

New York Community Bancorp

Credit weighs

Reiterate Rating: BUY | PO: 13.00 USD | Price: 9.87 USD

Stock discounting near term challenges

Stock reacted negatively to the credit migration witnessed during the quarter. This likely caught the Street by surprise given NYCB's stellar asset quality record. In the meantime, mgmt. continues to execute on its franchise transformation efforts, including the integration of Flagstar/Signature along with onboarding of First Republic bankers. While not immune to a worsening operating backdrop (credit, funding costs, regulatory), at sub-TBV (\$10.25/shr as of 09/30) the stock is adequately discounting EPS headwinds. NYCB reported 3Q23 core EPS of \$0.36 vs. BofAe/cons. \$0.33/\$0.34 ests. Revise FY24e EPS to \$1.30 from \$1.36 driven by higher credit costs assumptions. Reiterate Buy rating.

Credit overhang likely to persist

Investor concerns tied to the impact from higher rates on NYCB's commercial real estate (CRE) customers likely to persist. While higher rates are likely to drive additional problem loans and could create EPS volatility, NYCB's historically conservative underwriting and the risk characteristics of the loan book should keep loss content at manageable levels. Nonperforming loans (NPLs) +19bp (or \$159mn) QoQ to 0.47% of loans, net charge-offs (NCOs) +3bp to 0.03% of avg. loans. Mgmt. called out two office CRE loans (\$112mn in Manhattan and \$28mn in Syracuse) that drove the higher NPLs/NCOs. Office CRE 4% of loans (avg. LTV 59%; avg. DSCR 1.7x); ~\$300mn maturing over the next year.

Balance sheet stabilizing

Mgmt. guidance calls for relative stability in the balance sheet vs. 09/30. Our forecast assumes avg. earnings assets stabilizing near \$102bn for the next few quarters starting 4Q23. Forecast NII of \$787mn/\$3.1bn for 4Q23/FY24 implying a NIM of 3.07%/3.02%. Loan repricing (~\$4.5bn next year) should help with market yields ~300bp better vs. maturing cash flows. Loan-to-deposit ratio at 102% vs. mgmt. target sub-100%. Outside of the competitive environment, the success of mgmt.'s multiple deposit growth initiatives (include Signature/First Republic bankers) should drive NIM/NII.

Expenses to see upward push

We forecast FY24e core expenses (ex. merger, amortization) of \$2.1bn or +3% YoY. While NYCB should realize M&A driven cost synergies (Flagstar systems conversion slated for February), ongoing franchise investments and regulatory costs to operate as a \$100bn+ asset bank are likely to exert upward pressure. Roll forward PO methodology, to equal weight 2024e EPS and 2024e TBV. See p. 4 for further explanation.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	1.23	1.24	1.27	1.30	1.34
GAAP EPS	1.21	1.27	3.93	1.30	1.34
EPS Change (YoY)	39.8%	0.8%	2.4%	2.4%	3.1%
Consensus EPS (Bloomberg)			1.36	1.46	1.60
DPS	0.68	0.68	0.68	0.68	0.68
Valuation (Dec)					
P/E	8.0x	8.0x	7.8x	7.6x	7.4x
GAAP P/E	8.2x	7.8x	2.5x	7.6x	7.4x
Dividend Yield	6.9%	6.9%	6.9%	6.9%	6.9%

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Timestamp: 26 October 2023 08:20PM EDT

26 October 2023

Equity

Key Changes

(US\$)	Previous	Current
2023E Rev (m)	4,034.7	4,239.4
2024E Rev (m)	4,147.9	4,219.7
2025E Rev (m)	4,335.9	4,286.9
2023E EPS	1.24	1.27
2024E EPS	1.36	1.30
2025E EPS	1.48	1.34

