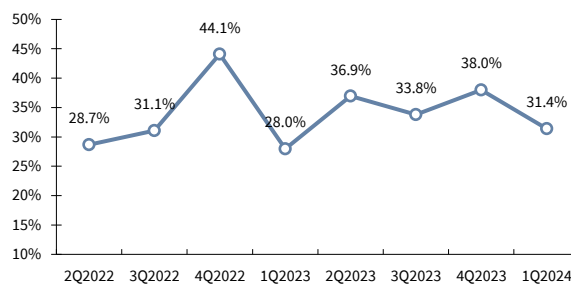
Source: Bank for Investment & Development, KB Securities Vietnam

Fig 6. BID – NOII breakdown (%)



Source: Bank for Investment & Development, KB Securities Vietnam

Fig 7. BID – CIR (%)



Source: Bank for Investment & Development, KB Securities Vietnam

1Q24 NIM slightly declined as BID lowered lending rates to support the economy

1Q NIM dropped 2bps QoQ to 2.55%, mostly resulting from BID's lowering lending interest rates to support the economy. As a leading bank, BID continuously offers preferential interest rate loan packages to boost credit demand and support businesses and people. It launched a VND200,000 billion credit package with interest rates from 4.5% for individual customers to serve production, business and consumption or the preferential interest rate package for home loans from 6.5% (belonging to the product group with the lowest interest rates in the home loan market).

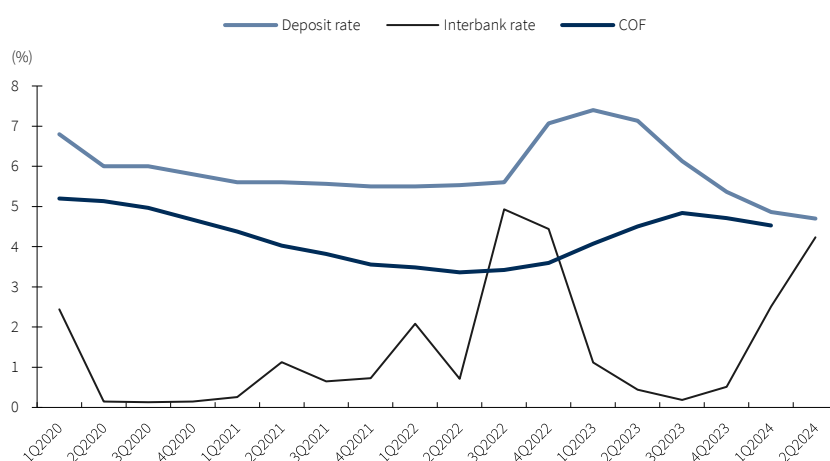
NIM is expected to improve in 2H24 thanks to low CoF

KBSV expects NIM of the bank to rebound in 2H24, based on:

- (1) High-interest customer deposits in the period 4Q22 – 1Q23 gradually mature, which will reduce mobilization costs to a low level.
- (2) Deposit interest rates remain low. BID's current 12M deposit interest rate is at 4.7%, lower than the rate in 2022 (~5.5%) when BID has the most favorable CoF in recent years.
- (3) Exchange rates are well controlled after the SBV's foreign exchange sales and OMO interest rate increases. The pressure of lowering exchange rates makes the scenario of increasing deposit interest rates to control exchange rates in the rest of the year not highly appreciated by KBSV.
- (4) Assuming that deposit interest rates are less than 5.5% for the rest of the year, we expect BID's CoF in 2024 to be at ~4%, equivalent to the 2021–2022 period. Meanwhile, lending interest rates will be lower than this period because the bank plays a leading role in supporting economic recovery, so the improvement in NIM will not be too strong.

Average CoF is expected to decrease as in the 2021–2022 period when deposit interest rates rebounded but remained low compared to the past.

