



*Insight beyond the rating.*

# Toronto Credit Sweep – Canadian Structured Finance

Presented by:

**Huston Loke**  
Co-President, Canada

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# Credit Sweep Themes



- The recession and credit crisis have had an impact on all assets – corporate credit, autos, cards, mortgages
- Certain sectors have been affected more than others, in accordance with the strength of security pledged



- Ratings have been very stable in “traditional asset” sectors of structured finance
- Bank-sponsored asset-backed commercial paper (ABCP) has undergone transformative change
- Canadian assets have outperformed U.S. assets

# Asset Backed Commercial Paper



## Transformative Change

- 100% of DBRS-rated ABCP is backed by the Global Liquidity Standard (GLS). ABCP reports identify draw and termination conditions for liquidity
- Granular, monthly, pool-by-pool transparency and performance disclosure
- Canada leads other jurisdictions in transparency and disclosure
- All R-1 (high) Canadian ABCP is presently sponsored by a major Canadian bank or a Canadian investment-grade corporate
- Certain assets have been removed entirely: No U.S. subprime or collateralized debt obligation (CDO) assets

All references to ratings relate only to programs rated by DBRS.

# Ratings Stability – Credit Cards



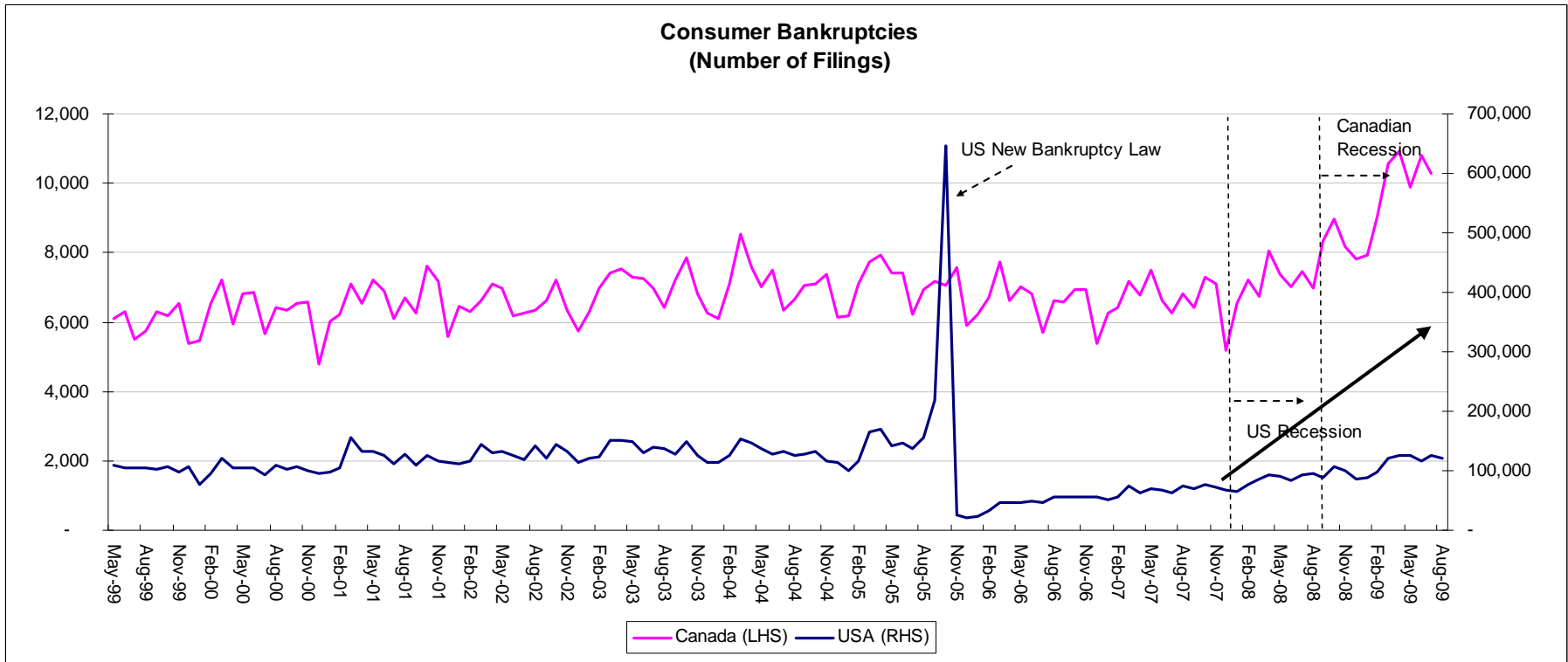
- 1990: The first Canadian credit card ABS issued
- 2009: For the first time, one credit card ABS program and one series of one program were placed Under Review – Negative
- 2009: First downgrade of a single series of credit card ABS (rating changed to AA, no longer Under Review)
- All other transactions continue to be rated AAA

