

EXTERNAL REVIEW

Impact Reporting

Impact Report - Social Bond

Hypo Tirol Bank AG
17 February 2022

VERIFICATION PARAMETERS

Type(s) of reporting	<ul style="list-style-type: none">▪ Social Bond Allocation and Impact
Relevant standards	<ul style="list-style-type: none">▪ Working Towards a Harmonized Framework for Impact Reporting (WTHFIR) for Social Bonds, updated as of June 2020, administered by the International Capital Market Association (ICMA)
Scope of verification	<ul style="list-style-type: none">▪ Hypo Tirol's Impact Report - Social Bond (as of 09 February 2022)▪ Hypo Tirol's Social Bond Framework (as of December 2020)
Lifecycle	<ul style="list-style-type: none">▪ Post-issuance verification
Validity	<ul style="list-style-type: none">▪ As long as no material changes are undertaken by the Issuer on its Impact Report Social Bond 2022

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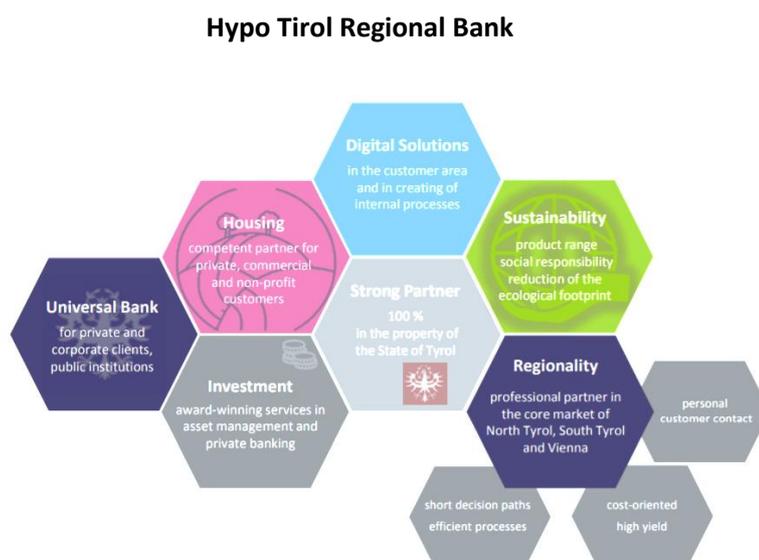
SCOPE OF WORK

Hypo Tirol Bank AG (hereafter 'Hypo Tirol' or 'the Issuer') commissioned ISS ESG to provide an External Review on its Impact Report Social Bond by assessing:

1. The alignment of Hypo Tirol's Impact Report Social Bond with the commitments set forth in Hypo Tirol's Social Bond Framework assessed against the International Capital Market Association's (ICMA) Social Bond Principles (SBP).
2. Hypo Tirol's Impact Report Social Bond – benchmarked against ICMA's Working Towards a Harmonized Framework for Impact Reporting (WTHFIR) for Social Bonds, updated as of June 2020.
3. Description of proceeds allocation and soundness of Hypo Tirol's Reporting Indicators¹ – whether the indicators align with best market practices and are relevant for the Social Bond issued.

HYPO TIROL BANK AG OVERVIEW

Hypo Tirol is a Tyrol-based regional bank providing a range of financial and insurance services to retail, corporate and institutional clients. Hypo Tirol provides a basic banking account amongst others to promote equal access to financial markets and is engaged in the financing of Affordable Housing activities. Hypo Tirol issued its first Social Bond with a focus on Affordable Housing as of 11 March 2021 following the publication of the Social Bond Framework in December 2020.



¹ ISS ESG's review does not follow auditing or assurance standards or guidance. ISS ESG does not provide assurance on the information presented in Hypo Tirol's Impact report Social Bond. ISS ESG solely conducted a review of the Use of Proceeds' allocation and impact reporting against ICMA's WTHFIR for Social Bonds core principles and recommendations where applicable and criteria outlined in the Issuer's Framework

