Company Update

November 26 2026

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National Bank of Bahrain

Deposit franchise supports margin expansion and mid-teen returns, reiterate BUY

- **Underlying earnings have remained resilient, with the deposit franchise shining through in lower funding costs and NIM expansion, while lending standards remain prudent. RoTE was 13.7% in Q3 and 15.6% in 9M.**
- **Forecast 10.5% earnings growth and 15.4% RoTE in FY27e. Cut FY26e/FY27-30e EPS by 6.5%/4.0-4.5% on softer NFI, trimming TP to BHD 0.60 from BHD 0.61.**
- **At 12.2x EPS27e and 1.9x tNAV27e, NBB offers mid-teen returns and 7.0% DY. M&A synergies and MSCI inclusion offer potential medium-term upside. Reiterate BUY.**

Resilient earnings, deposit franchise shines, reiterate BUY. Underlying earnings have remained resilient, with NBB's deposit franchise shining as lower funding costs support margins, while lending standards remain prudent. We forecast 10.5% FY27e earnings growth and FY26e/27e RoTE of 14.9%/15.4%. Softer NFI drives FY26e/FY27-30e EPS cuts of 6.5%/4.0-4.5%, trimming TP to BHD 0.60 from BHD 0.61. At 12.2x EPS27e and 1.9x tNAV27e, NBB offers mid-teen returns and 7.0% DY. Potential M&A synergies and prospective MSCI inclusion add medium-term upside to our standalone valuation. Reiterate BUY.

Core income growth underpins resilient underlying earnings. Q3 NII and fees rose 10.1% and 17.2% y/y, lifting revenue 1.3% to BHD 47.8m. Normalised 9M attributable profit grew 4%, while revenue rose 4.9% excluding the prior-year BHD 9.7m BisB property gain, supported by 11.8% NII growth. Overseas branch revenue rose 17.4%, lifting its share to 9.0% from 7.5%. Softer treasury income and higher costs and impairment left Q3 attributable profit at BHD 17.0m, down 12.4% y/y and 19.1% below ACe, with pre-provision operating profit down 1.9% to BHD 20.2m.

Prudent lending supports sustainable growth, while deposits expand rapidly. Group deposits grew 10.2% YtD despite a 1.2% q/q decline. Retail and SME deposits rose 16.3% YtD, lifting their share to 62.6% from 59.3% at FY25A. We retain FY26e/27e gross loan growth at 6.5%/5.0%. Gross loans rose 0.3% q/q and 6.2% YtD, while net loans grew 0.3% q/q and 6.6% YtD, implying a broadly flat Q4e loan book. Regional loans and deposits rose 7% and 9% YtD, respectively.

Operating leverage drives the FY27e C/I improvement. Lower staff expenses drove a 3.8% q/q decline in OpEx. Nine-month OpEx rose 6.2% y/y, or 4.6% excluding BHD 1.3m of incremental merger-related expenses. OpEx/average assets eased to 1.76% in Q3 26A from 1.77% in Q2 26A and 1.80% in FY25A. Digitalisation and automation offer scope for further efficiency gains. Adjusted C/I was 54.9% in 9M 26A versus 55.1% in 9M 25A, after adjusting for incremental merger costs and the prior-year BisB property gain, respectively. We forecast C/I easing to 53.1% in FY27e from 54.9% in FY26e, with revenue growth of 7.9% ahead of OpEx growth of 4.3%.

BUY **BHD 0.60**

Banks / Bahrain

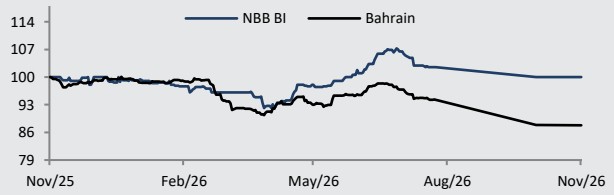
Bloomberg code	NBB BI
Market index	Bahrain
Target Price	0.60
Upside (%)	20.3

Market data 11/17/2026

Last closing price	0.5
52 Week range	0.5-0.6
Market cap (BHD m)	1,133
Market cap (USD m)	3,003
Average Daily Traded Value (BHD m)	0.00
Average Daily Traded Value (USD m)	0.2
Free float (%)	54%