## Stresses

- Recessions: 1990–1991, 2001, 2009
- Card loss index has doubled since January 2008
- Bank originator stresses
- Insolvency: Eaton's

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# Personal Bankruptcies – U.S. and Canada

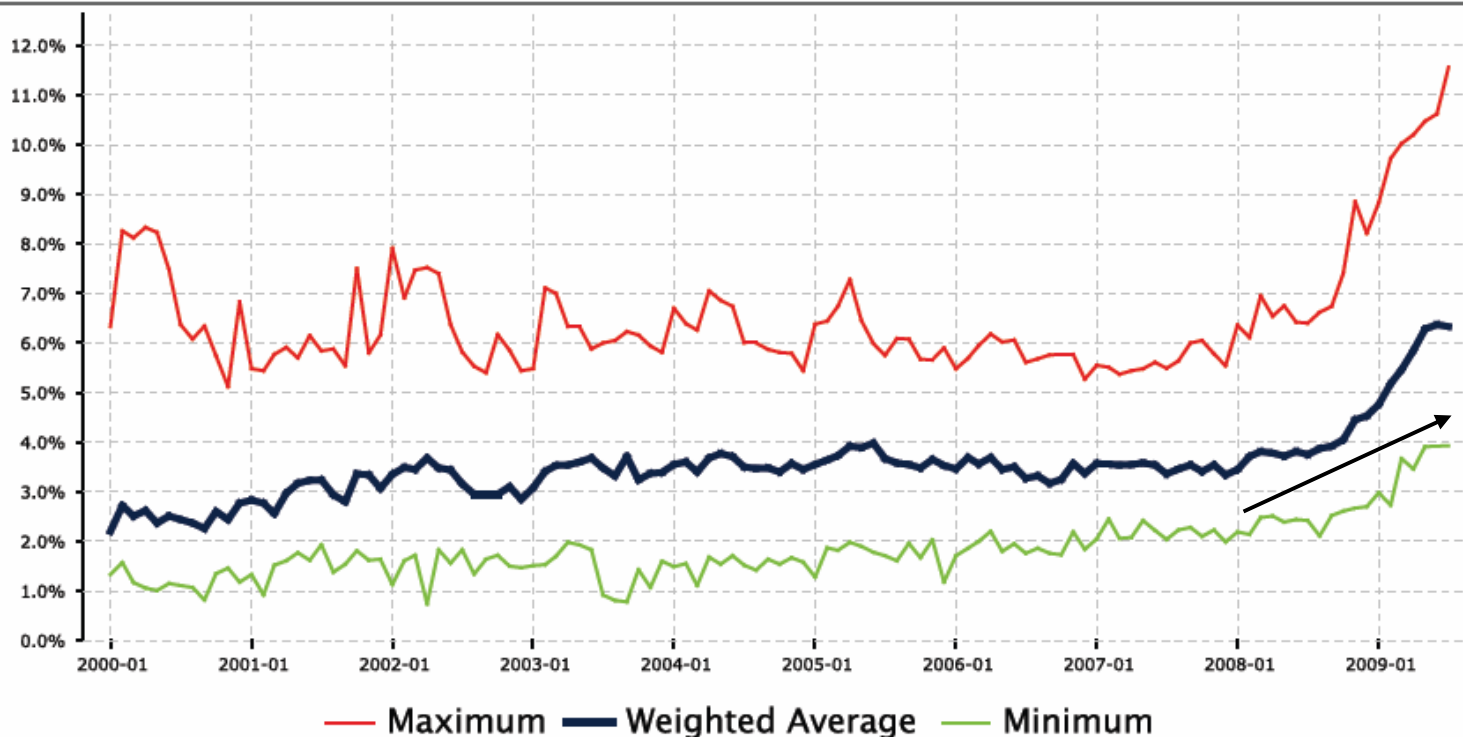


Data Source: American Bankruptcy Institute (USA), Statistics Canada (Canada).