ISS ESG ASSESSMENT SUMMARY

REVIEW SECTION	SUMMARY	EVALUATION ²
<p>Part 1:</p> <p>Alignment with the Issuer's commitments set forth in the Issuer's Social Bond Framework</p>	<p>ISS ESG finds that Hypo Tirol's Impact Report - Social Bond is aligned with the commitments set forth in the Issuer's Social Bond Framework. The Issuer reports for the Use of Proceeds category Affordable Housing and uses indicators according to its Social Bond Framework. The underlying Framework aligns with ICMA's Social Bond Principles (SBP).³</p>	Aligned
<p>Part 2:</p> <p>Alignment with ICMA's WTHFIR for Social Bonds</p>	<p>ISS ESG finds that the Impact Report Social Bond is in line with ICMA's Working Towards a Harmonized Framework for Impact Reporting (WTHFIR) for Social Bonds.</p> <p>Core principles of the Handbook were taken into consideration, and where applicable the Issuer committed to its recommendations.</p> <p>Hypo Tirol provides transparency on the level of expected reporting as well as on the frequency and scope. The Issuer reports on impact using indicators proposed by the market standard.</p>	Aligned
<p>Part 3:</p> <p>Description of proceeds allocation and Soundness of Reporting Indicators⁴</p>	<p>ISS ESG finds that the allocation of the Bond's proceeds has been disclosed, with an appropriate breakdown according to the Frameworks' eligible project categories.</p> <p>The reporting indicators are relevant for the Issuer's Use of Proceeds category Affordable Housing. Data sourcing, methodologies of quantitative assessment, and granularity are presented transparently in accordance with best market practices.</p>	Positive

² ISS ESG's evaluation is based on the Hypo Tirol's Social Bond Framework (December 2020 version) and on the Impact Report Social Bond (as of January 2022)

³ ISS ESG assessed the alignment with the ICMA's SBP as of 04 January 2021 ([SPO Hypo Tirol Bank AG](#))

⁴ ISS ESG bases its assessment on the information provided in the allocation reporting. The Issuer is responsible for the preparation of the report including the application of methods and procedures designed to ensure that the subject matter information is free from material misstatement

ISS ESG EXTERNAL REVIEW

PART I: ALIGNMENT WITH COMMITMENTS SET FORTH IN THE FRAMEWORK

The following table presents ISS ESG's assessment of the Impact Report Social Bond against the commitments set forth in Hypo Tirol's Social Bond Framework using core elements of the SBP proposed by ICMA as well as best market practices.

SBP	HYPO TIROL'S SOCIAL BOND FRAMEWORK 2020	HYPO TIROL IMPACT REPORT - SOCIAL BOND	ASSESSMENT
1. Use of Proceeds			
1.1. Alignment with project categories defined by the SBP	<p>The proceeds of Hypo Tirol's social Bonds are and will be used exclusively to finance, in whole or in part, an eligible portfolio of social financing. The portfolio contains projects related to Affordable Housing. The net proceeds are and will be used to refinance both existing and new projects. The projects may also be held in the public or mortgage-covered pool. The Use of Proceeds category includes two sub-categories:</p> <ul style="list-style-type: none"> ▪ Non-profit housing ▪ Housing promotion and refurbishment with social and family policy goals 	<p>The Issuer reports on the Use of Proceeds category Affordable Housing including the sub-categories:</p> <ul style="list-style-type: none"> ▪ Non-profit housing ▪ Housing promotion and refurbishment with social and family policy goals 	✓
1.2. Social benefits related to project categories	<p>Social objectives and benefits are defined for the Use of Proceed category Affordable Housing as follows:</p> <ul style="list-style-type: none"> ▪ Non-profit housing ▪ Housing subsidies and refurbishment with social and family policy-related objectives ▪ Providing local communities with affordable and high-quality housing 	<p>Under deliberately cautious and conservative analysis criteria, the loans in the social pool contribute to the financing or refurbishment of a total of 12.988 subsidized housing units. Including a look back-period, 2021 intakes resulted in additional 286 subsidized housing unit construction and contributed to the refurbishment of 77 units.</p>	✓