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Stock Data

Price	9.87 USD
Price Objective	13.00 USD
Date Established	10-Oct-2023
Investment Opinion	B-1-7
52-Week Range	5.81 USD -14.22 USD
Mrkt Val / Shares Out (mn)	7,131 USD / 722.5
Average Daily Value	89.19 USD
BofA Ticker / Exchange	NYCB / NYS
Bloomberg / Reuters	NYCB US / NYCB.N
ROE (2023E)	9.0%
ESGMeter™	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

iQprofileSM New York Community Bancorp

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Interest Income	1,289	1,396	3,124	3,131	3,097
% change	17.1%	8.3%	123.8%	0.2%	-1.1%
Net Fee Income	62	90	558	544	595
Securities Gains / (Losses)	0	(2)	(1)	0	0
Total Operating Income	1,412	1,574	4,239	4,220	4,287
Operating Expenses	(516)	(461)	(2,190)	(2,217)	(2,293)
% change	0.2%	-10.7%	375.0%	1.3%	3.4%
Provisions Expense	(3)	(16)	(179)	(200)	(100)
% change	-95.9%	522.8%	1,018.8%	11.7%	-50.0%
Operating Pre-Tax Income	831	864	1,313	1,258	1,299
Operating Net Income to Comm S/Hold.	582	602	923	937	968
GAAP Net Income	615	634	955	969	1,000

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Total Assets	59,527	90,144	111,580	116,407	116,845
Average Interest Earning Assets	52,267	59,240	101,938	103,552	106,982
Total Gross Customer Loans	45,738	70,116	85,703	85,089	85,082
% change	6.4%	53.3%	22.2%	-0.7%	0%
Total Customer Deposits	35,059	58,721	80,810	86,992	91,804
% change	8.1%	67.5%	37.6%	7.6%	5.5%
Tangible Equity	4,115	5,608	7,588	8,422	8,984
Common Shareholders' Equity	6,541	8,321	10,639	11,376	11,853

Key Metrics (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Interest Margin	2.47%	2.36%	3.07%	3.02%	2.89%
Effective Tax Rate	26.0%	26.6%	27.3%	23.0%	23.0%
Loan / Deposit Ratio	130.5%	119.4%	106.1%	97.8%	92.7%
Tangible Common Equity / Assets	6.9%	6.2%	6.8%	7.2%	7.7%
ROA	0.99%	0.93%	0.82%	0.83%	0.83%
ROE	8.9%	9.1%	9.0%	8.5%	8.3%
RoTE	14.2%	12.4%	13.8%	11.7%	11.1%
Dividend Payout Ratio	54.3%	54.7%	52.7%	52.5%	50.7%
Efficiency Ratio (Cost / Income Ratio)	36.6%	29.3%	51.6%	52.5%	53.5%

Quality of Earnings (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Total Non-Interest Inc / Operating Inc	8.7%	11.3%	26.3%	25.8%	27.8%
NPLs plus Foreclosed Real Estate / Loans	0.1%	0.2%	0.5%	0.7%	1.0%
Loan Loss Reserves / NPLs	603.03%	278.72%	160.69%	137.42%	100.53%
Loan Loss Reserves / Total Loans	0.44%	0.56%	0.77%	0.94%	0.99%

Company Sector

Banks-US Regionals

Company Description

New York Community Bancorp, Inc. is the parent company of Flagstar Bank, N.A., one of the largest regional banks in the country. The Company is headquartered in Hicksville, New York with regional headquarters in Troy, Michigan. Proforma, at September 30, 2022, the Company had \$88.4 billion of assets, \$66.0 billion of loans, deposits of \$58.3 billion, and total stockholders' equity of \$9.3 billion.

Investment Rationale

Management's transformation efforts to improve the funding mix combined with value creation stemming from the Flagstar and Signature acquisitions provide an attractive risk/reward. Going forward, NYCB should have a more diversified lending platform, a better funding profile, excess capital generation and significant market share opportunities which keeps us constructive with regards to our stock outlook.

