



# European DataWarehouse

ED Commentary on Italian LLD | Webinar 13 March 2018

**EUROPEAN**  
DATAWAREHOUSE

# Special Report: ED Commentary on Italian Loan-Level Data

On February 28<sup>th</sup> 2018 ED published a special report on Italian Loan-Level Data reporting practices.

The commentary is a result of a survey carried out to gather evidence regarding the ABS LLD reporting practices for:

1. Primary Income
2. Arrears Balance and Number of Months in Arrears
3. Litigation
4. Default or Foreclosure
5. Loss on Sale
6. Cumulative Recoveries

For the complete report:  
<https://eurowdw.eu/research-papers/>

**EUROPEAN  
DATAWAREHOUSE**

February 2018

**Special Report**

**European DataWarehouse Commentary on Italian Loan-Level Data**

**ED Authors**

**Marco Angheben**  
 Head of Business Development  
 Ph. +49 (0) 69 50986 9303  
 E. [marco.angheben@eurowdw.eu](mailto:marco.angheben@eurowdw.eu)

**Eirini Kanoni**  
 Vice President  
 Ph. +49 (0) 69 50986 9318  
 E. [eirini.kanoni@eurowdw.eu](mailto:eirini.kanoni@eurowdw.eu)

**Jasmin Abdel**  
 Manager  
 Ph. +49 (0) 69 50986 9326  
 E. [jasmin.abdel-fattah@eurowdw.eu](mailto:jasmin.abdel-fattah@eurowdw.eu)

**Gianluca Ginelli**  
 Associate  
 Ph. +49 (0) 69 50986 9337  
 E. [gianluca.ginelli@eurowdw.eu](mailto:gianluca.ginelli@eurowdw.eu)

European DataWarehouse GmbH  
 Walther-von-Cronberg-Platz 2  
 60594 Frankfurt am Main  
[www.eurowdw.eu](http://www.eurowdw.eu)

**Summary**

*European DataWarehouse (ED) carried out a survey at the end of 2016 to gather evidence about the market standards prevailing in the Italian Asset-Backed Securities (ABS) market with regards to the reporting Loan-Level Data (LLD). This Commentary is the result of a study by a Working Group<sup>1</sup> (WG), on the output of a survey distributed to all Italian market operators involved in ABS transactions. This is the second o series of studies: the first of which focused on the Spanish RMBS mark*

*The survey includes the complete range of assets reported in Europe DataWarehouse (ED) by Italian market operators: RMBS, SME, Consun and Leasing ABS transactions. The survey was designed to gather evidence about reporting practices of market participants, to enhance common understanding by data users of the Italian LLD.*

*Besides providing additional clarity on the different practices of report entities (Data Owners and Data Providers), the intelligence gathered in this process enables ED to produce more standardised data for securitised portfolios, including performance statistics present in repository.*

*ED intends to publish further similar commentaries on the other Europe ABS markets. This approach is consistent with the aim to improve d. quality as wide as possible in the Euro Area<sup>2</sup>.*

**Executive Summary**

**Introduction**

European DataWarehouse (ED) carried out a survey at the end of 2016 to gather evidence about the market standards prevailing in the Italian Asset-Backed Securities (ABS) market with regards to the reporting of Loan-Level Data (LLD). This commentary is the result of the study on the survey responses obtained. The survey was designed to get a better understanding of the reporting practices of market participants in order to enable data users to correctly interpret Italian ABS LLD. This survey is useful for all types of data users who have access to ED platform, among others institutional investors for the required due diligence, academic institutions for research and rating agencies for rating and monitoring purposes. The current reporting practices may vary mainly due to the flexibility of the ECB ABS taxonomies as well as the transaction specificities. The survey questions were carefully chosen to gather information on the reporting of some of the key mandatory fields included in the ECB's LLD templates<sup>3</sup>.

In terms of number of ABS transactions, ED currently includes data on 265 Italian deals (168 of them are currently active<sup>4</sup>). In terms of outstanding amounts, the Italian market present in ED is the fourth largest behind the Netherlands, Spain and France (see Figure 1).

**Figure 1: Percentage of outstanding ABS deals in ED by country**

Country	Percentage
Netherlands	20%
Spain	17%
France	15%
Germany	10%
United Kingdom	9%
Belgium	7%
Ireland	3%
Portugal	3%
Other	1%

Source: European DataWarehouse data as of 9 January 2018

<sup>1</sup> The Working Group refers to a specific expert group created in order to carry out the survey. It composed of ED staff with the authors of the report and two experts from Banca d'Italia, Anna Michela Di Gioia and Edvige Iannicola, that contributed to the survey implementation and distribution, analysis and text review. The views expressed in this report do not involve the responsibility of Banca d'Italia.

