

Rating: BUY | CMP: Rs423 | TP: Rs500

January 25, 2026

Q3FY26 Result Update

Change in Estimates | Target | Reco

Change in Estimates

Rating	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Target Price	BUY 500		BUY 496	
NII (Rs. m)	3,45,765	4,02,270	3,44,235	4,01,356
% Chng.	0.4	0.2		
Op. Profit (Rs. m)	2,51,039	2,88,715	2,51,828	2,90,359
% Chng.	(0.3)	(0.6)		
EPS (Rs.)	16.4	19.0	16.4	19.1
% Chng.	(0.2)	(0.7)		

Key Financials - Standalone

Y/e Mar	FY25	FY26E	FY27E	FY28E
NII (Rs m)	2,83,418	2,99,469	3,45,765	4,02,270
Op. Profit (Rs m)	2,45,265	2,19,025	2,51,039	2,88,715
PAT (Rs m)	1,64,501	1,36,668	1,63,259	1,88,471
EPS (Rs.)	16.5	13.7	16.4	19.0
Gr. (%)	19.3	(16.9)	19.5	15.4
DPS (Rs.)	0.4	0.4	0.5	0.6
Yield (%)	0.1	0.1	0.1	0.1
NIM (%)	4.5	4.2	4.4	4.4
RoAE (%)	15.4	10.9	11.5	11.8
RoAA (%)	2.5	1.9	2.0	2.0
P/BV (x)	3.6	3.1	2.8	2.5
P/ABV (x)	3.6	3.2	2.8	2.5
PE (x)	25.6	30.8	25.7	22.3
CAR (%)	22.2	21.2	20.6	20.3

Key Data

KTKM.BO | KMB IN

52-W High / Low	Rs.460 / Rs.372
Sensex / Nifty	81,538 / 25,049
Market Cap	Rs.4,205bn/ \$ 45,727m
Shares Outstanding	9,945m
3M Avg. Daily Value	Rs.6606.35m

Shareholding Pattern (%)

Promoter's	25.88
Foreign	29.75
Domestic Institution	20.77
Public & Others	11.24
Promoter Pledge (Rs bn)	12.36

Stock Performance (%)

	1M	6M	12M
Absolute	(2.3)	(2.6)	11.6
Relative	2.5	(1.2)	4.7

Gaurav Jani

gauravjani@plindia.com | 91-22-66322235

Harshada Gite

harshadagite@plindia.com | 91-22-66322237

Incremental stress reducing as envisaged

Quick Pointers:

- Good quarter with core PAT beat driven by better provisions.
- NIM and credit costs can surprise positively.

KMB saw a good quarter; core PAT beat PLe by 2.3% owing to better asset quality resulting in lower provisions. NII/NIM was a tad higher despite drag of increased liquidity (4bps impact). SME, BuB, housing and corporate continue to remain asset growth drivers. As expected, unsecured stress in reducing which has contributed to consistent decline in credit cost from 115bps in Q1FY26 to 73bps in Q3'26. Led by strong capital adequacy (21.5% CET-1) and comfortable LDR (85-87%), KMB is well poised to deliver above system level credit growth of 15-18% over the medium term (we are factoring 16% CAGR). Acceleration in loan growth and decline in credit costs remain key levers to re-rating; assuming stable interest rates, NIM and credit costs can surprise positively. With core RoA of 1.9% in FY28E, KMB remains of our preferred picks. We keep multiple at 2.3x on Sep'27 core ABV with a TP at Rs500. Retain 'BUY'.

- Steady quarter; slight beat on core PAT aided by better asset quality:** NII was a tad higher at Rs75.6bn (PLe Rs74.8bn) led by better NIM (calc.) which came in at 4.55% (PLe 4.53%); reported NIM was flat QoQ at 4.54%. Credit and deposit growth were in-line at 16.1%/14.6%. CASA was 41.3% (42.3% in Q2'26). LDR increased to 88.6% (87.5% in Q2'26). Other income was Rs28.4bn (PLe Rs28.8bn); fee was 3% higher. Opex at Rs50.2bn was 3.3% above PLe led by higher staff cost; labor code impact was Rs955mn. Core PPoP at Rs50.9bn was-in-line; PPoP was Rs53.8bn. Asset quality improved; GNPA was 1.3% (PLe 1.4%) due to lower net slippages. Gross slippage was Rs16.1bn (PLe Rs17.1bn) while recoveries were higher at Rs7.8bn (PLe Rs7.1bn). Provisions were lower at Rs8.1bn (PLe Rs8.8bn) owing to lower NPA provisions. Core PAT was 2.3% above PLe at Rs32.3bn while PAT was Rs34.5bn.