Year-end (local m)	2024	2025	2026e	2027e
Revenue	192	200	205	222
Pre-provisioning profit	91	93	93	104
EPS	0.04	0.04	0.04	0.04
P/E (x) (mkt price)	13.8	13.3	13.5	12.2
BVPS	0.3	0.3	0.3	0.3
Tangible BVPS	0.2	0.2	0.3	0.3
P/B (x) (mkt price)	1.9	1.9	1.8	1.7
P/TBVPS (x) (mkt price)	2.1	2.1	1.9	1.9
DPS	0.03	0.03	0.04	0.04
Div. yield (%)	7.0	7.0	7.0	7.0
FCFY	4.5	6.6	9.7	7.8
RoAA (%)	1.5	1.4	1.3	1.4
RoRWA (%)	3.0	3.1	3.3	3.6
RoATE (%)	15.7	15.9	14.9	15.4
RoEcC (%)	21.0	21.6	21.8	23.8
RAROC (%)	18.5	19.4	19.6	20.7
Net LtD ratio (%)	80.7	80.3	74.8	74.2
Risk Weighted Assets (bn)	2.7	2.8	2.6	2.6
Core Equity T1 ratio (%)	20.4	19.6	21.2	21.3
Tier 1 capital ratio (%)	20.4	19.6	21.2	21.3
Total capital ratio (%)	21.5	20.5	22.0	22.1
NPL ratio (%)	4.5	3.9	3.9	3.8
Coverage ratio (%)	73.3	72.0	73.1	80.3
Number of shares	2,266	2,266	2,266	2,266

Price Performance



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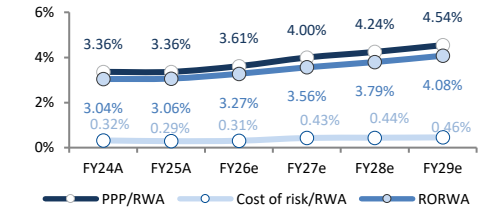
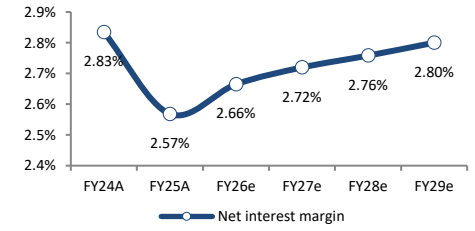
Abacus *Arqaam Capital Fundamental Data*

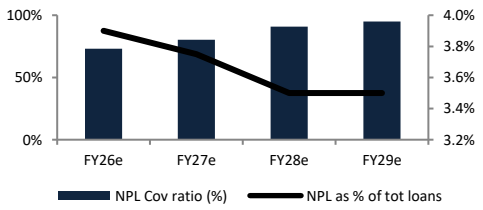
Profitability



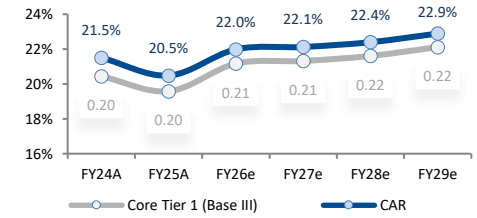
NIM



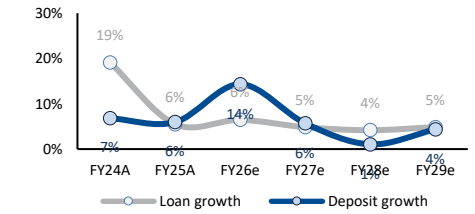
Credit Quality



Capital Ratios



Growth



National Bank of Bahrain

Year-end	2024	2025	2026e	2027e	2028e	2029e
Performance analysis						
Net Interest Margin (%)	2.83	2.57	2.66	2.72	2.76	2.80
Asset yield (%)	6.09	5.59	5.63	5.65	5.69	5.73
Cost of Funds (%)	3.53	3.25	3.17	3.14	3.14	3.14
Risk Adjusted Margins (%)	2.66	2.42	2.54	2.54	2.58	2.62
Cost / Income (%)	52.8	53.3	54.9	53.1	52.1	50.9
Net Interest Income / total income (%)	74.8	70.6	77.2	76.0	76.3	76.5
Fees & Commissions / operating income (%)	8.0	6.9	6.3	6.3	6.4	6.4
Trading gains / operating income (%)	9.4	7.9	7.0	8.1	7.6	7.5
RoATE (%)	15.7	15.9	14.9	15.4	16.3	17.0
Pre-prov. RoATE (%)	17.0	17.4	15.4	17.0	17.8	18.5
RoAA (%)	1.5	1.4	1.3	1.4	1.4	1.5
Revenue / RWA (%)	7.12	7.19	8.02	8.52	8.86	9.26
Costs / RWA (%)	3.76	3.83	4.41	4.53	4.61	4.72
PPP / RWA (%)	3.36	3.36	3.61	4.00	4.24	4.54
Cost of Risk / RWA (%)	0.32	0.29	0.31	0.43	0.44	0.46
RoRWA (%)	3.04	3.06	3.27	3.56	3.79	4.08
RoRWA (%) (adj. for gross-up of associates)	2.52	2.60	2.73	2.95	3.13	3.35