1.3. Estimate of the share of Refinancing / Financing	The net proceeds are and will be used to refinance both existing and new projects.	The net proceeds have been used to (re-)finance both existing and new projects, including a look-back period of an existing portfolio. In 2021, the social pool was replenished with new projects accounting for about 6% of the total social pool.	✓
1.4. Exclusion of harmful project categories	For single products information is available on whether exclusion criteria are clearly defined.	Ethical positions are laid down in the Issuer's credit principles and prohibit financing to Brothels, pornography, gambling, production/ trade of/ with outlawed weapons, mining of uranium and coal as well as fracking, nuclear power plants, coal-fired power plants, deep-sea fishing, production of tobacco products and speculative loans (loans for the acquisition of financial assets for speculative purposes).	✓
1.5. Definition of the targeted population	Eligibility Criteria, as well as targeted population, are defined in the Tyrolean Housing Promotion Act 1991 (Tiroler Wohnbauförderungsgesetz 1991, or "TWFG 1991"). Housing projects automatically comply with the Housing Promotion or Housing Renovation Guidelines. Those guidelines set for example income limits, permissible household size in relation to usable living space, a fair interest rate for financing, etc.	All loans in the Social Pool fall under the Tyrolean Housing Promotion Act TWFG 1991 and are therefore in accordance with the Tyrolean Housing Promotion Guidelines or the Tyrolean Housing Renovation Guidelines. Within the scope of the loan approval and settlement process of Hypo Tirol, the Issuer ensures whether the assurance of the Province of the Tyrol pursuant to the TWFG 1991 is given.	✓
2. Process for Project Evaluation and Selection			
2.1. Defined and transparent criteria for Eligible Social Projects	Hypo Tirol identifies eligible projects based on their social benefits and selects suitable assets for outstanding social Bonds or new issuances and applies standards to project under the TWFG 1991 Promotion Act.	All loans in the Social Pool fall under the Tyrolean Housing Promotion Act TWFG 1991 and are therefore in accordance with the Tyrolean Housing Promotion Guidelines or the Tyrolean Housing Renovation Guidelines. The Issuer's approval and settlement processes ensure the	✓

		application of the TWFG 1991 Promotion Act.	
2.2. Summary criteria for project evaluation and selection publicly available	<p>A Sustainability Committee is reviewing and confirming the eligibility of the assets selected. All eligible projects included in the Social Bond Portfolio should comply with the requirements outlined in the section "Use of Proceeds".</p> <p>The following standards apply to projects under the TWFG 1991 Promotion Act:</p> <p>Housing procurement:</p> <ul style="list-style-type: none"> ▪ Urgent housing needs Objective housing allocation guidelines ▪ Rental price fixing according to costs (non-profit developers) ▪ Income caps ▪ Defined space caps depending on the size of the household ▪ Appropriate land and construction costs ▪ Threshold levels for energy efficiency <p>Housing maintenance:</p> <ul style="list-style-type: none"> ▪ Regular housing needs Maximum eligible floor space to household size ▪ Eligible renovation measures ▪ Reasonable costs ▪ Threshold levels for energy efficiency 	For Social Bond eligible financing, an internal monitoring system has been set up. Being integrated into the Issuers core system it enables the direct allocation of eligible loans and the corresponding residential units. Further, the Sustainability Committee confirms the Social Bond-eligible projects on a semi-annual basis.	✓
2.3. Documented process to determine whether projects fit	The selected assets are listed in an allocation overview and tracked accordingly.	A survey of subsidized housing units in the social pool was carried out. For projects with several residential units, the residential units for the entire	✓

within defined categories		property were determined by means of a case-by-case assessment.	
2.4. Information on Responsibilities and Accountability	A Sustainability Committee is reviewing and confirming the eligibility of the assets selected.	The Sustainability Committee confirms the Social Bond-eligible financing on a semi-annual basis.	✓
2.5. Stakeholders involved in the process	Representatives from the Sustainability, Treasury, Credit Risk Management, and Public Institutions departments of Hypo Tirol identify eligible projects based on their social benefits and select suitable assets for outstanding social Bonds or new issuances.	The Sustainability Committee confirms the Social Bond-eligible financing on a semi-annual basis.	✓
3. Management of Proceeds			
3.1. Social Bond Proceeds tracked in an appropriate manner	After selection and confirmation of the assets by the Sustainability Committee, ongoing monitoring of the assets takes place in the Treasury division. An equal amount to the outstanding proceeds of social Bonds is allocated to tracked assets.	An internal monitoring system has been set up for social Bond-eligible financing, Being integrated into Hypo Tirol's core system it enables the direct allocation of eligible loans and the associated residential units.	✓
3.2. Disclosure of intended types of temporary investment instruments for unallocated proceeds	If funds are temporarily unallocated, they are invested in money market instruments, cash and/or ESG Bonds for a maximum period of 12 months.	Proceeds are fully allocated.	✓
3.3. Disclosure of portfolio balance of unallocated proceeds	An equal amount to the outstanding proceeds of social Bonds is allocated to tracked assets. If funds are temporarily unallocated, they are invested in money market instruments, cash and/or ESG Bonds for a maximum period of 12 months.	Proceeds are fully allocated.	✓