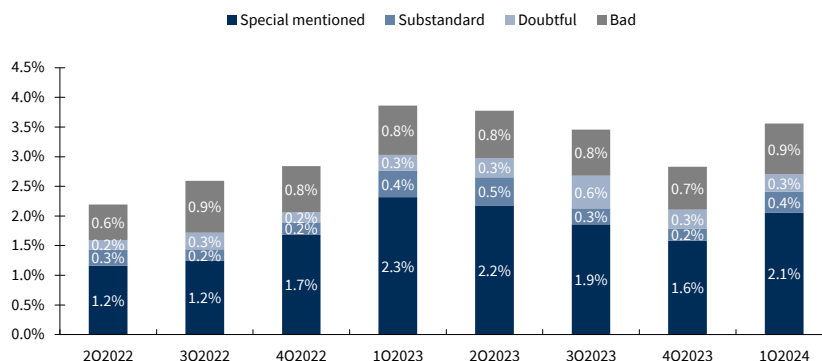
Fig 8. BID – CoF vs deposit & interbank interest rates (%)



Source: KB Securities Vietnam

Asset quality has deteriorated with NPL ratio increasing in all groups. The new NPL ratio is estimated to increase by 0.5%, equivalent to the peak period in late 2022 – early 2023. Special mention increased sharply by 47bps QoQ to 2.05%, increasing provisioning pressure in the second half of the year.

Fig 9. BID – NPL breakdown (%)



Source: Bank for Investment & Development, KB Securities Vietnam

BID's provision buffer remains high with LLCR reaching 152.8%, the second highest among the monitored banks, thereby ensuring flexibility in provisioning in 2H24.

Total debt restructured under Circular 02 by the end of 1Q is about VND18 trillion, concentrated in the group of large corporate customers (53%). Currently, BID has provisioned 84% for this debt group under Circular 02.

Fig 10. Vietnam banks – NPLs & 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: Vietnam Banks, KB Securities Vietnam

Credit growth for 2024 should be 14.04%, and private issuance is expected to be equal to 2.89% of charter capital

At the 2024 AGM, BID set a credit growth plan of 14.04% YoY, NPL ratio of less than 1.4%. In addition, the general shareholders approved the plan to increase charter capital in 2024 by VND13,619 billion (+23.9% YTD) from two sources: (1) stock dividend payment in 2022 of VND11,970 billion; and (2) private placement to investors, expected at 2.89% of charter capital as of December 31, 2023, equivalent to VND1,648 billion. The number of shares offered for private sale will be restricted from transfer for three years for strategic investors and one year for professional investors.

Forecast & valuation

Table 11. BID – 2024–2025F business results

| (VNDbn, %) | 2023 | 2024F | +/-%YoY | 2025F | +/-%YoY | Notes |
|----------------|-----------|-----------|---------|-----------|---------|---|
| NII | 56,136 | 67,219 | 19.7% | 79,561 | 18.4% | NII growth is attributable to improved NIM and expected credit growth of 15% YoY. |
| NFI | 6,570 | 7,254 | 10.4% | 7,762 | 7.0% | |
| TOI | 73,013 | 82,621 | 13.2% | 96,768 | 17.1% | |
| Provisions | (20,344) | (25,440) | 25.1% | (28,502) | 12.0% | The forecast for provisioning level is unchanged from previous projection, and LLCR should be at 138%. |
| NP after MI | 21,505 | 23,810 | 10.7% | 29,038 | 22.0% | |
| NIM | 2.57% | 2.74% | 17bps | 2.84% | 10bps | We lowered NIM projection for 2024 by 10bps QoQ from previous projection, reflecting BID's view of reducing lending rates to promote economic recovery. |
| Average IEA | 7.00% | 6.01% | -99bps | 6.12% | 11bps | |
| Average CoF | 4.72% | 3.51% | -121bps | 3.53% | 2bps | |
| CIR | 34.4% | 32.4% | -195bps | 32.3% | -10bps | |
| NPL | 1.26% | 1.40% | 14bps | 1.20% | -20bps | |
| Total assets | 2,300,869 | 2,674,995 | 16.3% | 3,026,914 | 13.2% | |
| Owner's equity | 122,867 | 156,565 | 27.4% | 185,603 | 18.5% | |

Source: Bank for Investment & Development, KB Securities Vietnam

Valuation: NEUTRAL rating – Target price VND52,200/share

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

(1) P/B valuation method:

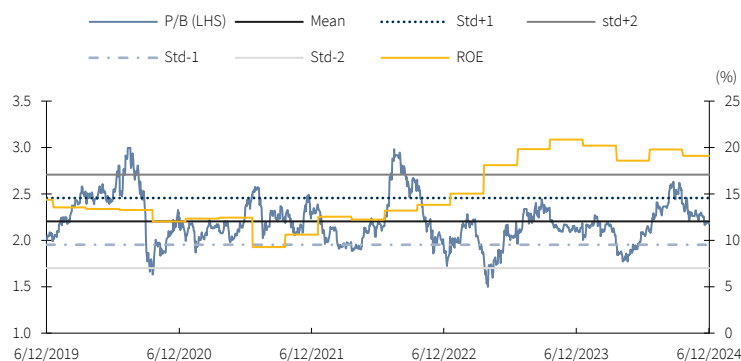
We maintain the 2024F P/B at 2.45x, equivalent to +1SD of BID's five-year P/B average, based on the prospect of improved NIM, the second highest provision buffer in the industry despite the deterioration in debt quality in 1Q24.

(2) Residual income method (Table 14)

In addition, we combine a residual income model to reflect systematic risks and long-term expectations.

Combining the two valuation methods above at a 50–50 ratio, we conclude the fair price for BID shares for 2024 is at VND52,200/share, 9.0% higher than the price on June 12, 2024.

Fig 22. BID – P/B in 2019–2024 (x)



Source: Bloomberg, KB Securities Vietnam

Table 13. BID – Valuation according to residual income method

| (VNDbn) | 2024F | 2025F | 2026F |
|-----------------------------|---------------|--------|--------|
| NPAT | 24,329 | 29,609 | 35,309 |
| Excessed return | 7,914 | 8,692 | 10,513 |
| Required rate of return (r) | 13.36% | | |
| Growth (g) | 3.0% | | |
| Terminal value | 35,574 | | |
| 2023-end fair value | 225,685 | | |
| Value per share | 38,668 | | |

Source: KB Securities Vietnam

Table 13. BID – Valuation according to residual income method

| Valuation method | Forecast price | Weighting | Weighted price |
|---------------------|----------------|-----------|----------------|
| P/B | 65,721 | 50% | 32,860 |
| Residual income | 38,668 | 50% | 19,334 |
| Target price | | | 52,200 |

Source: KB Securities Vietnam

BID – 2022A–2025F financials

| Income Statement (VNDbn) | | | | | | Balance Sheet (VNDbn) | | | | | |
|-----------------------------|----------|----------|----------|----------|----------|-------------------------------|-----------|-----------|-----------|-----------|-----------|
| | 2021 | 2022 | 2023 | 2024F | 2025F | | 2021 | 2022 | 2023 | 2024F | 2025F |
| Net interest income | 46,823 | 56,070 | 56,136 | 67,219 | 79,561 | Loans | 1,325,529 | 1,483,996 | 1,737,196 | 2,004,804 | 2,294,069 |
| Interest income | 101,008 | 121,111 | 152,761 | 147,561 | 171,810 | Marketable securities | 6,069 | 1,701 | 6,972 | 8,040 | 9,210 |
| Interest expense | (54,185) | (65,041) | (96,626) | (80,342) | (92,249) | Cash (ex. Reserves) | 12,661 | 13,745 | 11,029 | 12,718 | 14,568 |
| Fees & commissions | 6,614 | 5,648 | 6,570 | 7,254 | 7,762 | Interest earning assets | 1,743,024 | 2,092,669 | 2,271,476 | 2,636,215 | 2,975,874 |
| Other non-interest income | 6,179 | 4,210 | 2,068 | 2,931 | 3,746 | Fixed assets & other assets | 35,365 | 51,896 | 59,850 | 65,934 | 73,302 |
| Total operating income | 62,494 | 69,582 | 73,013 | 82,621 | 96,768 | Total assets | 1,761,696 | 2,120,609 | 2,300,869 | 2,674,995 | 3,026,914 |
| SG&A expenses | (19,465) | (22,557) | (25,081) | (26,769) | (31,256) | Customer deposits | 1,380,398 | 1,473,598 | 1,704,690 | 1,965,687 | 2,251,709 |
| Pre-provisioning OP | 43,028 | 47,025 | 47,932 | 55,852 | 65,512 | Borrowings & call money/repos | 138,032 | 170,289 | 202,023 | 235,984 | 229,789 |
| Provision for credit losses | (29,481) | (24,015) | (20,344) | (25,440) | (28,502) | Interest bearing liabilities | 1,641,777 | 1,973,861 | 2,124,440 | 2,456,656 | 2,770,903 |
| Other income | 8,957 | 6,526 | 6,543 | 4,510 | 5,763 | Other liabilities | 33,590 | 42,558 | 53,562 | 61,775 | 70,409 |
| Other expense | (2,779) | (2,316) | (4,475) | (1,578) | (2,017) | Total liabilities | 1,675,367 | 2,016,419 | 2,178,002 | 2,518,431 | 2,841,311 |
| Pre-tax income | 13,548 | 23,009 | 27,589 | 30,412 | 37,011 | Charter capital | 50,585 | 50,585 | 57,004 | 70,622 | 70,622 |
| Income tax expense | (2,706) | (4,589) | (5,612) | (6,082) | (7,402) | Capital surplus | 14,292 | 15,351 | 15,361 | 23,601 | 23,601 |
| NP | 10,841 | 18,420 | 21,977 | 24,329 | 29,609 | Retained earnings | 8,673 | 21,576 | 30,331 | 42,171 | 71,208 |
| Minority interest profit | (301) | (262) | (472) | (519) | (571) | Capital adjustments | - | - | - | - | - |
| Parent NP | 10,540 | 18,159 | 21,505 | 23,810 | 29,038 | Total shareholders' equity | 86,329 | 104,190 | 122,867 | 156,565 | 185,603 |