Year-end	2024	2025	2026e	2027e	2028e	2029e
Asset Quality						
Provisions charge / avg. gross loans (%)	0.3	0.2	0.2	0.3	0.3	0.3
Past due not impaired / gross loans (%)	2.4	2.8	0.6	0.6	0.6	0.6
NPL / gross loans (%)	4.5	3.9	3.9	3.8	3.5	3.5
NPL coverage ratio (%)	73.3	72.0	73.1	80.3	90.9	95.0
Provisions / avg. gross loans (%)	3.3	2.8	2.9	3.0	3.2	3.3
Provisions charge / operating income (%)	9.5	8.6	8.3	10.6	10.2	9.9

Year-end	2024	2025	2026e	2027e	2028e	2029e
Funding and Liquidity						
Net Loans / Deposits (%)	80.7	80.3	74.8	74.2	76.5	76.9
Cash and interbank / assets (%)	4.2	0.9	5.0	4.8	2.4	1.8
Deposits / liabilities (%)	76.0	69.9	78.1	78.3	75.8	75.2

Year-end	2024	2025	2026e	2027e	2028e	2029e
Capital and leverage ratios						
Core Tier 1 ratio (Basel III) (%)	20.4	19.6	21.2	21.3	21.6	22.1
Tier 1 ratio (%)	20.4	19.6	21.2	21.3	21.6	22.1
Total capital ratio (%)	21.5	20.5	22.0	22.1	22.4	22.9
Tangible equity / assets (%)	9.6	8.5	9.2	9.0	8.9	8.8
RWA / assets (%)	48.8	44.3	39.6	38.3	37.4	36.2

Year-end	2024	2025	2026e	2027e	2028e	2029e
Growth						
Revenues (%)	4.2	4.2	2.8	7.9	5.9	6.2
Cost (%)	5.4	5.1	6.1	4.3	3.8	3.8
Pre-Provision Operating Profit Growth (%)	2.8	3.2	(0.9)	12.3	8.2	8.7
Provisions (%)	11.7	(7.0)	(4.0)	43.2	4.4	5.0
Net Profit (%)	3.5	3.9	(1.4)	10.5	8.5	9.1
Assets (%)	2.8	13.7	3.0	5.0	4.4	5.0
Net Loans (%)	19.1	5.5	6.5	4.8	4.2	4.8
Deposits (%)	6.8	5.9	14.3	5.7	1.0	4.3
Risk Weighted Assets (%)	10.8	3.2	(7.8)	1.6	1.9	1.5

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Abacus *Arqaam Capital Fundamental Data*

Company profile

National Bank of Bahrain BSC (NBB) is a Bahrain-domiciled banking group providing conventional retail, corporate, treasury and wealth-management services, alongside Sharia-compliant banking through its 80.2%-owned subsidiary, Bahrain Islamic Bank (BisB). Established in 1957 as the Kingdom's first locally incorporated bank, NBB operates across Bahrain, Saudi Arabia and the UAE. Listed on the Bahrain Bourse, its largest shareholders are Bahrain Mumtalakat Holding Company (44.06%) and the Social Insurance Organisation (10.85%)..

Investment case

The investment case centers on resilient underlying earnings, a standout deposit franchise supporting lower funding costs and margin expansion, and prudent lending standards. Selective regional growth, recovering non-interest income and operating leverage underpin the earnings outlook, while strong capital supports attractive dividends. The proposed BBK merger offers potential medium-term upside through greater scale and synergies. BBK Possible MSCI inclusion represents a further medium-term catalyst that could broaden institutional ownership and support liquidity.

Catalysts

M&A upside: Progress on the proposed BBK merger could unlock greater scale, cost synergies and stronger returns.
Potential MSCI inclusion: A medium-term catalyst for passive inflows, broader institutional ownership and improved liquidity.
FY27e earnings recovery: Further NIM expansion, NFI normalisation and operating leverage supporting earnings growth and a potential re-rating.