- Sequential loan growth was well spread:** Credit growth at 3.9% QoQ was broad based mainly attributable to agri 8%, SME 6.5%, BuB 5.2%, corporate 3.2% and HL 4.5%. Housing credit growth was healthy owing to product proposition as an anchor product offered to affluent customers, despite competition. Momentum in SME/BuB remains strong due to elevated utilization levels following surge in demand led by changes in GST rates. Management continues to remain cautious on retail CV since it is witnessing stress. Credit flow in PL is improving with stronger underwriting. While MFI disbursals have improved, faster rundown arrested growth.

- NIM guided to slightly improve in Q4FY26:** NIM was flat QoQ due to increase in short term liquidity that was deployed in treasury assets; adjusted NIM was up 4bps QoQ. Bank expects NIM to improve slightly in Q4FY26; there would be an impact of 25bps repo cut that would be offset by remaining deposit repricing, impact of CRR cut and day convention. We are factoring decline NIM QoQ in Q4FY26 due to higher deposit requirement. Over medium term, opex rise due to acquisition may be offset by automation and digitization.

Exhibit 1: Slight beat on Core PAT aided by better asset quality.

Financial Statement (Rs m)	Q3FY26	Q3FY25	YoY gr. (%)	Q3FY26E	% Var.	Q2FY26	QoQ gr. (%)
Interest Income	1,39,033	1,34,276	3.5	1,37,805	0.9	1,36,494	1.9
Interest Expenses	63,387	62,313	1.7	63,047	0.5	63,387	0.0
Net interest income (NII)	75,646	71,963	5.1	74,758	1.2	73,107	3.5
Other income	28,378	26,228	8.2	28,774	(1.4)	25,892	9.6
Total income	1,04,024	98,191	5.9	1,03,532	0.5	98,999	5.1
Operating expenses	50,226	46,380	8.3	48,632	3.3	46,317	8.4
-Staff expenses	22,458	19,525	15.0	20,785	8.0	19,795	13.5
-Other expenses	27,768	26,856	3.4	27,847	(0.3)	26,521	4.7
Operating profit	53,798	51,810	3.8	54,899	(2.0)	52,683	2.1
Core operating profit	50,908	49,200	3.5	50,879	0.1	50,943	(0.1)
Total provisions	8,096	7,941	1.9	8,811	(8.1)	9,474	(14.5)
Profit before tax	45,702	43,869	4.2	46,088	(0.8)	43,208	5.8
Tax	11,241	10,821	3.9	11,522	(2.4)	10,675	5.3
Profit after tax	34,461	33,048	4.3	34,566	(0.3)	32,533	5.9
Balance sheet (Rs m)							
Deposits	54,26,380	47,34,970	14.6	54,26,380	-	52,87,760	2.6
Advances	48,06,730	41,38,390	16.1	48,02,290	0.1	46,26,876	3.9
Ratios (%)							
Profitability ratios							
NIM	4.6	4.9	(38)	4.5	3	4.5	1
RoaA	2.0	2.2	(22)	2.0	(1)	2.0	6
RoaE	11.2	12.7	(150)	11.4	(14)	11.0	19
Asset Quality							
Gross NPL	63,198	62,663	0.9	68,221	(7.4)	64,796	(2.5)
Net NPL	14,969	16,810	(11.0)	15,691	(4.6)	14,910	0.4
Gross NPL ratio	1.3	1.5	(20)	1.4	(10)	1.4	(8)
Net NPL ratio	0.3	0.4	(9)	0.3	(2)	0.3	(1)
Coverage ratio (Calc)	76.3	73.2	314	77.0	(69)	77.0	(67)
Business & Other Ratios							
Low-cost deposit mix	41.3	42.3	(101)	41.3	-	42.3	(101)
Cost-income ratio	48.3	47.2	105	47.0	131	46.8	150
Non int. inc / total income	27.3	26.7	57	27.8	(51)	26.2	113
Credit deposit ratio	88.6	87.4	118	88.5	8	87.5	108
CAR	22.6	22.8	(20)			22.8	(20)
Tier-I	21.5	21.7	(20)			20.9	60