# Canadian Credit Card Loss Rates



## Loss Rate

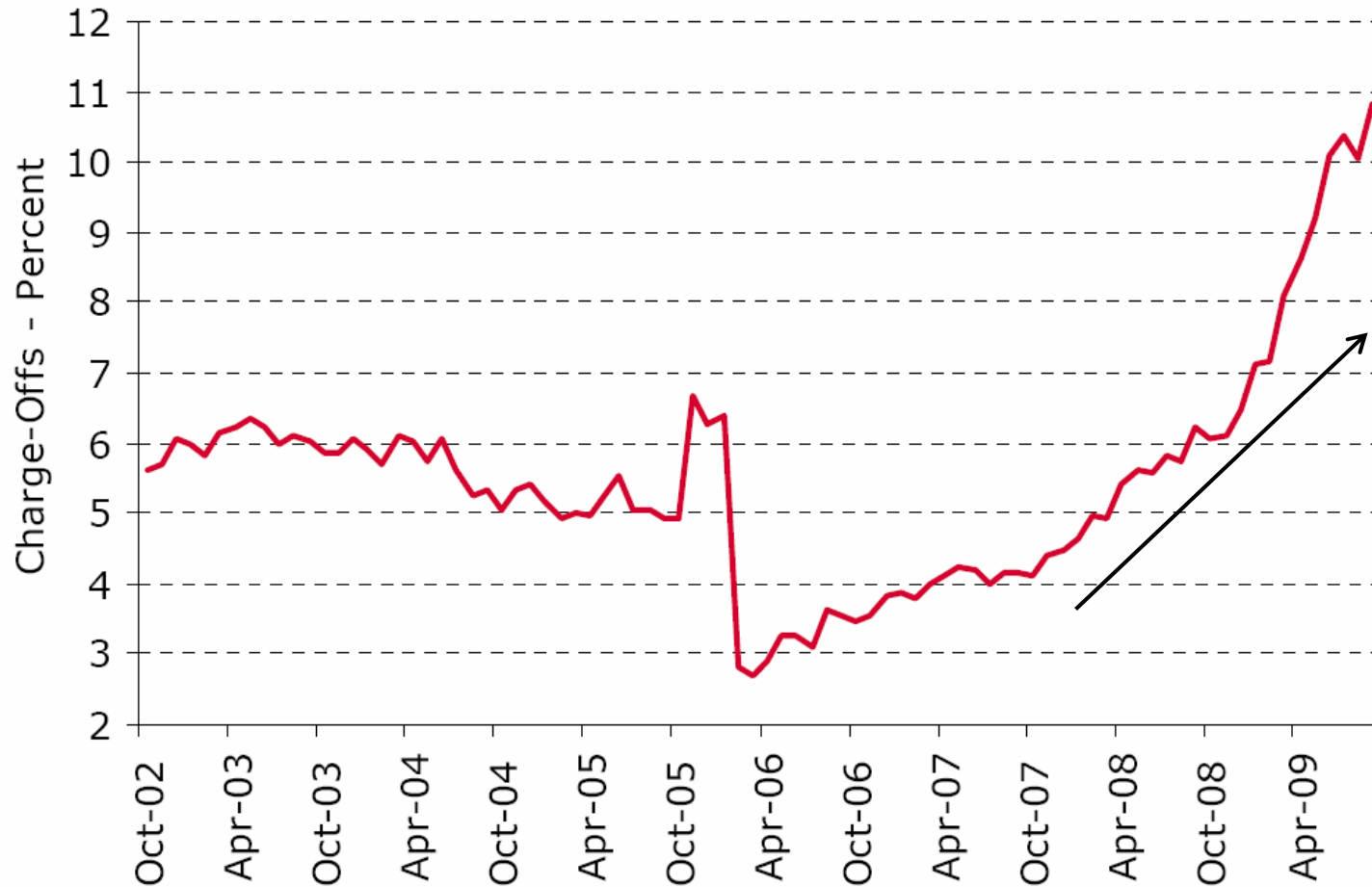


The compilation of the credit card performance charts includes both term and ABCP transactions rated by DBRS. Loss rate, payment rate, yield and excess spread are calculated as a percentage of credit card receivables in each custodial pool. The weighted average rates are weighted by respective outstanding pool balance. The related issuers of the maximum and minimum rates vary each month.

# U.S. Credit Card Loss Rates



**Exhibit 5: Charge-Off Rate Index**



Sources: Intex, Wells Fargo Securities, LLC.

# Ratings Stability – Canadian CMBS



## Canadian Commercial Mortgage-Backed Securities

- 1998: The first Canadian CMBS transaction issued
- 2005: Canadian CMBS first placed Under Review – Negative (subsequently removed from Under Review, all notes expected to repay in full)
- To date, no investment-grade tranche of Canadian CMBS has been downgraded. Three tranches (all non-investment grade) have been downgraded
- Upgrade-to-downgrade ratio of 80:3 since 1998

## Stresses

- Recessions: 1990–1991, 2001, 2009
- Very stressed U.S. commercial mortgage markets
- Credit crisis has reduced refinancing options for many borrowers

All references to ratings relate only to programs rated by DBRS.

# Ratings Stability – Auto ABS



- 1990: The first Canadian auto ABS transaction issued
- 2008: The first Canadian auto ABS transaction placed Under Review
- 2009: The first manufacturer counterparty to a Canadian ABS transaction enters insolvency, transaction subsequently repaid in full