| Financial Indicators (%) | | | | | | Valuation (VND, X, %) | | | | | |
|----------------------------|--------|--------|--------|--------|--------|--------------------------------|--------|--------|--------|--------|--------|
| | 2021 | 2022 | 2023 | 2024F | 2025F | | 2021 | 2022 | 2023 | 2024F | 2025F |
| Profitability | | | | | | Share Price Indicators | | | | | |
| ROE | 13.1% | 19.3% | 19.4% | 17.4% | 17.3% | EPS | 2,084 | 3,590 | 3,773 | 3,371 | 4,112 |
| ROA | 0.7% | 0.9% | 1.0% | 1.0% | 1.0% | BVPS | 17,066 | 20,597 | 21,554 | 22,169 | 26,281 |
| Pre-provision ROE | 41.5% | 39.5% | 33.7% | 32.0% | 30.6% | Tangible BVPS | 16,196 | 19,720 | 20,730 | 21,512 | 25,632 |
| Pre-provision ROA | 2.1% | 1.9% | 1.7% | 1.8% | 1.8% | Valuations | | | | | |
| Net interest margin (NIM) | 2.9% | 2.9% | 2.6% | 2.7% | 2.8% | PER | 23.0 | 13.3 | 12.7 | 14.2 | 11.6 |
| Efficiency | | | | | | PBR | 2.8 | 2.3 | 2.2 | 2.2 | 1.8 |
| Pure Loan to deposit ratio | 98.1% | 103.3% | 104.3% | 104.0% | 103.5% | Dividend yield | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Cost-income ratio | 31.1% | 32.4% | 34.4% | 32.4% | 32.3% | ROE | 13.1% | 19.3% | 19.4% | 17.4% | 17.3% |
| Growth | | | | | | Capital Adequacy | | | | | |
| Asset growth | 16.2% | 20.4% | 8.5% | 16.3% | 13.2% | CAR | 9.5% | 9.9% | 9.5% | >9% | >9% |
| Loan growth | 10.9% | 12.0% | 17.1% | 15.4% | 14.4% | Asset Quality | | | | | |
| PPOP growth | 33.0% | 9.3% | 1.9% | 16.5% | 17.3% | NPL ratio (substandard) | 10% | 12% | 13% | 14% | 12% |
| Parent NP growth | 50.6% | 72.3% | 18.4% | 10.7% | 22.0% | Coverage ratio (substandard) | 214.8% | 216.8% | 180.7% | 138.1% | 130.3% |
| EPS growth | 19.8% | 72.3% | 5.1% | -10.6% | 22.0% | NPL ratio (precautionary) | 2.1% | 2.8% | 2.8% | 3.0% | 2.9% |
| BVPS growth | -13.8% | 20.7% | 4.6% | 2.9% | 18.5% | Coverage ratio (precautionary) | 101.1% | 88.4% | 80.2% | 64.4% | 53.9% |

Source: Bank for Investment & Development, 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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