Stock Data

Average Daily Volume 9,036,033

Quarterly Earnings Estimates

	2022	2023
Q1	0.32A	0.21A
Q2	0.35A	0.42A
Q3	0.32A	0.36A
Q4	0.25A	0.28E

Exhibit 1: NYCB Variance Table

New vs. old EPS estimates, assumptions

KEY FORECAST VARIABLES:	2023	Actual 3Q23	Estimate 3Q23E	Variance	New 2023E	Old 2023E	Variance	New 2024E	Old 2024E	Variance
EOP Loans	85,472	85,921	85,391	0.62%	85,703	85,317	0.45%	85,089	85,788	-0.81%
Average Loans	83,810	85,691	83,238	2.95%	81,522	80,245	1.59%	85,376	83,223	2.59%
Average Earning Assets	112,299	107,025	104,165	2.75%	101,938	101,358	0.57%	103,552	103,137	0.40%
Net Interest Margin (%)	3.2	3.3	3.0	29bp	3.1	3.0	10bp	3.0	3.0	-3bp
Net Interest Income (FTE)	900.0	882.0	781.4	12.88%	3,124.4	3,001.8	4.09%	3,130.8	3,144.9	-0.45%
Loan Loss Provision	49.0	62.0	25.0	148.00%	179.0	117.0	52.99%	200.0	130.0	53.85%
Noninterest Revenues	162	160.0	137	17.00%	558.0	517	7.94%	544.5	501	8.57%
Tot. Revenue	1,061.0	1,042.0	918.1	13.49%	3,681.4	3,517.7	4.65%	3,675.2	3,646.4	0.79%
Total Expenses	552.0	621.0	587.2	5.75%	2,189.9	2,159.9	1.39%	2,217.3	2,195.4	0.99%
Pre-Tax Income (FTE)	460.0	359.0	305.9	17.37%	1,312.5	1,240.8	5.78%	1,257.9	1,321.0	-4.77%
FTE Tax Rate (%)	30.0	23.7	18.5	5pp	27.3	25.3	2pp	23.0	23.0	0pp
Net Income	322.0	274.0	249.3	9.91%	954.8	926.9	3.00%	968.6	1,017.1	-4.77%
Available For Common	314.0	266.0	241.3	25mn	922.8	894.9	28mn	936.6	985.1	-49mn
Op. EARNINGS PER SHARE (F.D.)	\$0.42	\$0.36	\$0.33	7%	\$1.27	\$1.24	2%	\$1.30	\$1.36	-5%
GAAP EPS (F.D.)	\$0.50	\$0.27	\$0.31	-11%	\$3.93	\$3.96	-1%	\$1.30	\$1.36	-5%
Book Value Per Share	\$14.61	\$14.52	\$14.49	\$0.03	\$14.73	\$14.69	\$0.03	\$15.75	\$15.78	(\$0.03)
Tangible Book Value Per Share	\$10.29	\$10.25	\$10.21	\$0.04	\$10.50	\$10.45	\$0.05	\$11.66	\$11.67	(\$0.02)
Dividend Per Share	\$0.17	\$0.17	\$0.17	\$0.00	\$0.68	\$0.68	\$0.00	\$0.68	\$0.68	\$0.00
Average Fully-Diluted Shares	723.7	724.9	722.5	2mn	714.8	714.2	1mn	722.5	722.5	0mn
CAPITAL RATIOS:										
EOP Common Equity/Assets (%)	8.89	9.43	9.24	20bp	9.53	9.23	31bp	9.77	9.90	-12bp
Tang. Common Equity/Assets (%)	6.43	6.85	6.69	16bp	6.99	6.74	25bp	7.42	7.52	-9bp
Tangible Common Equity/RWA (%)	8.62	8.44	8.96	-51bp	8.63	9.03	-41bp	9.18	10.08	-90bp
Tier 1 Common/RWA (%)	9.59	9.60	10.19	-59bp	9.69	10.15	-46bp	9.84	10.81	-96bp
Tier 1/RWA (%)	10.17	10.17	11.03	-86bp	10.23	10.96	-73bp	10.29	11.54	-125bp
PROFITABILITY RATIOS:										
Return On Assets (%)	1.04	0.92	0.83	10bp	0.84	0.80	3bp	0.83	0.86	-3bp
Return On Common Equity (%)	12.12	9.88	9.11	77bp	9.16	8.92	23bp	8.52	8.97	-45bp
Return On Tangible Common Equity (%)	17.30	14.23	12.94	130bp	12.81	12.46	36bp	11.71	12.34	-62bp
Operating Expenses/Revenues (%)	51.98	59.60	63.96	-436bp	59.47	61.38	-192bp	60.33	60.21	12bp
BALANCE SHEET ITEMS:										
EOP Total Deposits	88,497	82,675	82,526	0.18%	80,810	82,938	-2.56%	86,992	85,518	1.72%
AVG Total Deposits	83,862	84,197	84,449	-0.30%	77,723	78,034	-0.40%	83,699	84,210	-0.61%
EOP Total Assets	118,796	111,230	113,365	-1.88%	111,580	115,070	-3.03%	116,407	115,191	1.06%
EOP Equity	11,060	10,993	10,973	0.19%	11,142	11,118	0.21%	11,879	11,904	-0.21%
EOP Preferred Equity	503	503	503	0.00%	503	503	0.00%	503	503	0.00%
EOP Common Equity	10,557	10,490	10,470	0.19%	10,639	10,615	0.22%	11,376	11,401	-0.22%
EOP Tangible Common Equity	7,434	7,403	7,377	0.36%	7,588	7,552	0.47%	8,422	8,435	-0.16%
CREDIT QUALITY INDICATORS:										
Net Charge-Offs	(1)	24	0	NA	33	(1)	NA	60	50	20.00%
% Average Loans	(0.00)	0.11	0.00	11bp	0.04	(0.00)	4bp	0.07	0.06	1bp
Nonperforming Assets	246	397	259	53.57%	426	273	55.77%	604	373	62.05%
% EOP Loans + OREO	0.29	0.46	0.30	16bp	0.50	0.32	18bp	0.71	0.43	28bp
Loan Loss Reserve	594	619	619	0.00%	659	644	2.33%	799	724	10.36%
% EOP Loans	0.69	0.72	0.72	0bp	0.77	0.75	1bp	0.94	0.84	10bp
% Nonperforming Loans	254.94	161.60	253.22	-9162bp	160.69	249.96	-8927bp	137.42	206.86	-6944bp