Shareholders

- Bahrain Mumtalakat Holding Company (44.06%)
- Social Insurance Organisation (10.85%).

National Bank of Bahrain

Year-end	2024	2025	2026e	2027e	2028e	2029e
Income statement (BHDm)						
Interest income	308	307	335	350	370	391
Interest expense	165	166	177	182	191	200
Net Interest Income	**143**	**141**	**159**	**169**	**179**	**191**
Fee income	15	14	13	14	15	16
Net investment income	15	13	12	15	15	15
Other operating income	18	32	22	24	26	27
Total operating income	**192**	**200**	**205**	**222**	**235**	**249**
Total operating expenses	101	106	113	118	122	127
Pre-provision operating profit	**91**	**93**	**93**	**104**	**112**	**122**
Net provisions	9	8	8	11	11	12
Other provisions / impairment	-	-	-	-	-	-
Operating profit	**82**	**85**	**85**	**93**	**101**	**110**
Associates	1	2	2	3	3	3
Pre-tax profit	**83**	**88**	**86**	**95**	**103**	**113**
Taxation	-	-	-	-	-	1
Net profit	**83**	**87**	**86**	**95**	**103**	**112**
Minorities	1	2	2	2	2	3
ADT1 coupon	-	-	-	-	-	-
Attributable net profit	**82**	**85**	**84**	**93**	**101**	**110**
Diluted EPS	0.04	0.04	0.04	0.04	0.04	0.05
DPS	0.03	0.03	0.04	0.04	0.04	0.04
BVPS	0.26	0.26	0.28	0.29	0.30	0.31
Tangible BVPS	0.24	0.24	0.26	0.27	0.28	0.29

Year-end	2024	2025	2026e	2027e	2028e	2029e
Balance sheet (BHDm)						
Gross loans and advances	**3,123**	**3,278**	**3,491**	**3,666**	**3,825**	**4,017**
Less: loan loss provisions	103	92	100	110	122	134
Net loans and advances	3,020	3,186	3,392	3,556	3,704	3,883
Cash and central bank	381	209	217	167	191	219
Due from banks	626	801	815	866	904	949
Investments, net	1,212	1,791	1,737	1,892	1,975	2,073
Fixed Assets	74	72	66	61	54	48
Other assets	209	219	238	247	256	266
Total assets	**5,522**	**6,277**	**6,465**	**6,788**	**7,083**	**7,438**
Customer deposits	3,744	3,966	4,534	4,792	4,842	5,052
Due to banks	580	941	635	679	894	1,000
Debt	385	609	473	473	473	473
Other liabilities	217	160	163	172	180	189
Total liabilities	**4,925**	**5,676**	**5,806**	**6,116**	**6,390**	**6,715**
Total equity	**597**	**600**	**659**	**672**	**694**	**722**
Risk Weighted Assets (bn)	3	3	3	3	3	3
Average Interest-Earning Assets	5,059	5,490	5,954	6,196	6,497	6,812
Average Interest-Bearing Liabilities	4,672	5,112	5,579	5,793	6,077	6,368
Common shareholders	533	535	595	608	629	657
Core Equity Tier 1 (Basel III)	551	544	542	555	573	595
Tier 1 capital	551	544	542	555	573	595

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Deposit franchise shines as funding mix supports margins. Q3 NII rose 10.1% y/y, with NIM widening 10.4bps y/y and 2.6bps q/q to 2.65% as calculated CoF fell 31.4bps y/y and 1.2bps q/q to 2.90%. Deposits grew 10.2% YtD versus 6.6% for net loans, bringing net LtD to 76.7% from 79.3% at FY25A and allowing NBB to reduce interbank and repo funding by BHD 505.6m. The stronger deposit mix and lower reliance on wholesale funding support our forecast NIM expansion of 9.6bps in FY26e and 5.5bps in FY27e.

Fee momentum and NFI recovery support the FY27e outlook. Q3 fee income rose 17.2% y/y and 13.3% q/q, although 9M fees remained 7.1% below the prior year. We forecast NFI recovering 13.8% to BHD 53.2m in FY27e from BHD 46.8m in FY26e, following an 8.4% reduction to our FY26e estimate. FY25 benefited from a BHD 9.7m gross BisB property disposal gain, creating a high comparison base. Our FY27e recovery assumes stronger treasury-related income rather than a repeat of that one-off gain.