4. Reporting			
4.1. Formalisation of monitoring and reporting processes	The annual report contains an allocation report which shows the proportion of new and existing loans in the portfolio, as well as information on A) the development of the volume of classified assets held by Hypo Tirol and B) the social benefit of the respective projects financed with the Bond issue. projects financed with the Bond	An internal monitoring system has been set up for social Bond-eligible financing. Being fully integrated into Hypo Tirol's core system it enables direct allocation of eligible loans and the corresponding units.	✓
4.2. Use of Proceeds reporting	The Issuer commits to report on the volume development: <ul style="list-style-type: none"> ▪ The proceeds of the Social Bonds in circulation. ▪ The number of assets allocated to the Social Portfolio. ▪ The amount of unallocated proceeds of the Social Bond. 	The Issuer reports on the volume development: <ul style="list-style-type: none"> ▪ The proceeds of the Social Bonds in circulation. ▪ The number of assets allocated to the Social Portfolio. ▪ The number of unallocated proceeds of the Social Bond. • The amount of u 	✓
4.3. Impact Reporting	The Issuer commits to report on the volume development: <ul style="list-style-type: none"> ▪ Non-profit housing: Number of housing units ▪ Housing promotion and refurbishment with social and family policy goals: Number of housing units 	The Issuer reports on the volume development: <ul style="list-style-type: none"> ▪ Non-profit housing: Number of housing units ▪ Housing promotion and refurbishment with social and family policy goals: Number of housing units 	✓
4.4. Means of disclosure: where the information is published	The reporting will be published on the bank's website (www.hypotiro.com/investorrelations).	The reporting will be published on the bank's website (www.hypotiro.com/investorrelations).	✓

Opinion: ISS ESG finds that the Impact Report Social Bond respects the commitments set forth in Hypo Tirol's Social Bond Framework. Key principles and recommendations as defined by ICMA have been considered in the Framework and have then been transposed accordingly to Hypo Tirol's Impact Report Social Bond.

PART II: ALIGNMENT WITH ICMA'S WORKING TOWARDS A HARMONIZED FRAMEWORK FOR IMPACT REPORTING FOR SOCIAL BONDS

ICMA's WTHFIR for Social Bonds has been chosen as a benchmark for this analysis being the most widely adopted guidelines for Bond Impact Reporting practices including core principles and recommendations.

The table below presents the findings of an ISS ESG assessment of Hypo Tirol's Impact Report Social Bond against ICMA's WTHFIR for Social Bonds.

CORE REQUIREMENTS		
ICMA WTHFIR	IMPACT REPORT - SOCIAL BOND EVIDENCE	ASSESSMENT
Formal internal process for the tracking of proceeds	An internal monitoring system has been set up for social Bond-eligible financing. Being integrated in Hypo Tirol's core system it enables the direct allocation and tracking of eligible loans and the associated residential units. The Sustainability Committee confirms the Social Bond eligible financing on a semi-annual basis determining eligibility.	✓
Annual reporting on the Use of social Bond proceeds and on the expected social impacts	Based on the Social Bond Principles, Hypo Tirol has voluntarily committed itself in its Social Bond Framework to publish an annual report on the development of the Social Bond or the Social Bond Pool on its website. Hypo Tirol reports on actuals within one year from issuance as per 31.12.2021 for 12-month including a look-back period	✓
Identification of the Social Project categories to which social Bond proceeds have been allocated	To measure the social impact, a survey of subsidized housing units financed by loans in the social pool was conducted. All loans in the Social Pool fall under the Tyrolean Housing Promotion Act TWFG 1991 and are therefore in accordance with the Tyrolean Housing Promotion Guidelines or the Tyrolean Housing Renovation Guidelines ⁵ . Within the scope of the loan approval and settlement process, the Issuer ensures compliance with the TWFG 1991.	✓
Identification of the target population(s) for which positive socio-economic outcomes are expected	All loans in the Social Pool fall under the Tyrolean Housing Promotion Act TWFG 1991 limiting and defining the targeted population.	✓
Output, outcome, and/or impact of projects financed reported	Output indicators have been developed by the Issuer communicating on the number of housing units on a Use of Proceeds sub-category level. The Issuer uses statistical data provided by an external source on average rent	✓