Source: BofA Global Research estimates, company filings

BofA GLOBAL RESEARCH



Our unchanged \$13 PO is now based on 50%/50% weighting between our 2024e EPS and 2024e TBV; revised from a 50% weighting to our 2023e P/E with the remaining 50% evenly split between 2024e P/E and 2023e P/TBV as 2023e reflects 3 quarters of reported results.

Acronyms:

NII – Net interest income

NIM – Net interest margin

Price objective basis & risk

New York Community Bancorp (NYCB)

Our \$13 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 10.5x/1.0x multiples, respectively, below the bank's 5 year pre pandemic median of 15.1x/1.7x given heightened uncertainty surrounding EPS/ROTCE outlooks, owing to the macro backdrop. Upside risks to our price objective are: better than expected growth, steepening in the yield curve, and better than expected deal synergies. Downside risks to our price objective are: worse than expected growth, significantly higher than (market) expected Fed Funds rate, severe downturn in the NYC economy and the NYC commercial real estate market.

Analyst Certification

I, Ebrahim H. Poonawala, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Citigroup Inc.	C	C US	Ebrahim H. Poonawala
	Cullen/Frost Bankers Inc	CFR	CFR US	Ebrahim H. Poonawala
	East West Bancorp, Incorporated	EWBC	EWBC US	Ebrahim H. Poonawala
	Fifth Third Bank	FITB	FITB US	Ebrahim H. Poonawala
	First Bancorp Puerto Rico	FBP	FBP US	Brandon Berman
	First Horizon Corporation	FHN	FHN US	Ebrahim H. Poonawala
	Goldman Sachs	GS	GS US	Ebrahim H. Poonawala
	JPMorgan Chase & Co.	JPM	JPM US	Ebrahim H. Poonawala
	KeyCorp	KEY	KEY US	Ebrahim H. Poonawala
	M&T Bank	MTB	MTB US	Ebrahim H. Poonawala
	Morgan Stanley	MS	MS US	Ebrahim H. Poonawala
	New York Community Bancorp	NYCB	NYCB US	Ebrahim H. Poonawala
	Northern Trust Corporation	NTRS	NTRS US	Ebrahim H. Poonawala
	Synovus Financial Corp.	SNV	SNV US	Ebrahim H. Poonawala
	The Bank of New York Mellon Corporation	BK	BK US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	TD	TD US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	YTD	TD CN	Ebrahim H. Poonawala
	U.S. Bancorp	USB	USB US	Ebrahim H. Poonawala
	Wells Fargo & Company	WFC	WFC US	Ebrahim H. Poonawala
	Western Alliance Bancorp	WAL	WAL US	Ebrahim H. Poonawala
NEUTRAL				
	Ally Financial	ALLY	ALLY US	Brandon Berman
	Associated Banc-Corp	ASB	ASB US	Brandon Berman
	Bank of Montreal	BMO	BMO US	Ebrahim H. Poonawala
	Bank of Montreal	YBMO	BMO CN	Ebrahim H. Poonawala
	Bank of Nova Scotia	YBNS	BNS CN	Ebrahim H. Poonawala
	Bank of Nova Scotia	BNS	BNS US	Ebrahim H. Poonawala
	Citizens Financial Group	CFG	CFG US	Ebrahim H. Poonawala
	Comerica Incorporated	CMA	CMA US	Ebrahim H. Poonawala
	Huntington Bancshares Inc.	HBAN	HBAN US	Ebrahim H. Poonawala
	Popular Inc	BPOP	BPOP US	Brandon Berman
	Regions Financial	RF	RF US	Ebrahim H. Poonawala
	Royal Bank of Canada	RY	RY US	Ebrahim H. Poonawala
	Royal Bank of Canada	YRY	RY CN	Ebrahim H. Poonawala
	State Street Corporation	STT	STT US	Ebrahim H. Poonawala
	The PNC Financial Services Group, Inc.	PNC	PNC US	Ebrahim H. Poonawala
	Truist Financial	TFC	TFC US	Ebrahim H. Poonawala
UNDERPERFORM				
	Bank of Hawaii Corp.	BOH	BOH US	Brandon Berman
	Canadian Imperial Bank of Commerce	CM	CM US	Ebrahim H. Poonawala