<sup>2</sup> The Spanish RMBS Loan-Level Data Special Report was conducted via a survey between 2015 and 2016 including telephone interviews with some specific issuers and business in order to be able to understand the specific reporting practices for residential mortgages. The full report is available at <https://www.eurowdw.eu/content/uploads/2016/09/ED-Commentary-on-Spanish-RMBS-January-2018.pdf>

<sup>3</sup> Other ED initiatives in this direction are the introduction of Data Quality Scores (DQS) and DQS early 2017. More information is available at <https://www.eurowdw.eu/content/uploads/2017/05/DataQualityScore-2017-1.pdf>

<sup>4</sup> Active deals are transactions where the loan-level information and documentation is regularly updated. Deals are inactive when such regular updates are not occurring for a variety of reasons including early amortisation, full amortisation or redemption, buy back, go private, etc.

# Overview – Aim of the Survey

- ❑ In H2 2016 European DataWarehouse (ED), in collaboration with experts of the Bank of Italy\*, conducted a survey to collect and assess common reporting standards for the Italian market on Loan Level Data (LLD) for Asset-Backed Securities (ABS)
- ❑ The survey falls within a wider ED project aimed at collecting evidence, at country level, about the reporting practices of ABS followed by market participants. Ultimate goal: promoting a common understanding of market reporting practices
- ❑ Similar surveys/analyses are being considered for other jurisdictions such as Portugal, Germany and The Netherlands

## Italian Survey: highlights

- ❑ For ABS transactions four asset classes have been considered:
  - RMBS, SME, Consumer Finance and Leasing
- ❑ All questions were related to the interpretation of key performance fields, specifically focusing on the following data fields together with specific examples:
  - Primary Income
  - Arrears Balance
  - Number of Months in Arrears
  - Litigation
  - Default and Foreclosure
  - Loss on Sale
  - Cumulative Recoveries

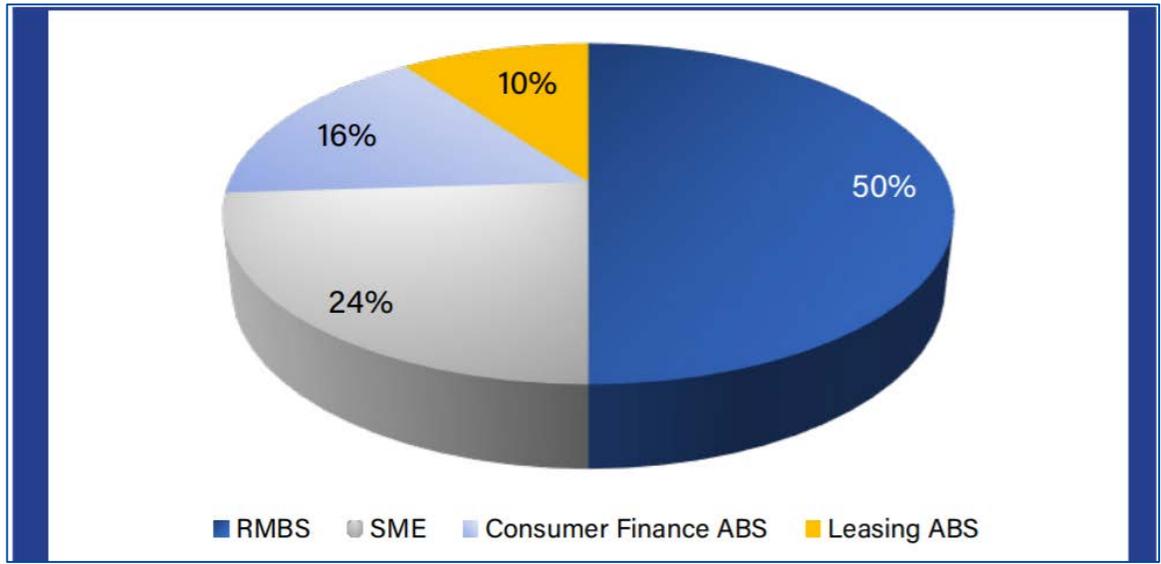


\* The survey analysis and the view expressed on it are those of the authors and *do not involve the responsibility of the Bank of Italy.*

# Survey – Participation of Operators in the Italian Market

- ❑ The questionnaire on the ABS templates consisted of 24 questions
- ❑ Question types ranged from open-ended (allowing the participants to provide additional interpretation/explanation) to closed-ended (yes/no, multiple choice answers) including some concrete case-studies
- ❑ Within the Italian market, 93% of recipients responded. Participation to the survey was on a voluntary basis.