⁵ <https://www.tirol.gv.at/bauen-wohnen/wohnbaufoerderung/service/richtlinien/>

	concession compared to the free market to measure the outcome for non-profit housing in the region Tirol.	
Illustration of the expected social impact made possible as a result of projects	Social Bond eligible loans of 2021 resulted in an additional 286 subsidized housing units and contributed to the refurbishment of 77 units leading to an actual 9.706 housing construction and 3.282 refurbishment projects in the portfolio. The Issuer provides actual results on outputs achieved for a 12-month period as per 31.12.2021 including a look-back period.	✓

KEY OPTIONAL REQUIREMENTS

ICMA WTHFIR	IMPACT REPORT - SOCIAL BOND EVIDENCE	ASSESSMENT
Disclosure of projects with partial eligibility	In the case of projects with several residential units, the residential units for the entire property were determined by means of a case-by-case assessment.	✓
Use of relevant output, outcome, and/or impact metrics with quantitative indicators	The Issuer report on the output by the number of housing units per project category non-profit housing and refurbishment. The outcome is measured by referring to publicly available statistics on average rent concession compared to the free market in the region. The Issuer relies on the indicator sample list proposed by ICMA.	✓
Provide background on the methodology and assumptions used for the calculation	Data is not processed further by the Issuer. The Issuer is not using assumption-based methodologies for the calculation. Further complex calculations have been avoided.	N/A
The methodology used to determine the share of eligible project financing being applied to impact calculation	The Issuer reports on the overall results of the portfolio on an aggregate level. In addition, the Issuer reports on the share of the overall result by communicating on the construction and refurbishment projects respectively. Further, the Issuer reports on actual outputs by project category.	N/A
Collaboration with experts if reporting on the estimated lifetime impacts and/or project economic life in years	The Issuer does not report on estimated lifetime impacts and/or project economic life in years.	N/A
Ex-Post verification for the accuracy of the ex-ante assessments	The Issuer does not make ex-ante assessments.	N/A
Definition and disclosure of the period and process	The Issuer communicates as per year-end on 31.12.2021 covering a 12-month period. Allocation of eligible projects and the associated residential units is monitored by the Issuer.	✓

Indication of the timing of disbursements	The report does not indicate the timing of disbursement or project stages.	N/A
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Opinion: *ISS ESG finds that Hypo Tirol follows core principles of ICMA's WTHFIR for Social Bonds. To the extent recommendations can be applied, the Issuer follows ICMA's guidelines. Hypo Tirol provides transparency on the level of expected reporting as well as on the frequency and scope. An internal automated formal monitoring system has been deployed by the Issuer for the proceeds allocation and tracking.*

PART III: DESCRIPTION OF PROCEEDS ALLOCATION AND SOUNDNESS OF REPORTING INDICATORS

Note: ISS ESG's review does not follow auditing or assurance standards or guidelines. ISS ESG does not provide assurance on the information presented in Hypo Tirol's Impact Report Social Bond. ISS ESG solely conducted a review of the Use of Proceeds' allocation and impact reporting against ICMA's WTHFIR for Social Bond's Core Principles and Recommendations and commitments set forth in the Issuers Framework Social Bond.

Use of Proceeds Allocation

Use of Proceeds allocation reporting is key to putting the reported impacts into perspective with the investment volume allocated to the respective Use of Proceeds categories. The Use of Proceeds allocation reporting occurred within one year from the issuance, after full allocation of the proceeds, including a look back period. Proceeds allocation has been reported at the portfolio level and broken down to project category level Non-profit housing and Housing promotion and refurbishment with social and family policy goals. ISS ESG finds that the allocation report section of the Impact Report Social Bond of Hypo Tirol aligns with best market practices by providing information on:

- Number of housing units by the type of project, respective construction or refurbishment
- The loans distribution by lending volume in EUR considering the reporting period
- The number of housing projects (re-)financed

Impact Reporting Indicators

ISS ESG finds that Hypo Tirol uses Reporting Indicators that are relevant for the different project categories. Further, the Issuer refers to existing indicator lists.