## Stresses

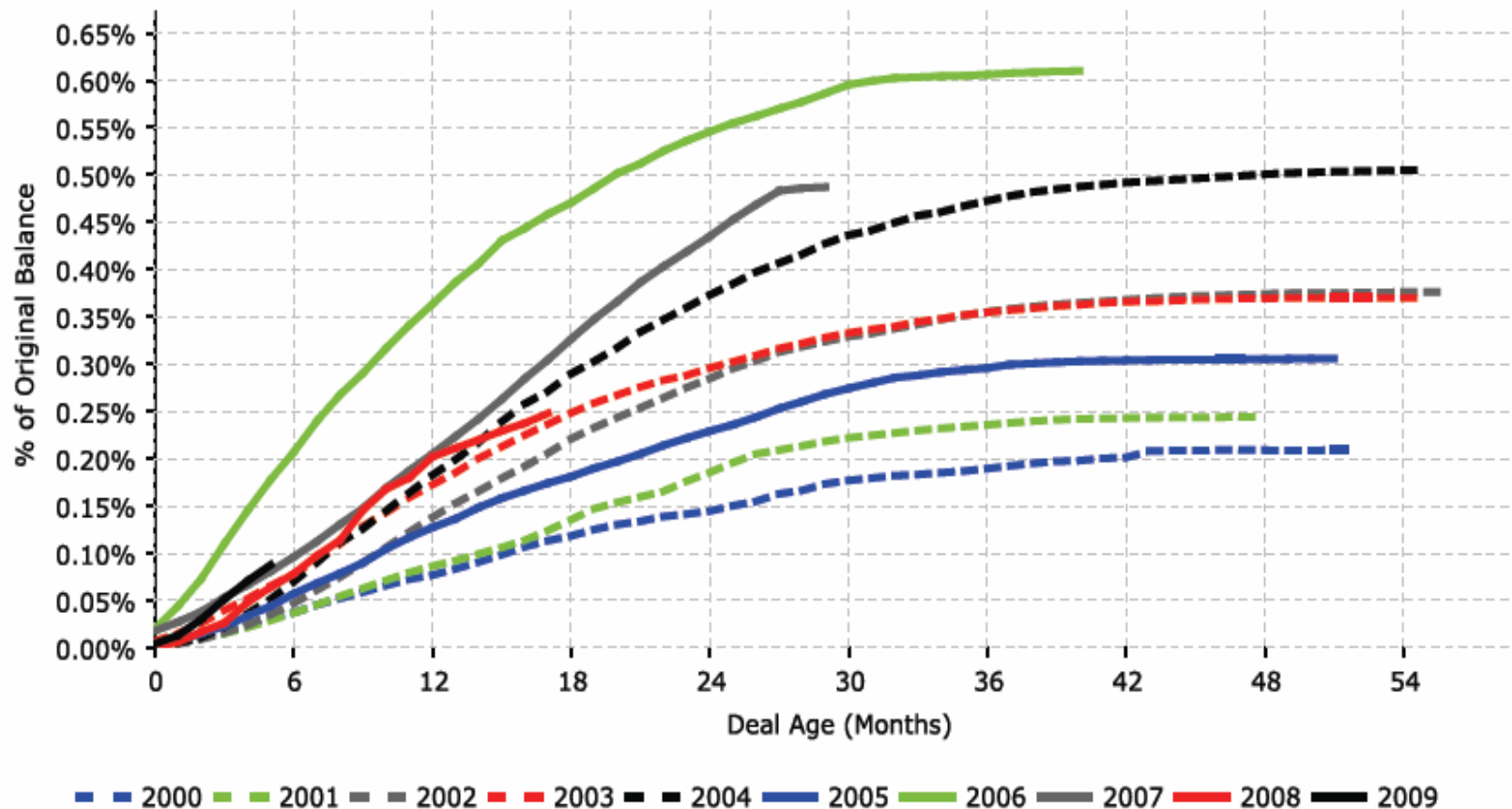
- Recessions: 1990–1991, 2001, 2009
- Record lease returns amid declining used-car values and skyrocketing fuel prices (2008)
- Insolvency: Two auto manufacturers

All references to ratings relate only to programs rated by DBRS.