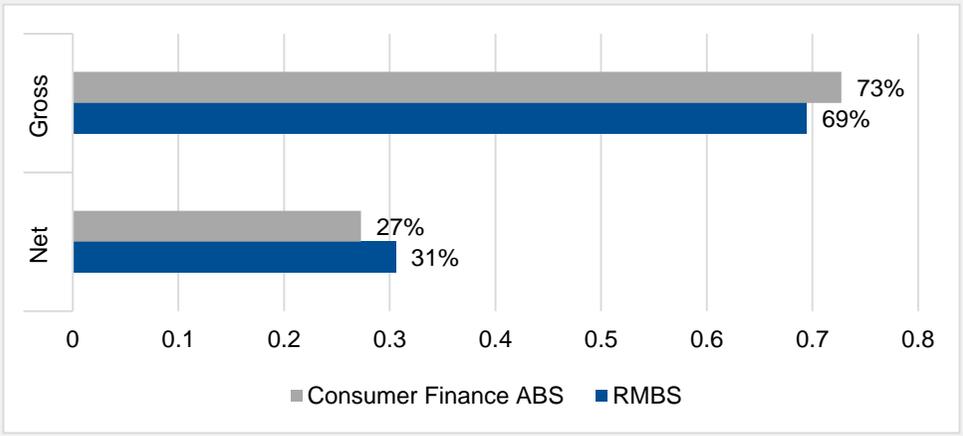
**ABS \_ Breakdown of responses by asset class**



Source: European DataWarehouse data as of 30 September 2017

# Primary Income

## Reporting of Primary Income (AR26, AN17)

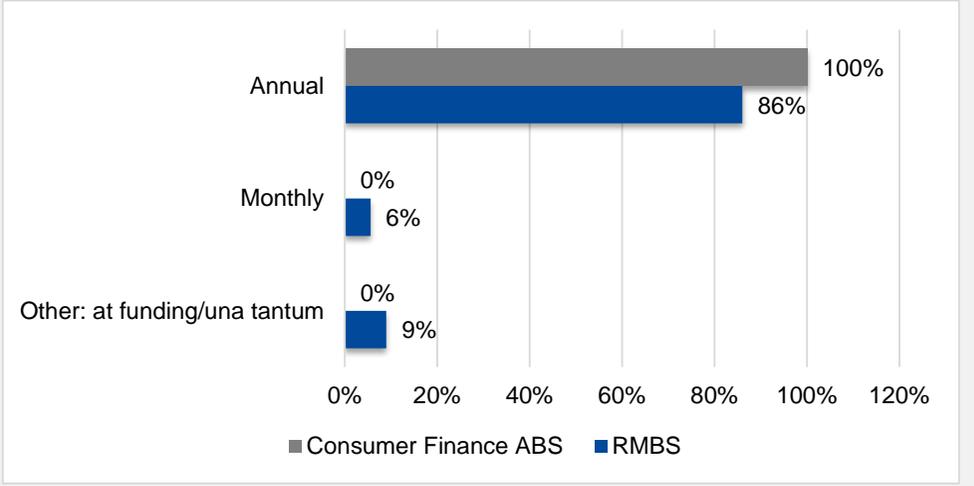


**Field “Primary income” (RMBS, Consumer).**  
 The question was: *What do you report to the EDW in the field “primary income” (e.g., gross, net, annual, monthly) having in mind that the “Gross annual income” is required.*

### Survey key observations

- Type of income: 70% report Gross income
- Periodicity of primary income: The majority of RMBS and Consumer Finance report annual income

## Periodicity of Primary Income



Source: European DataWarehouse \_ Survey responses

Source: European DataWarehouse \_ Survey responses

### Conclusion

In general large compliance with the required information by the ECB taxonomy, however it may not always be feasible for the reporting entities to report the gross income on an annual basis based on the availability of this information in the internal banks’ systems