The loans in the social pool contribute to the financing or refurbishment of a total of 12.988 subsidized housing units. The table below presents an assessment conducted by ISS ESG referring to key recommendations of ICMA's WTHFIR for Social Bonds.

ELEMENT	ASSESSMENT
Relevance	<p>The Issuer uses for the respective Use of Proceeds sub-categories the following reporting indicators:</p> <ul style="list-style-type: none"> ▪ Non-profit housing: Number of housing units ▪ Housing promotion and refurbishment with social and family policy goals: Number of housing units <p>The indicators are relevant to the Use of Proceeds category financed through this Social Bond and correspond with the output metrics proposed by ICMA's WTHFIR for Social Bonds Annex A.</p>

	<p>The Issuer refers to publicly available statistics set up by the non-profit building association Tyrol⁶ on average rent concession compared to the free market, being 30% in the region. Whereas Hypo Tirol's share of the total market for non-profit housing projects in Tyrol is approximately 30% as per 31.12.2020 according to the Issuer.</p> <p>The Issuer reports on actual numbers, without defining a medium-or long-term impact.</p>
Data sourcing and methodologies of quantitative assessment	<p>An internal monitoring system has been set up for social Bond-eligible financing. It is integrated into Hypo Tirol's core system and enables direct allocation and tracking of eligible loans and the associated residential units.</p> <p>Data is sourced directly from Hypo Tirol's internal monitoring system. Projects following eligibility criteria originated during look-back have been followed up manually and fully migrated. In addition, the Issuer refers transparently to an external source, the non-profit building association Tyrol. External data has not been further processed by the Issuer.</p>
Baseline selection	<p>The Issuer reports on absolute figures without considering a relevant baseline. Complex recalculations have been avoided by the Issuer.</p>
Scale and granularity	<p>The data is presented at the Use of Proceeds sub-category level. Temporal references are appropriately displayed, which aligns with best market practices.</p>

High-level mapping of the reporting indicators to the UN Sustainable Development Goals

Based on the assessment of the sustainability quality and using a proprietary methodology and referring to ICMA "A High-Level Mapping to the Sustainable Development Goals"⁷ the reporting indicator(s) adopted by Hypo Tirol for its Impact Report Social Bond can be mapped to the following SDGs.

PROJECT CATEGORY AND IMPACT INDICATOR	SUSTAINABLE DEVELOPMENT GOAL
<p>Affordable Housing Number of housings units</p>	

Opinion: The allocation and impact reporting occurred within one year from the issuance, after full allocation of the proceeds, and is covering all proceeds, including a look-back period. The funds' allocation is described at a project level per Use of Proceeds sub-category, in line with market practices. The Issuer uses relevant output and outcome reporting indicators, aligned with good market practices.

⁶ <https://gbv-aktuell.at/tirol>

⁷ [ICMA Mapping SDG to Green Social and Sustainability Bonds](#)

DISCLAIMER

1. Validity of the External Review: As long as no material changes are undertaken by the Issuer on its Impact Report Social Bond 2022.
2. ISS ESG uses a proprietary methodology to assess post-issuance reports. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create External Reviews on Bonds based on data from the Issuer.
3. We would, however, point out that we do not warrant that the information presented in this External Review is complete, accurate, or up to date. Any liability on the part of ISS ESG in connection with the use of this External Review, the information provided in them, and the use thereof shall be excluded.
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ANNEX 1: Methodology

ISS ESG Review of Post-Issuance Reports

The External Review of Post-Issuance Reports provides the Issuer with an independent opinion on the soundness of its post-issuance report and of its alignment with recognized market guidelines and it provides investors with independent information regarding the reliability of the report produced. On the basis of the information provided by the Issuer, ISS ESG assesses the alignment of the report with recognized market guidelines, the metrics chosen by the Issuer, and the soundness of process and methodology of reporting. The analysis of the metrics adopted is based also on specific sets of indicators developed by ISS ESG for every single use of the proceeds category.

High-level mapping to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method based on ICMA's Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals, ISS ESG identifies the extent to which Hypo Tirol's Social Bond Impact reporting and project categories contribute to related SDGs.

About ISS ESG External Review

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable Bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria. We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets, and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent External Review so that investors are as well informed as possible about the quality of the Bond/loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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