Source: Company, PL

Q3FY26 Concall Highlights

Balance Sheet

- 3QFY26 saw uptick in growth led by festive season. Flows into capital market/commodities put pressure on deposits.
- Bank is growing gradually in unsecured segment. Bank remained cautious in growing retail commercial vehicle book while addressing the credit concerns.
- In business banking there is a sustained demand for working capital across sectors driven by a surge in consumption trends following the changes in GST.
- Personal loan portfolio acquired from Standard Chartered last year performed better than expected.
- Construction equipment was impacted by slower infra-activity and project execution challenges.
- Tractor Finance grew well primarily due to GST rate cut, government support on subsidies and favorable rural sentiment due to good monsoon monsoons extending into early November as well as soft agri commodity prices.
- Retail microcredit remained flat QoQ, mainly due to scheduled repayments offsetting current disbursal rate. Bank has started covering our microcredit loan disbursements under CGFMU Credit Guarantee Scheme post merger of BSS and Sonata in October.
- Agri/SME book grew well supported by pickup in working capital utilization and a strong growth in new-to-bank customer acquisition.
- LAP stood at Rs550-600bn of the mortgage book.
- Net worth increase in Q3 included about Rs20bn unrealized gain on valuation of strategic investments in KFIN and MCX.

Profit & Loss

- Bank reduced its reliance on libor link SA, which helped in getting a higher cost of fund benefit.
- During the quarter, bank witnessed higher short-term liquidity which was deployed in treasury assets. Excluding this, NIM improved by 4bps QoQ to 4.58%. Moderate increase in NIM is expected in Q4FY26.
- Fee income saw a healthy growth contributed mainly by FX, debt capital and distribution income.
- On opex bank intends to have the increased costs due to acquisition of customers that may be offset by automation and digitization. Bank is focusing on controlling the fixed costs. Over a period of time costs to assets ratio is expected to come down to 2.5%.
- Labor code related provisions at standalone level were Rs960mn. Pension liability which got the benefit of interest rate movement in Q2FY26 has reversed and normalized in Q3FY26. Excluding these staff cost was flat QoQ.

- Other opex went up due to i) marketing spend ii) upfront expenses for tractor finance disbursements iii) increased acquisition costs related to 811 products.

Asset Quality

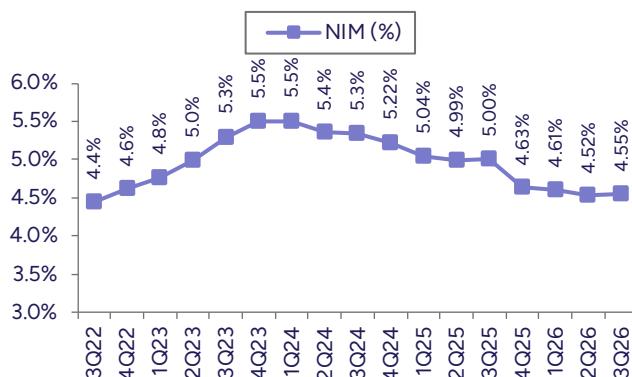
- Bank expects normalization of credit costs to continue, though at a more moderated pace.
- Delinquency in overall unsecured portfolio have improved with better flow rates and collection efficiencies observed in the quarter
- Bank continues to see stress in retail CV.
- Microfinance and personal loan credit cost has started decreasing. Bank expects credit costs to further reduce in Q4.
- ECL impact is estimated to be less than 2% of net worth.

Exhibit 2: Loan growth led by SME and Consumer Banking.