# Primary Income: ECB vs. draft ESMA RMBS

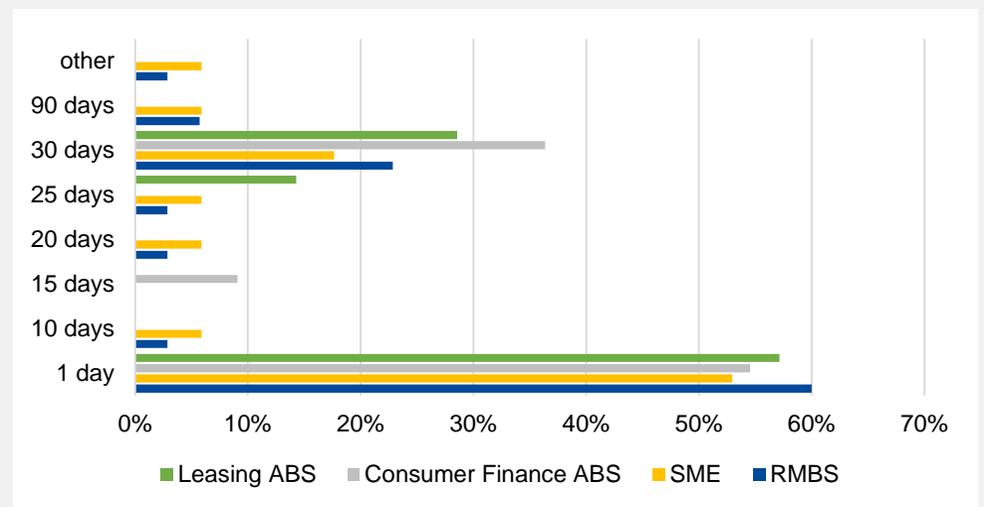
Field Number	Priority	TAG	Field Name	Data Type / Format	Field Definition & Criteria	Maximum length	Sample	Notes
AR26	Mandatory	Static	Primary Income	9(11).99	Primary borrower underwritten gross annual income (not rent). If no data available use the following input ND	14	20000000.00	
AR27	Mandatory	Static	Income Verification for Primary Income	List	Income verification for primary income: Self-certified no checks (1) Self-certified with affordability confirmation (2) Verified (3) Non-Verified Income / Fast Track (4)	12	1	
AR28	Optional	Static	Secondary Income					
AR29	Optional	Static	Income Verification for Secondary Income					



FIELD CODE	FIELD NAME	FIELD DESCRIPTION	FIELD FORMAT	STATIC OR DYNAMIC
<b>Loan/lease-level information section</b>				
		Pensioner (8) Other (9)		
RESL7	Primary Income Type	Indicate what income in RESL8 is displayed: Gross annual income (1) Net annual income (2) Estimated gross annual income (3) Estimated net annual income (4)	{LIST}	Static
RESL8	Primary Income	Primary obligor underwritten annual income.	{DECIMAL-11/2}	Static
RESL9	Primary Income Verification	Primary Income Verification: Self-certified no checks (1) Self-certified with affordability confirmation (2) Verified (3) Non-Verified Income / Fast Track (4) Credit Bureau Information / Scoring (5) Other (6)	{LIST}	Static
RESL10	Primary Income Currency	Primary income currency denomination.	{CURRENCYCODE_3}	Static
RESL11	Secondary Income	Secondary obligor underwritten gross annual income (not rent – if single obligor then 0). When there are more than two obligors indicate total annual combined income.	{DECIMAL-11/2}	Static
RESL12	Income Verification For Secondary Income	Income verification for secondary income: Self-certified no checks (1) Self-certified with affordability confirmation (2) Verified (3) Non-Verified Income / Fast Track (4) Other (5)	{LIST}	Static

# Reporting of Arrears Loans

## Length of Time used to Define Arrears



Source: European DataWarehouse \_ Survey responses

### Conclusion

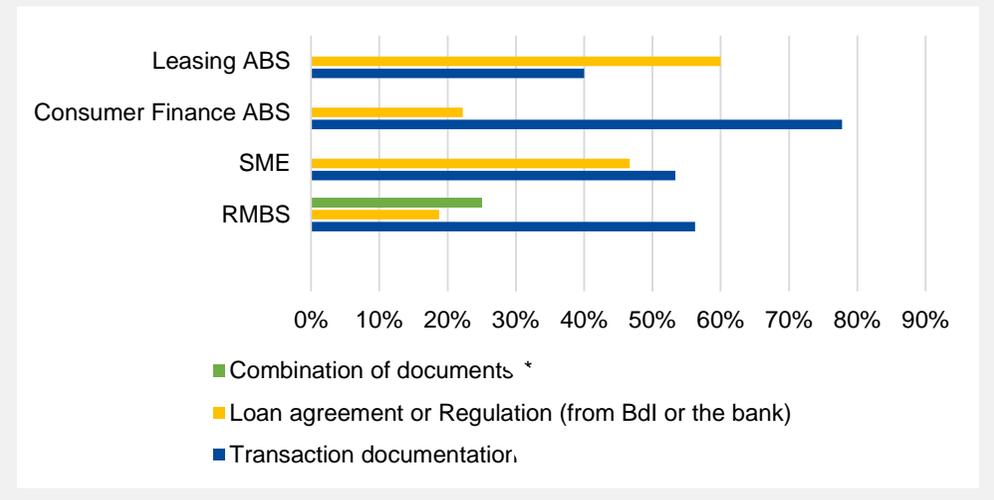
'Past-due' is the standard market practice for the arrears reporting which is homogeneous across ABS and to a large extent also comparable (since 1 day delay is largely used)