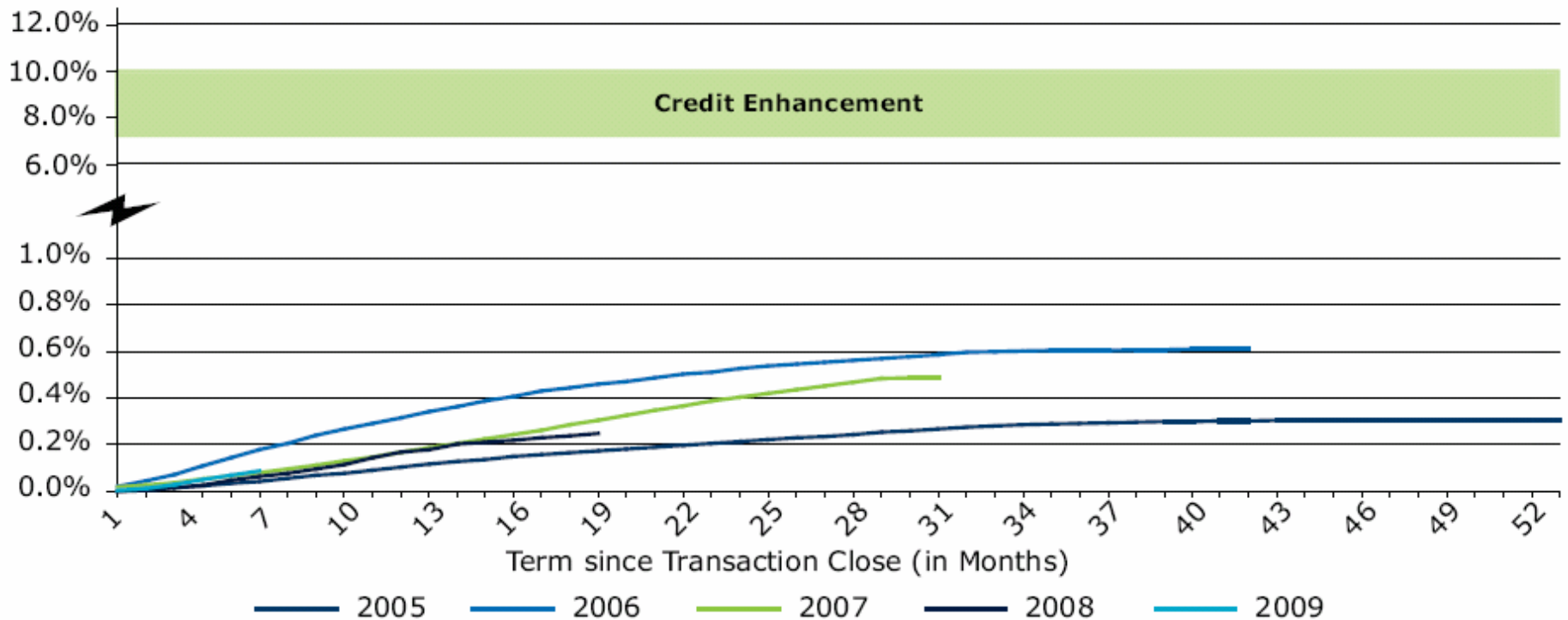
# Canadian Automotive ABS Static Loss Curves