Loan Book (Rs mn)	Q3FY26	Q3FY25	YoY gr. (%)	Q2FY26	QoQ gr. (%)
Corp Banking	11,27,870	9,66,490	16.7	10,92,400	3.2
SME	3,96,230	3,37,380	17.4	3,71,930	6.5
Home loans	14,41,560	12,17,000	18.5	13,78,930	4.5
CV/CE	4,45,170	4,07,560	9.2	4,36,760	1.9
Cons Bank WC (secured)	5,03,060	4,16,870	20.7	4,78,250	5.2
PL, BL, Cons Durables	2,49,280	2,12,980	17.0	2,42,720	2.7
Credit Cards	1,23,220	1,41,170	(12.7)	1,24,440	(1.0)
Agri	2,63,480	2,75,640	(4.4)	2,43,300	8.3
Tractor Finance	1,94,100	1,70,000	14.2	1,84,390	5.3
Retail Micro Finance	57,080	82,250	(30.6)	57,250	(0.3)
Others	1,89,080	1,06,520	77.5	1,78,720	5.8
IBPC	(1,83,400)	(1,95,470)	(6.2)	(1,62,210)	13.1
Total	48,06,730	41,38,390	16.1	46,26,880	3.9
Loan Book mix (%)					
Corp Banking	23.5	23.4	0.5	23.6	(0.6)
SME	8.2	8.2	1.1	8.0	2.5
Home loans	30.0	29.4	2.0	29.8	0.6
CV/CE	9.3	9.8	(6.0)	9.4	(1.9)
Cons Bank WC (secured)	10.5	10.1	3.9	10.3	1.3
PL, BL, Cons Durables	5.2	5.1	0.8	5.2	(1.1)
Credit Cards	2.6	3.4	(24.9)	2.7	(4.7)
Agri	5.5	6.7	(17.7)	5.3	4.2
Tractor Finance	4.0	4.1	(1.7)	4.0	1.3
Retail Micro Finance	1.2	1.7	(0.0)	1.2	(0.0)
Others	3.9	2.6	52.8	3.9	1.8
IBPC	(3.8)	(4.7)	(19.2)	(3.5)	8.8

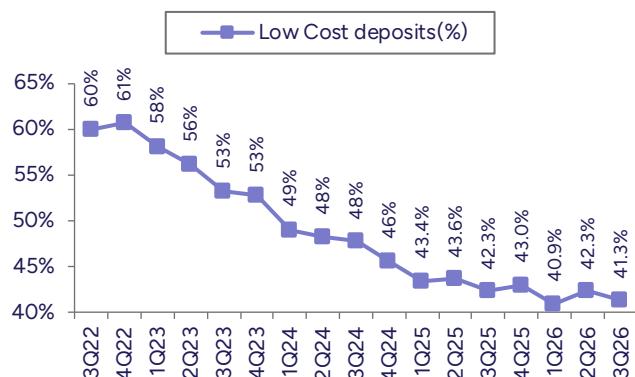
Source: Company, PL

Exhibit 3: NIMs increased QoQ to 4.55%



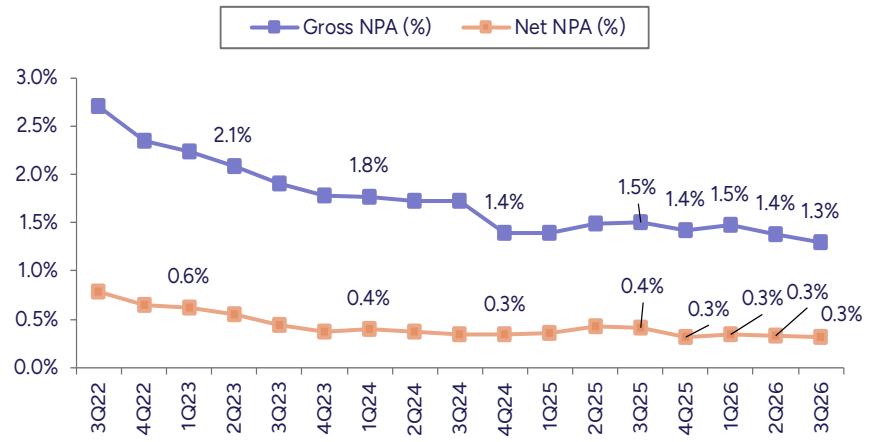
Source: Company, PL

Exhibit 4: CASA decreased QoQ to 41.3%



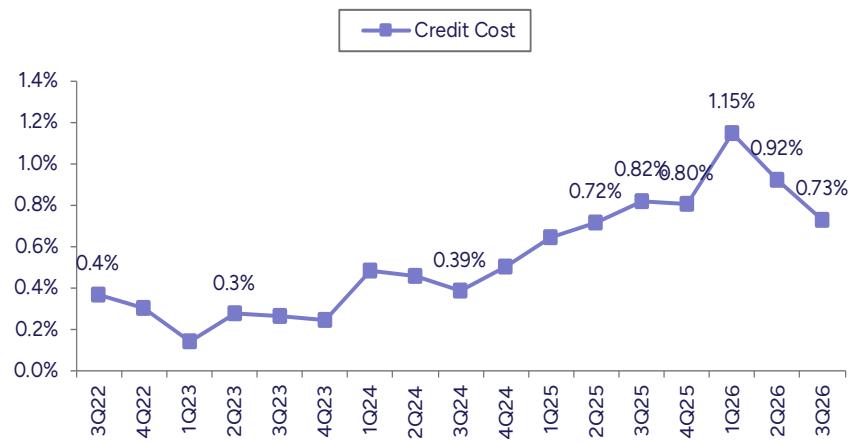
Source: Company, PL

Exhibit 5: GNPA/NNPA reduced QoQ to 1.3%/0.3%



Source: Company, PL

Exhibit 6: Credit costs decreased QoQ to 0.73%.