North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Canadian Imperial Bank of Commerce	YCM	CM CN	Ebrahim H. Poonawala
	First Hawaiian Inc.	FHB	FHB US	Brandon Berman
	Prosperity Bancshares Inc	PB	PB US	Ebrahim H. Poonawala
	Texas Capital Bancshares Inc.	TCBI	TCBI US	Brandon Berman
	Zions Bancorp	ZION	ZION US	Ebrahim H. Poonawala

IQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

EV / EBITDA

Basic EBIT + Depreciation + Amortization

IQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of *IQmethod* are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

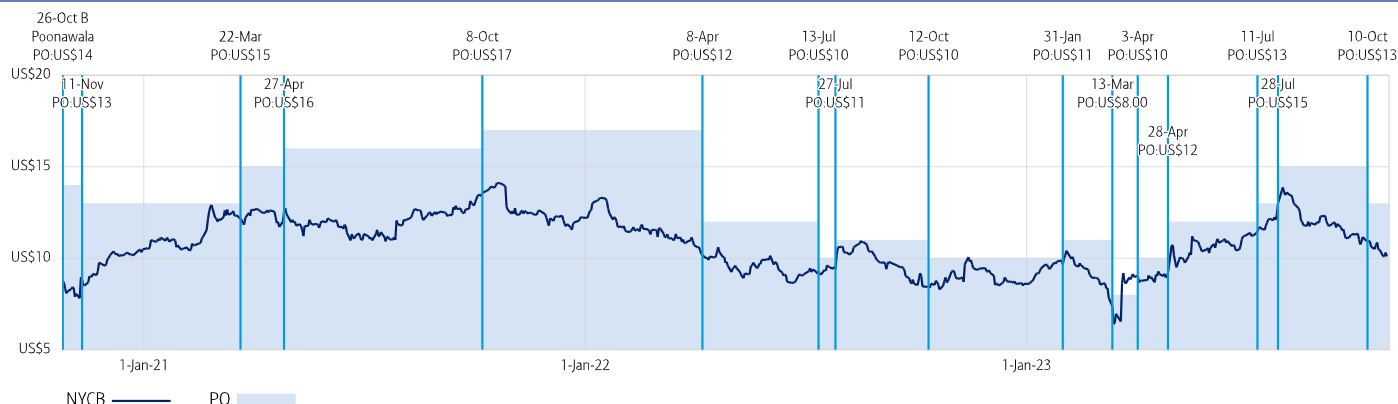
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Disclosures

Important Disclosures

New York Community (NYCB) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Banks Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	98	50.78%	Buy	81	82.65%
Hold	47	24.35%	Hold	35	74.47%
Sell	48	24.87%	Sell	36	75.00%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1869	53.48%	Buy	1046	55.97%
Hold	828	23.69%	Hold	461	55.68%
Sell	798	22.83%	Sell	370	46.37%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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