## Automotive Cumulative Credit Losses by Issuance Year



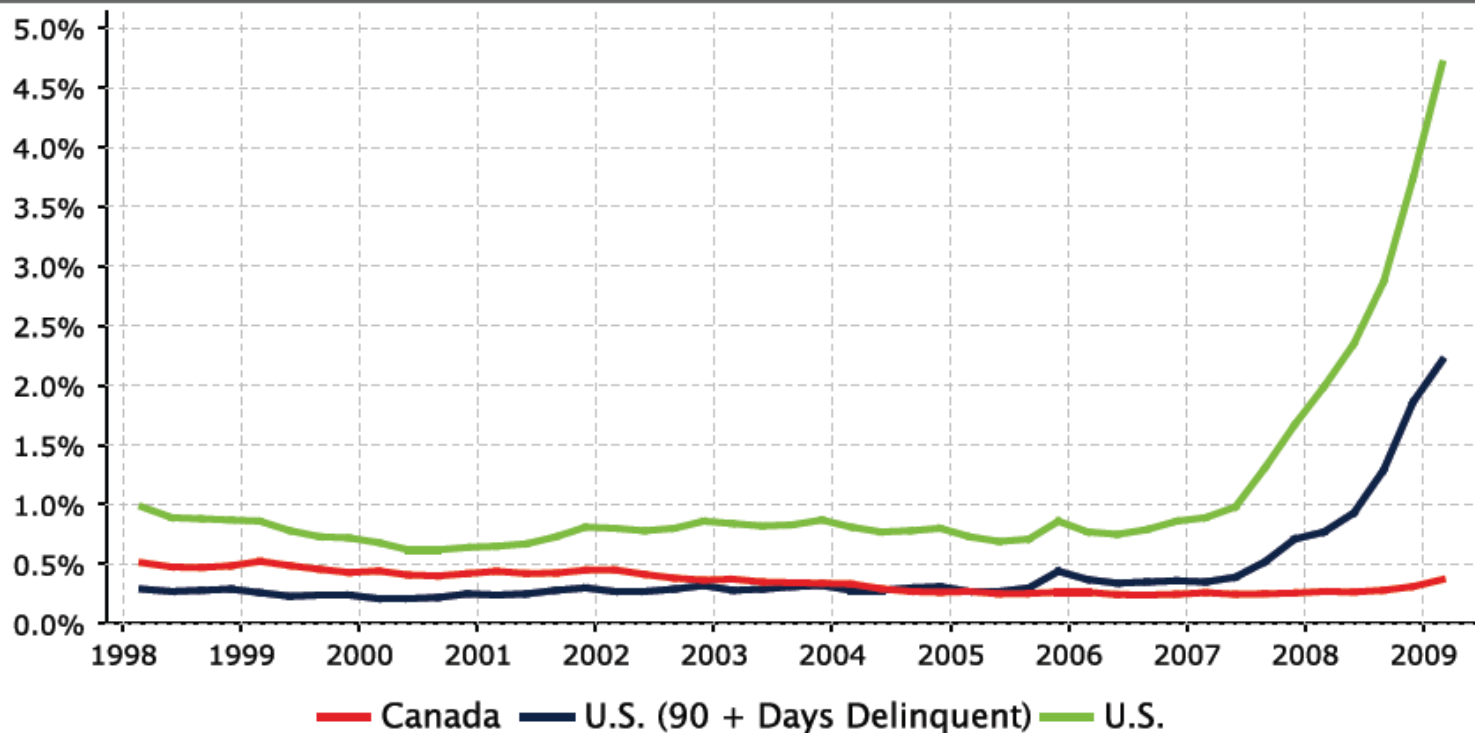
# Auto Losses in Relation to Credit Enhancement