**Field "Arrears"** (RMBS, SME, Consumer, Leasing).  
The question was: *What do you report as "Arrears" (past due, unlikely to pay, etc.) and from which point in time of delayed payment do you start classifying a loan as in arrears.*

### Survey key observations

- Arrears information: All entities define arrears on a 'past-due' basis
- 60% start reporting arrears already at 1 day past-due; 20% at 30 days past-due
- 1 day past-due is reported even when the ABS transaction documentation sets out a longer payment delay for the loan to be considered in arrears

### Reference Document used for Arrears Definition



Source: European DataWarehouse \_ Survey responses

# Arrears: ECB vs. draft ESMA RMBS

RMBS Taxonomy				
Field Number	Priority	TAG	Field Name	Data Type / Format
AR168	Optional	Dynamic	Date Last in Arrears	YYYY-MM
AR169	Mandatory	Dynamic	Arrears Balance	9(8).99
AR170	Mandatory	Dynamic	Number Months in Arrears	Numeric
AR171	Mandatory	Dynamic	Arrears 1 Month Ago	9(8).99
AR172	Mandatory	Dynamic	Arrears 2 Months Ago	9(8).99

FIELD CODE	FIELD NAME	FIELD DESCRIPTION
<b>Loan/lease-level information section</b>		
RESL76	Cumulative Pre-Payments	Cumulative amount of pre-payments to date.
RESL77	Prepayment Lock-Out End Date	The date after which the lender allows prepayment of the loan.
RESL78	Prepayment Fee End Date	The date after which the lender allows prepayment of the loan without requirement for a prepayment fee to be paid.
RESL79	Prepayment Date	The latest date on which an unscheduled principal payment was received.
RESL80	Cumulative Prepayments	Total prepayments collected as at the data cut-off date (prepayments defined as unscheduled principal payment) since the loan origination date
RESL81	Prepayment Fee	Amount collected from the obligor as the fee/penalty due for making prepayments as required under the terms of the loan agreement. This is not intended to include any amounts paid as a "break cost" to make up interest payments up to the Loan Payment Date.
RESL82	Redemption Date	Date on which account redeemed or (for defaulted loans) the date that the recovery process was completed.
RESL83	Date Of Restructuring	Enter the date at which the exposure's payment terms (including interest rate, fees, penalties, maturity, repayment schedule, and/or other generally-accepted measures of payment terms) have been restructured. In the event of multiple dates, enter all dates separated by commas.
RESL84	Date Last In Arrears	Date the obligor was last in arrears. If the obligor has never been in arrears, enter ND5.
RESL85	Arrears Balance	Current balance of arrears. Arrears defined as: Total payments due to date LESS Total payments received to date LESS any amounts capitalised. This should not include any fees applied to the account. If no arrears then enter 0.
RESL86	Number Of Days In Arrears	Number of days this loan/lease is in arrears (either interest or principal and, if different, the higher number of the two) as at the data cut-off date.
RESL87	Litigation	Flag to indicate litigation proceedings underway (if account has recovered and is no longer being actively litigated this should be re-set to N).
RESL88	Date Of Repurchase	Date on which the loan was repurchased from the pool. This field only relates to repurchases: enter ND5 for all other loans.