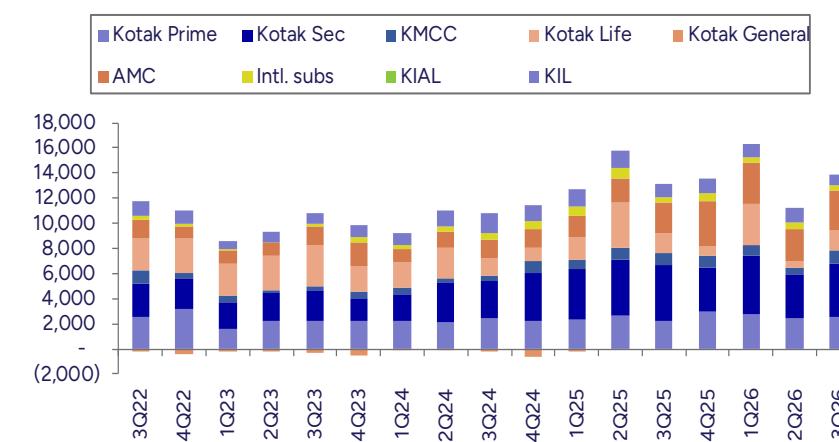
Source: Company, PL

Exhibit 7: Consolidated earnings increased QoQ to Rs49.2bn

Consolidated Financials (Rs mn)	Q3FY26	Q3FY25	YoY gr. (%)	Q2FY26	QoQ gr. (%)
Standalone Bank	34,461	33,048	4.3	32,533	5.9
Kotak Prime	2,500	2,180	14.7	2,460	1.6
KMCC	980	940	4.3	600	63.3
Kotak Securities	4,310	4,480	(3.8)	3,450	24.9
International subsidiaries	450	470	(4.3)	480	(6.3)
Kotak AMC	3,150	2,400	31.3	2,580	22.1
Kotak Mahindra Investments	870	1,070	(18.7)	1,200	(27.5)
Lending business	36,961	35,228	4.9	34,993	5.6
Flow business, Subsidiaries	9,760	9,360	4.3	8,310	17.4
Others	899	782	14.9	887	1.3
Consolidated PAT (ex -insurance)	47,620	45,370	5.0	44,190	7.8
Insurance*	1,620	1,640	(1.2)	490	230.6
Consolidated PAT**	49,240	47,010	4.7	44,680	10.2

Source: Company, PL; *Note: Insurance includes both Life and General Insurance (On 18th June, 2024, Kotak General Insurance has ceased to be a wholly-owned subsidiary and became an associate of the Bank.)

Exhibit 8: Robust group earnings with 29% share from non-banking cos



Source: Company, PL

Exhibit 9: Return ratios to remain close to 11-12% over FY27E/28E

RoA decomposition	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net interest income	4.1	4.7	4.8	4.4	4.1	4.2	4.3
Other Inc. from operations	1.5	1.5	1.9	2.3	1.6	1.6	1.6
Total income	5.6	6.2	6.7	6.7	5.7	5.9	5.8
Employee expenses	1.1	1.2	1.3	1.2	1.2	1.2	1.2
Other operating expenses	1.5	1.8	1.8	1.7	1.5	1.6	1.6
Operating profit	3.0	3.2	3.6	3.8	3.0	3.1	3.1
Tax	0.7	0.7	0.8	0.8	0.6	0.7	0.7
Loan loss provisions	0.2	0.1	0.3	0.5	0.5	0.4	0.4
RoAA	2.1	2.4	2.5	2.5	1.9	2.0	2.0
RoAE	12.6	14.0	15.3	15.4	10.9	11.5	11.8