# Prime Residential Mortgage Default Rates



## Prime Mortgages



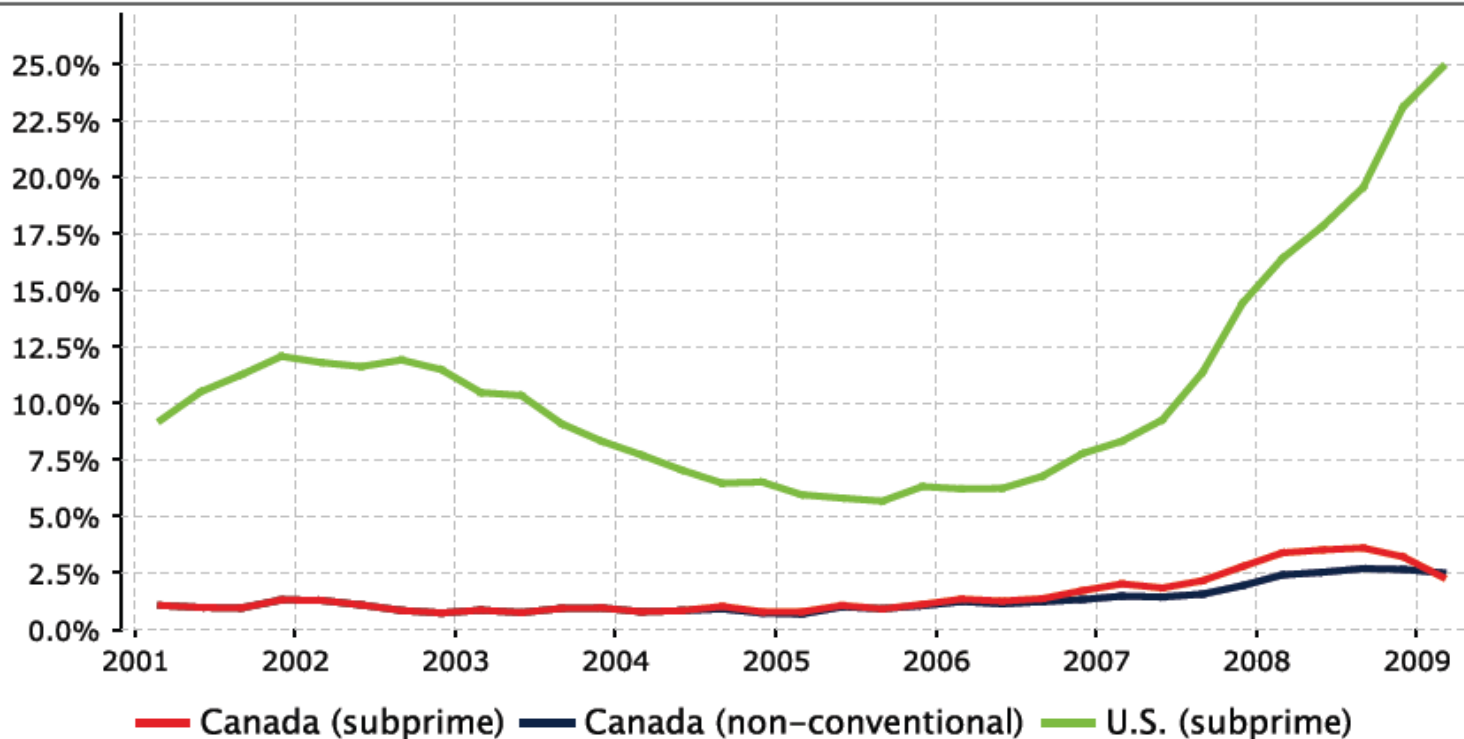
Source: Canadian Bankers Association, The Mortgage Bankers Association

Note:  
Defaults include mortgages over 90 days delinquent and in foreclosure.  
Canadian Bankers Association data may not include mortgages in foreclosure.

# Subprime Residential Mortgage Default Rates



## Subprime Mortgages



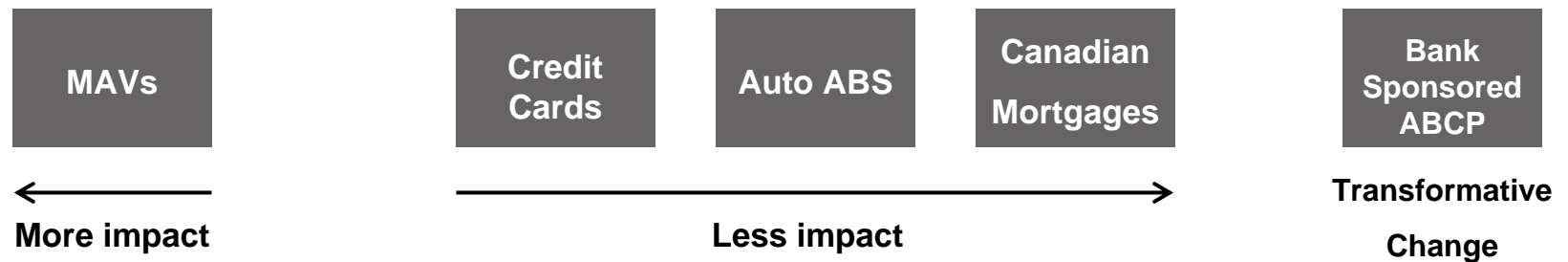
Source: DBRS, The Mortgage Bankers Association

Note:  
Defaults include mortgages over 90 days delinquent and in foreclosure.  
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Huston Loke  
Co-President, DBRS Limited  
+1-416-597-7533  
[hloke@dbrs.com](mailto:hloke@dbrs.com)

[www.dbrs.com](http://www.dbrs.com)

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