Prudent lending supports stable asset quality. Stage 2 loans fell to 1.85% of gross loans from 2.28% in Q2 26A and 2.76% at FY25A. Stage 3 edged up to 3.12% from 3.08% in Q2, with balances rising to BHD 108.8m from BHD 106.9m. Stage 1, 2 and 3 ECL coverage was 0.37%, 11.96% and 56.07%, respectively, versus 0.35%, 11.60% and 57.62% in Q2. The NPL ratio including non-performing POCI was 3.5%, versus 3.7% in Q3 25A and 3.9% at FY25A. The 9M stage 3 formation proxy was 16.3bps of average gross loans after adding back stage 3 write-offs and excluding POCI from the numerator, before adjusting for FVTPL migration or other non-default movements. The BHD 4.3m loan impairment charge implies annualised 9M loan-only CoR of 17.0bps on average gross loans.

Strong capital underpins an attractive dividend. CET1 rose to 19.5% from 19.0% in Q2 as a 4.4% decline in RWA to BHD 2,556.5m more than offset a 2.1% reduction in CET1 capital to BHD 498.5m. We forecast DPS of 35 fils for FY26e and FY27e, equivalent to a 7.0% yield. Forecast payout eases from 94.6% in FY26e to 85.6% in FY27e as earnings recover, versus 92.8% in FY25A on the model's basis.

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Exhibit 1: Earnings Revision Table

BHD m	FY 26e			FY 27e			FY 28e			FY 29e			FY 30e		
	New	Old	Δ	New	Old	Δ	New	Old	Δ	New	Old	Δ	New	Old	Δ
Net interest income	159	160	(1.0%)	169	172	(1.9%)	179	183	(1.9%)	191	195	(2.0%)	204	209	(2.0%)
Non-interest income	47	51	(8.4%)	53	55	(3.3%)	56	58	(4.3%)	58	61	(4.2%)	61	64	(4.4%)
Revenue	**205**	**211**	**(2.8%)**	**222**	**227**	**(2.2%)**	**235**	**241**	**(2.5%)**	**249**	**256**	**(2.5%)**	**266**	**273**	**(2.6%)**
OpEx	113	114	(0.6%)	118	119	(1.0%)	122	123	(1.0%)	127	128	(1.0%)	132	133	(1.0%)
Operating income	**93**	**98**	**(5.3%)**	**104**	**108**	**(3.6%)**	**112**	**117**	**(4.1%)**	**122**	**127**	**(4.0%)**	**134**	**140**	**(4.1%)**
Loan loss provisions	8	8	–	11	11	–	11	11	–	12	12	–	13	13	–
Net income reported	**84**	**90**	**(6.5%)**	**93**	**96**	**(4.0%)**	**101**	**105**	**(4.5%)**	**110**	**115**	**(4.4%)**	**121**	**126**	**(4.4%)**
Net income adjusted	**84**	**90**	**(6.5%)**	**93**	**96**	**(4.0%)**	**101**	**105**	**(4.5%)**	**110**	**115**	**(4.4%)**	**121**	**126**	**(4.4%)**
Ratios															
Cost/income ratio	54.9%	53.7%	1.2%	53.1%	52.4%	0.7%	52.1%	51.3%	0.8%	50.9%	50.1%	0.8%	49.6%	48.8%	0.8%
Credit cost	0.22%	0.22%	–	0.30%	0.30%	–	0.30%	0.30%	–	0.30%	0.30%	–	0.30%	0.30%	–
NPL ratio	3.90%	3.90%	–	3.75%	3.75%	–	3.50%	3.50%	–	3.50%	3.50%	–	3.50%	3.50%	–
Coverage	73.1%	73.1%	–	80.3%	80.3%	–	90.9%	90.9%	–	95.0%	95.0%	–	98.9%	98.9%	–
NIM	2.66%	2.67%	(0.01%)	2.72%	2.74%	(0.02%)	2.76%	2.78%	(0.02%)	2.80%	2.82%	(0.02%)	2.85%	2.88%	(0.02%)
Growth															
Assets	3.0%	4.0%	(1.0%)	5.0%	5.0%	–	4.4%	4.4%	–	5.0%	5.0%	–	5.0%	5.0%	–
Loan	6.5%	6.5%	–	5.0%	5.0%	–	4.4%	4.4%	–	5.0%	5.0%	–	5.0%	5.0%	–
Deposit	12.0%	12.0%	–	5.7%	2.9%	2.7%	1.0%	1.0%	–	4.3%	4.3%	–	4.3%	4.3%	–
BHD															
EPS	0.037	0.040	(6.5%)	0.041	0.043	(4.0%)	0.044	0.046	(4.5%)	0.048	0.051	(4.4%)	0.053	0.056	(4.4%)
TP	**0.60**	**0.61**	**(1.3%)**												