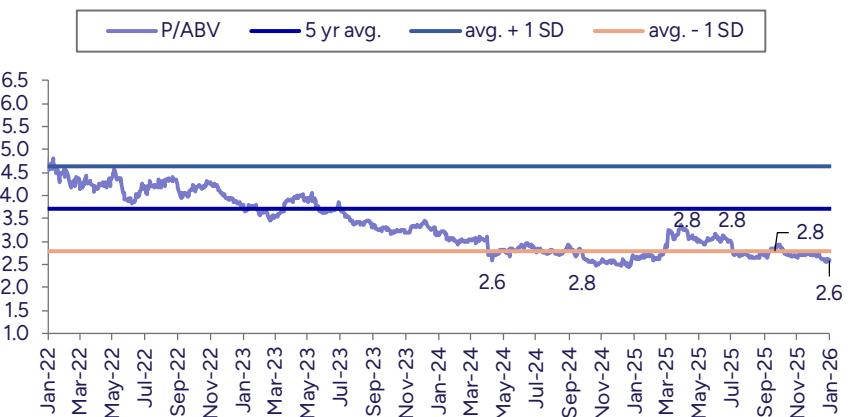
Source: Company, PL

Exhibit 10: SOTP-based TP of Rs 500 basis Sep'27E core ABV of bank

Particulars	Stake	Rs per share	% of total	Valuation (x)	Basis
Standalone bank	100%	359	69.6	2.3	x Sep'27 core ABV
Insurance	100%	41	7.9	2.3	of Mar'25 EV
Kotak Prime	100%	32	6.1	3.3	of Mar'25 ABV
Kotak AMC	100%	35	6.8	6.0%	6% of Dec'25 MAAuM
Kotak Sec	100%	35	6.7	21.0	of FY25 PAT
KMCC	100%	5	1.1	15.0	of Mar'25 PAT
Intl Subs	100%	2	0.4	1.0	of Mar'25 Book
Others	100%	7	1.3	14.0	of Mar'25 PAT
Total		516	100		
Holdco discount		16			
SOTP based TP		500			

Source: PL

Exhibit 11: One-year forward P/ABV trades at 2.6x



Source: Company, PL

Income Statement (Rs. m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Int. Earned from Adv.	4,07,462	4,31,545	4,78,925	5,50,318
Int. Earned from invt.	1,08,289	1,08,995	1,11,383	1,25,776
Others	4,501	5,461	5,454	5,676
Total Interest Income	5,29,197	5,57,091	6,07,112	6,94,449
Interest Expenses	2,45,780	2,57,622	2,61,347	2,92,178
Net Interest Income	2,83,418	2,99,469	3,45,765	4,02,270
Growth(%)	9.0	5.7	15.5	16.3
Non Interest Income	1,49,611	1,15,469	1,32,494	1,49,962
Net Total Income	4,33,029	4,14,938	4,78,259	5,52,233
Growth(%)	21.1	(0.9)	10.0	14.2
Employee Expenses	79,183	85,367	98,867	1,14,660
Other Expenses	1,01,294	1,10,546	1,28,354	1,48,858
Operating Expenses	1,87,764	1,95,913	2,27,220	2,63,518
Operating Profit	2,45,265	2,19,025	2,51,039	2,88,715
Growth(%)	25.2	(10.7)	14.6	15.0
NPA Provision	25,763	34,370	30,010	33,484
Total Provisions	29,424	37,414	33,360	37,421
PBT	2,15,841	1,81,612	2,17,679	2,51,294
Tax Provision	51,340	44,944	54,420	62,824
Effective tax rate (%)	23.8	24.7	25.0	25.0
PAT	1,64,501	1,36,668	1,63,259	1,88,471
Growth(%)	19.4	(16.9)	19.5	15.4

Quarterly Financials (Rs. m)

Y/e Mar	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Interest Income	1,35,298	1,38,365	1,36,494	1,39,033
Interest Expenses	62,462	65,773	63,387	63,387
Net Interest Income	72,836	72,593	73,107	75,646
YoY growth (%)	5.4	6.1	4.1	5.1
CEB	26,160	22,490	24,150	25,490
Treasury	-	-	-	-
Non Interest Income	31,825	30,800	25,892	28,378
Total Income	1,04,660	1,03,393	98,999	1,04,024
Employee Expenses	21,063	20,655	19,795	22,458
Other expenses	28,876	27,101	26,521	27,768
Operating Expenses	49,938	47,756	46,317	50,226
Operating Profit	54,722	55,637	52,683	53,798
YoY growth (%)	0.2	5.9	3.3	3.8
Core Operating Profits	49,062	47,327	50,943	50,908
NPA Provision	8,060	12,000	9,960	8,170
Others Provisions	9,094	12,078	9,474	8,096
Total Provisions	9,094	12,078	9,474	8,096
Profit Before Tax	45,628	43,559	43,208	45,702
Tax	10,111	10,743	10,675	11,241
PAT	35,517	32,817	32,533	34,461
YoY growth (%)	(14.1)	(6.7)	(2.7)	4.3
Deposits	49,90,551	51,28,380	52,87,760	54,26,380
YoY growth (%)	11.2	14.6	14.6	14.6
Advances	42,69,092	44,48,230	46,26,876	48,06,730
YoY growth (%)	13.5	14.1	15.8	16.1