# Litigation: ECB vs. draft ESMA RMBS

RMBS Taxonomy							
Field Number	Priority	TAG	Field Name	Data Type / Format	Field Definition & Criteria	Maximum length	Sample
AR174	Mandatory	Dynamic	Litigation	Y/N	Flag to indicate litigation proceedings underway (if account has recovered and is no longer being actively litigated this should be re-set to N). If no data available use the following input ND	12	Y

				
FIELD CODE	FIELD NAME	FIELD DESCRIPTION	FIELD FORMAT	STATIC OR DYNAMIC
<b>Loan/lease-level information section</b>				
RESL76	Cumulative Pre-Payments	Cumulative amount of pre-payments to date.	{DECIMAL-11/2}	Dynamic
RESL77	Prepayment Lock-Out End Date	The date after which the lender allows prepayment of the loan.	{DATEFORMAT}	Static
RESL78	Prepayment Fee End Date	The date after which the lender allows prepayment of the loan without requirement for a prepayment fee to be paid.	{DATEFORMAT}	Static
RESL79	Prepayment Date	The latest date on which an unscheduled principal payment was received.	{DATEFORMAT}	Dynamic
RESL80	Cumulative Prepayments	Total prepayments collected as at the data cut-off date (prepayments defined as unscheduled principal payment) since the loan origination date	{DECIMAL-11/2}	Dynamic
RESL81	Prepayment Fee	Amount collected from the obligor as the fee/penalty due for making prepayments as required under the terms of the loan agreement. This is not intended to include any amounts paid as a "break cost" to make up interest payments up to the Loan Payment Date.	{DECIMAL-11/2}	Dynamic
RESL82	Redemption Date	Date on which account redeemed or (for defaulted loans) the date that the recovery process was completed.	{DATEFORMAT}	Dynamic
RESL83	Date Of Restructuring	Enter the date at which the exposure's payment terms (including interest rate, fees, penalties, maturity, repayment schedule, and/or other generally-accepted measures of payment terms) have been restructured. In the event of multiple dates, enter all dates separated by commas.	{DATEFORMAT}	Dynamic
RESL84	Date Last In Arrears	Date the obligor was last in arrears. If the obligor has never been in arrears, enter ND5.	{DATEFORMAT}	Dynamic
RESL85	Arrears Balance	Current balance of arrears. Arrears defined as: Total payments due to date LESS Total payments received to date LESS any amounts capitalised. This should not include any fees applied to the account. If no arrears then enter 0.	{DECIMAL-11/2}	Dynamic
RESL86	Number Of Days In Arrears	Number of days this loan/lease is in arrears (either interest or principal and, if different, the higher number of the two) as at the data cut-off date.	{INTEGER-1000}	Dynamic
RESL87	Litigation	Flag to indicate litigation proceedings underway (if account has recovered and is no longer being actively litigated this should be re-set to N).	{Y/N}	Dynamic

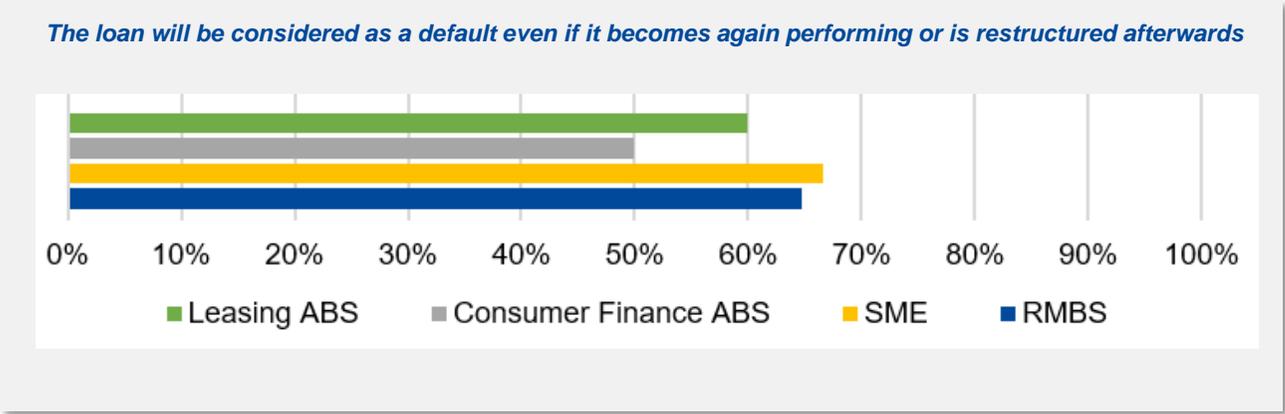
# Reporting of Defaulted Loans (1/2)

**Field “Default”** (RMBS, SME, Consumer, Leasing).

Several questions were asked: *What do you report as defaulted loans (e.g., bad loans, unlikely to pay, etc.), can a loan in default return to performing, etc.*