Source: Arqaam Capital Research, Company Data

Exhibit 2: EVA

Year-end	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026e	2027e	2028e	2029e	2030e	perp	subtotal	% of total
1. DCF																	
Net profit	61	70	74	53	54	68	79	82	85	84	93	101	110	121	126		
Other adjustments (comprehensive income)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
Minus: excess return excess capital	12	11	13	6	6	7	7	5	5	8	8	9	10	10	11		
Risk free rate	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%		
Tax shelter	--	--	--	--	--	--	--	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%		
Adjusted net profit	49	59	61	48	48	61	72	77	80	76	84	92	100	110	115		
Capital requirements	169	220	224	318	318	317	318	367	373	348	355	363	370	382	399		
RoEcC	29.1%	27.0%	27.4%	15.0%	15.0%	19.1%	22.8%	21.0%	21.6%	21.8%	23.8%	25.3%	27.1%	28.9%	28.9%		
Cost of capital	11.8%	11.8%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%		
Capital charge	20	26	26	37	37	37	37	43	44	41	42	42	43	45	47		
Economic profit	29	33	35	10	11	24	35	34	37	35	43	49	57	65	68		
Discount factor	--	--	--	--	--	--	--	--	--	1.00	0.89	0.80	0.72	0.64	0.57		
NPV of Economic Profit	--	--	--	--	--	--	--	--	--	35	38	39	41	42	39		
DCF EVA Forecast period																195	15.1%
Perpetual growth rate (GDP)															4.5%		
Terminal Value															950		
Terminal value discounted																545	42.2%
Required Capital																373	28.9%
Value of the bank operations																**1,113**	**86.3%**
2. Capital surplus/deficit																	
Available capital:																	
Shareholders equity	448	476	532	526	535	576	577	597	600	659	672	694	722	758			
Less Goodwill & intangibles	--	--	--	(54)	(54)	(53)	(52)	(51)	(50)	(50)	(50)	(50)	(50)	(50)			
Less non equity elements reported shareholders equity										(14)	(14)	(14)	(15)	(16)			
Less Dividends (if included in reported equity)	(32)	(35)	(38)	(34)	(37)	(51)	(68)	(79)	(79)	(79)	(79)	(82)	(86)	(91)			
Tangible equity	416	441	494	438	444	472	457	467	471	515	529	548	571	601			
Capital needs																	
RWAs (Basel II)	975	1,407	1,416	2,343	2,424	2,422	2,432	2,693	2,779	2,562	2,602	2,650	2,691	2,770			
RWAs (Basel III)	975	1,407	1,416	2,343	2,424	2,422	2,432	2,693	2,779	2,562	2,602	2,650	2,691	2,770			
Equity as % RWA	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%			
Financial stakes	52	52	54	37	27	27	26	44	40	41	43	45	47	49			
Capital Requirements	169	220	224	318	318	317	318	367	373	348	355	363	370	382			
Surplus capital	**248**	**221**	**270**	**120**	**126**	**155**	**139**	**99**	**98**	**167**	**174**	**185**	**201**	**219**		**98**	**7.6%**
3. Other adjustments																	
Real estate losses																	
Corporate bond fair value losses																	
Equity investment losses																	
Under/overprovisioning not covered in forecast period																	
Level 3 assets																	
Total adjustments																--	--
4. Dividends																**79**	**6.1%**
Total Fair Value																**1,290**	**100.0%**
Fully diluted number of shares																2,266	
Fair value per share (year end 2026)																**0.57**	
6 month roll forward (mid 2027)																**0.60**	
Current share price																**0.51**	
Upside																**18.2%**	
Implied P/E (x)	21.1	18.4	17.4	24.2	23.9	18.9	16.3	15.7	15.2	15.4	13.9	12.8	11.8	10.7			
Implied P/tNAV (x)	2.9	2.7	2.4	2.8	2.7	2.5	2.5	2.4	2.4	2.2	2.1	2.1	2.0	1.9			

Source: Arqaam Capital Research, Company Data

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