Key Ratios

Y/e Mar	FY25	FY26E	FY27E	FY28E
CMP (Rs)	423	423	423	423
EPS (Rs)	16.5	13.7	16.4	19.0
Book Value (Rs)	118	135	151	169
Adj. BV (Rs)	117	133	149	167
P/E (x)	25.6	30.8	25.7	22.3
P/BV (x)	3.6	3.1	2.8	2.5
P/ABV (x)	3.6	3.2	2.8	2.5
DPS (Rs)	0.4	0.4	0.5	0.6
Dividend Payout Ratio (%)	2.4	3.0	3.0	3.0
Dividend Yield (%)	0.1	0.1	0.1	0.1

Efficiency

Y/e Mar	FY25	FY26E	FY27E	FY28E
Cost-Income Ratio (%)	43.4	47.2	47.5	47.7
C-D Ratio (%)	85.5	88.0	87.0	87.0
Business per Emp. (Rs m)	123	135	150	166
Profit per Emp. (Rs lacs)	22	17	20	22
Business per Branch (Rs m)	4,311	4,643	5,086	5,557
Profit per Branch (Rs m)	77	59	67	73

Du-Pont

Y/e Mar	FY25	FY26E	FY27E	FY28E
NII	4.38	4.13	4.24	4.26
Total Income	6.69	5.73	5.86	5.84
Operating Expenses	2.90	2.70	2.79	2.79
PPoP	3.79	3.02	3.08	3.05
Total provisions	0.45	0.52	0.41	0.40
RoAA	2.54	1.89	2.00	1.99
RoAE	15.38	10.87	11.48	11.83

Asset Quality

Y/e Mar	FY25	FY26E	FY27E	FY28E
Gross NPAs (Rs m)	61,339	65,722	79,459	99,803
Net NPAs (Rs m)	13,434	15,116	18,276	22,955
Gr. NPAs to Gross Adv. (%)	1.4	1.3	1.4	1.5
Net NPAs to Net Adv. (%)	0.3	0.3	0.3	0.3
NPA Coverage %	78.1	77.0	77.0	77.0

Profitability (%)

Y/e Mar	FY25	FY26E	FY27E	FY28E
NIM	4.5	4.2	4.4	4.4
RoAA	2.5	1.9	2.0	2.0
RoAE	15.4	10.9	11.5	11.8
Tier I	21.1	20.4	19.9	19.4
CRAR	22.2	21.2	20.6	20.3

Source: Company Data, PL Research

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-26	BUY	496	429
2	26-Oct-25	BUY	496	437
3	07-Oct-25	BUY	470	425
4	27-Jul-25	BUY	470	424
5	07-Jul-25	BUY	480	430
6	23-Jun-25	BUY	480	434
7	05-May-25	BUY	480	437
8	08-Apr-25	BUY	446	408

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Axis Bank	BUY	1,425	1,296
2	Bank of Baroda	BUY	300	308
3	Canara Bank	Hold	160	153
4	Canara Robeco Asset Management Company	BUY	325	311
5	City Union Bank	BUY	265	291
6	DCB Bank	BUY	155	182
7	Federal Bank	BUY	275	270
8	HDFC Asset Management Company	BUY	2,950	2,554
9	HDFC Bank	BUY	1,150	931
10	ICICI Bank	BUY	1,800	1,411
11	ICICI Prudential Asset Management Company	BUY	3,300	2,736
12	IndusInd Bank	Hold	840	898
13	Kotak Mahindra Bank	BUY	496	429
14	Nippon Life India Asset Management	BUY	930	893
15	State Bank of India	BUY	1,100	1,007
16	Union Bank of India	BUY	200	179
17	UTI Asset Management Company	Accumulate	1,250	1,135

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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