**Survey key observations**

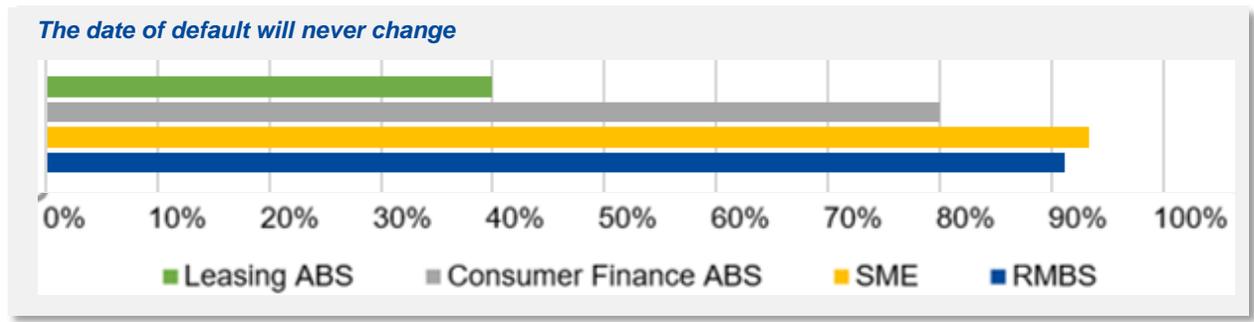
- ❑ For RMBS in the majority of cases the default amount includes ‘bad loans’ (85%) alone or in combination with other default status (unlikely to pay, past due). For Consumer, instead, the majority report defaults based on a “past due” definition (73%)
- ❑ A loan is classified in default based on the prospectus definition in the large majority of cases (81% RMBS, 76% SME, 73% Consumer, 86% Leasing)
- ❑ A loan is classified in default even if it becomes performing again/restructured (65% RMBS; 67% SME, 50% Consumer, 60% Leasing)



Source: European DataWarehouse \_ Survey responses

# Reporting of Defaulted Loans (2/2)

❑ The **date of default will never change** (91% RMBS, 93% SME, 80% Consumer, 40% Leasing)



Source: European DataWarehouse \_ Survey responses

❑ The **amount of default will never change** (71% RMBS, 80% SME, 30% Consumer, 40% Leasing)

### Conclusion

- default data reported to ED are based on clear market standards, as such they can be considered to a large extent comparable
- In general, the data reported reflect the relevant regulation in place (e.g., the definition of default from the supervisor).
- Hence, the knowledge of such rules/regulation is required to users (ED, Eurosystem, rating agencies, etc.) to correctly interpret the data received

# Defaulted Loans: ECB vs. draft ESMA RMBS

RMBS Taxonomy							
Field Number	Priority	TAG	Field Name	Data Type / Format	Field Definition & Criteria	Maximum length	Sample
AR164			Blank				
AR165			Blank				
Performance Information							
AR166	Mandatory	Dynamic	Account Status	List	Current status of account: Performing (1) Arrears (2) Default or Foreclosure (3) Redeemed (4) Repurchased by Seller (5) Other (6) No Data (ND)	12	2
AR176	Optional	Dynamic	Months in Arrears Prior	Numeric	Number of months in arrears at month end prior to redemption. This is to capture the arrears amount prior to the mortgage redeeming. If no data available use the following input ND	12	20
AR177	Mandatory	Dynamic	Default or Foreclosure	9(8).99	Total default amount before the application of sale proceeds and recoveries. If no data available use the following input ND	12	29038.99

FIELD FORMAT	STATIC OR DYNAMIC
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RESL71	Insurance Or Investment Provider	Name of the insurance or investment provider (i.e. for life insurance or investment loans as classified by options 8 or 9 in RESL29).	{ALPHANUM-100}	Static
RESL72	Default or Foreclosure	If the exposure is in default as per Article 178 of Regulation (EU) No 575/2013, select the appropriate reason: In default because the debtor is unlikely to pay, in accordance with Article 178 of Regulation (EU) No 575/2013. (1) In default because any debt is more than 90/180 days past due, in accordance with Article 178 of Regulation (EU) No 575/2013. (2) In default both because it is considered that the debtor is unlikely to pay and because any debt is more than 90/180 days past due, in accordance with Article 178 of Regulation (EU) No 575/2013. (3)	{LIST}	Dynamic
RESL73	Account Status	Current status of the account: Performing (1) Restructured - no arrears (2) Restructured - arrears (3) Defaulted according to Article 178 of Regulation (EU) No 575/2013 (4) Not defaulted according to Article 178 of Regulation (EU) No 575/2013 but classified as defaulted due to another definition of default being breached (5) Arrears (6) Repurchased by Seller – breach of reps and warranties (7) Repurchased by Seller – restructure (8) Repurchased by Seller – special servicing (9) Redeemed (10) Sofferenza (11) Other (12) Restructuring refers to any changes made to the original contractual terms of the loan agreement due to forbearance e.g. payment holidays, arrears capitalisation, change of interest rate basis or margins, maturity extensions etc. For non-active defaulted loans, the status should remain either at the appropriate default definition or 13 ('Sofferenza').	{LIST}	Dynamic

# Loss on Sale: ECB vs. draft ESMA RMBS

RMBS Taxonomy								
Field Number	Priority	TAG	Field Name	Data Type / Format	Field Definition & Criteria	Maximum length	Sample	Notes
<b>Performance Information</b>								
AR180	Mandatory	Dynamic	Loss on Sale	9(11).99	Total loss net of fees, accrued interest etc. after application of sale proceeds (excluding prepayment charge if subordinate to principal recoveries). Show any gain on sale as a negative number. If no data available use the following input ND	14	20000000.00	Total loss net of fees, accrued interest etc. after application of sale proceeds (excluding prepayment charge if subordinate to principal recoveries). Show any gain on sale as a negative number.



FIELD CODE	FIELD NAME	FIELD DESCRIPTION
<b>Loan/lease-level information section</b>		
RESL89	Default Amount	Total gross default amount before the application of sale proceeds and recoveries. If not in default, enter 0.
RESL90	Date Of Default Or Foreclosure	The first date that the loan was classified as defaulted, in sofferenza or in foreclosure.
RESL91	Sale Price	Price achieved on sale of property in case of foreclosure.
RESL92	Bank Internal Loss Given Default (LGD) Estimate (Downturn)	The originator's latest Loss Given Default estimate for the loan in a downturn scenario. If using the Standardised Approach, enter ND5.
RESL93	Allocated Losses	The allocated losses to date, net of fees, accrued interest etc. after application of sale proceeds (excluding prepayment charge if subordinate to principal recoveries). Show any gain on sale as a negative number. Once a loan has defaulted, this field captures the best estimate of the final loss that will be incurred once the recovery process has been completed. As a consequence, the value in this field is dynamic and may change over time as recoveries are collected and the work out process progresses.

# Cumulative Recoveries: ECB vs. draft ESMA RMBS

RMBS Taxonomy							
Field Number	Priority	TAG	Field Name	Data Type / Format	Field Definition & Criteria	Maximum length	Sample
<b>Performance Information</b>							
AR181	Mandatory	Dynamic	Cumulative Recoveries	9(11).99	Cumulative recoveries – only relevant for cases with losses. If no data available use the following input ND	14	20000000.00



FIELD CODE	FIELD NAME	FIELD DESCRIPTION
<b>Loan/lease-level information section</b>		
RESL89	Default Amount	Total gross default amount before the application of sale proceeds and recoveries. If not in default, enter 0.
RESL90	Date Of Default Or Foreclosure	The first date that the loan was classified as defaulted, in sofferenza or in foreclosure.
RESL91	Sale Price	Price achieved on sale of property in case of foreclosure.
RESL92	Bank Internal Loss Given Default (LGD) Estimate (Downturn)	The originator's latest Loss Given Default estimate for the loan in a downturn scenario. If using the Standardised Approach, enter ND5.
RESL93	Allocated Losses	The allocated losses to date, net of fees, accrued interest etc. after application of sale proceeds (excluding prepayment charge if subordinate to principal recoveries). Show any gain on sale as a negative number. Once a loan has defaulted, this field captures the best estimate of the final loss that will be incurred once the recovery process has been completed. As a consequence, the value in this field is dynamic and may change over time as recoveries are collected and the work out process progresses.
RESL94	Cumulative Recoveries	Total recoveries (regardless of their source) on the (defaulted/charged-off/etc.) debt, net of costs. Include all sources of recoveries here, not just proceeds from the disposal of any collateral.

# Contact Details

### Corporate Address:

European DataWarehouse GmbH  
Walther-von-Cronberg Platz 2  
60594 Frankfurt am Main  
Germany

European Transparency Register ID Number: 781559916266-15

 +49 (0) 69 50986 9017

 [enquiries@eurodw.eu](mailto:enquiries@eurodw.eu)

 [www.eurodw.eu](http://www.eurodw.eu)

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