



Glacier Credit Card Trust®

September 2019

# Disclaimer

The information that follows is a presentation of general background information about Glacier Credit Card Trust (“**Glacier**”), Canadian Tire Bank (“**CTB**”) and Canadian Tire Corporation, Limited (“**CTC**”) as of the date of this presentation. It is information in summary form and does not purport to be complete. Some of the information in this presentation has not been audited and no representation or warranty, express or implied, is made concerning, and no reliance should be placed on, the accuracy, fairness, completeness, correctness, sufficiency or usefulness of the information presented herein.

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## Disclaimer (cont'd)

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The Notes will not represent interests in or obligations of CTB, CTC, Computershare Trust Company of Canada (other than its capacity as trustee of Glacier), BNY Trust Company of Canada, any underwriters or selling agents of the Notes, any liquidity providers in respect of the ABCP, Bank of Montreal as paying agent for the ABCP, the beneficiary of Glacier or any affiliates thereof and none of these entities has represented or undertaken that the credit card receivables in the Securitized Pool (the “**Receivables**”) will realize their face value or any part thereof and, accordingly, neither Glacier nor its creditors will have any claim against any of these entities for any deficiency arising in any realization of the Receivables. Purchasers of Notes will not have any recourse to any ownership interests in the Securitized Pool or any enhancement in respect thereof other than the related series of ownership interest in the Securitized Pool and enhancement supporting the related series of Notes. Glacier is not a trust company and does not carry on or intend to carry on the business of a trust company. None of the Notes, the Receivables or any ownership interests in the Securitized Pool are “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured or guaranteed by CTB, CTC, Computershare Trust Company of Canada, BNY Trust Company of Canada, the underwriters or selling agents of the Notes, Bank of Montreal as paying agent for the ABCP, the liquidity providers in respect of the ABCP, the beneficiary of Glacier or any affiliates thereof, or the Canada Deposit Insurance Corporation (“**CDIC**”) or any other governmental agency or instrumentality.

All dollar amounts in this presentation are in Canadian dollars.

# Contact Information / Further Information

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Further information is available:

- under Glacier’s profile on Sedar at <https://www.sedar.com/DisplayCompanyDocuments.do?lang=EN&issuerNo=00016306> (Glacier remains a reporting issuer)
- at <https://corp.canadiantire.ca/English/investors/debtholders/glacier-credit-card-trust>
- Triangle Rewards at <https://triangle.com> and [https://s22.q4cdn.com/405442328/files/doc\\_presentations/en/2019/Triangle\\_InvestorDeck\\_FINAL\\_Q4-2018.pdf](https://s22.q4cdn.com/405442328/files/doc_presentations/en/2019/Triangle_InvestorDeck_FINAL_Q4-2018.pdf)
- on Bloomberg® under “1206Z CN Equity/Company Filings”

## Investment Highlights

[Overview of Canadian Tire and Canadian Tire Bank](#)

[Glacier Credit Card Trust and the Securitized Pool of Receivables](#)

[CTB's Credit Risk Management](#)

[Appendix: Subordinated Term ABS Notes](#)



# Investment Highlights

- **Strong Credit Card Program Securing Glacier's Notes**

- CTB has a strong credit management team and sophisticated proprietary credit risk management systems to develop, evaluate and implement credit risk strategies
  - A proven track record through various economic cycles since the 1960s
- 11.5% - 12.5% credit enhancement is provided for the AAA-rated senior term ABS Notes and the R-1(high)/F1+ rated ABCP Notes
- 5.5% credit enhancement is provided for the A-rated subordinated term ABS Notes
- The healthy excess spread/margin on the Securitized Pool has ensured that there has never been an amortization event
  - Currently 13.5%<sup>1</sup> as funding, unemployment and write-off rates all continue to remain historically low

- **CTB retains risk on each series of Glacier Notes issued**

- ~46% of the credit enhancement for the senior term ABS Notes is in the form of CTB first loss risk retention
- 100% of the credit enhancement for the ABCP and subordinated term ABS Notes is in the form of CTB first loss risk retention (overcollateralization)

- **Ratings from 3 credit rating agencies**

- DBRS and S&P rate the Series 2015-1, 2017-1 and 2019-1 term ABS Notes (AAA(sf) for the senior notes and A(sf) for the subordinated notes)
- DBRS and Fitch rate the Series 1997-1 ABCP Notes (R-1(high)(sf)/F1+(sf)) and the Series 2018-1 term ABS Notes (AAA(sf)/AAAsf for the senior notes and A(sf)/Asf for the subordinated notes)



# Investment Highlights (cont'd)

## • Strong Brand Recognition

- Canadian Tire is a leading brand in Canadian retail
  - Consolidated comparable sales were up 2.2% in 2018 and up 3.4% in Q1-Q3 2019, notwithstanding increased eCommerce competition
  - eCommerce offerings, including click and collect and home delivery, have generated more than \$500 million in sales during the 12 months ended September 28, 2019, making CTC one of Canada's largest eCommerce retailers
- CTC's iconic loyalty program, My Canadian Tire Money<sup>®</sup>, is now primarily digital ("eCTM") through CTB's Mastercard credit cards and CTC's loyalty card. The program was further strengthened in 2018 with the launch of the Triangle<sup>™</sup> Rewards program:
  - A no fee and industry leading loyalty credit card that enables members to collect eCTM whenever the card is used and to redeem the eCTM at most of CTC's banners. eCTM is collected at a higher rate depending on the type of card and the place of purchase (e.g. at CTC's stores and gas bars, at participating Husky gas stations and on grocery store purchases)
  - Canada's fastest growing credit card and loyalty offering - ~12.7%<sup>1</sup> growth in CTB's overall credit card receivables since Triangle<sup>™</sup> Rewards was announced
  - More information on the Triangle<sup>™</sup> Rewards program is available at: <https://triangle.com> and [https://s22.q4cdn.com/405442328/files/doc\\_presentations/en/2019/Triangle\\_InvestorDeck\\_FINAL\\_Q4-2018.pdf](https://s22.q4cdn.com/405442328/files/doc_presentations/en/2019/Triangle_InvestorDeck_FINAL_Q4-2018.pdf)



# Investment Highlights (cont'd)

- **Glacier has been a regular issuer of both term ABS and ABCP since the mid-1990s**
  - Currently the 6th largest Canadian issuer of credit card receivables backed term ABS with \$2.2B<sup>1</sup> of Notes outstanding
  - All issuances have been offered in the Canadian market to a longstanding diversified base of investors
  - Only single-seller ABCP issuer in Canada with \$295M<sup>1</sup> of Notes currently outstanding
- **Strong support from Canada's five largest banks**
  - The Bank of Nova Scotia (“**Scotiabank**”) owns a 20% interest in CTB's parent and provides CTB with \$2.25B in committed credit facilities that currently expire in October 2022
  - All participate in the syndicated \$300 million committed liquidity facility backstopping Glacier's ABCP that currently expires in August 2022
  - All participate as selling agents for Glacier's term ABS and ABCP issuances



[Investment Highlights](#)

**Overview of Canadian Tire and Canadian Tire Bank**

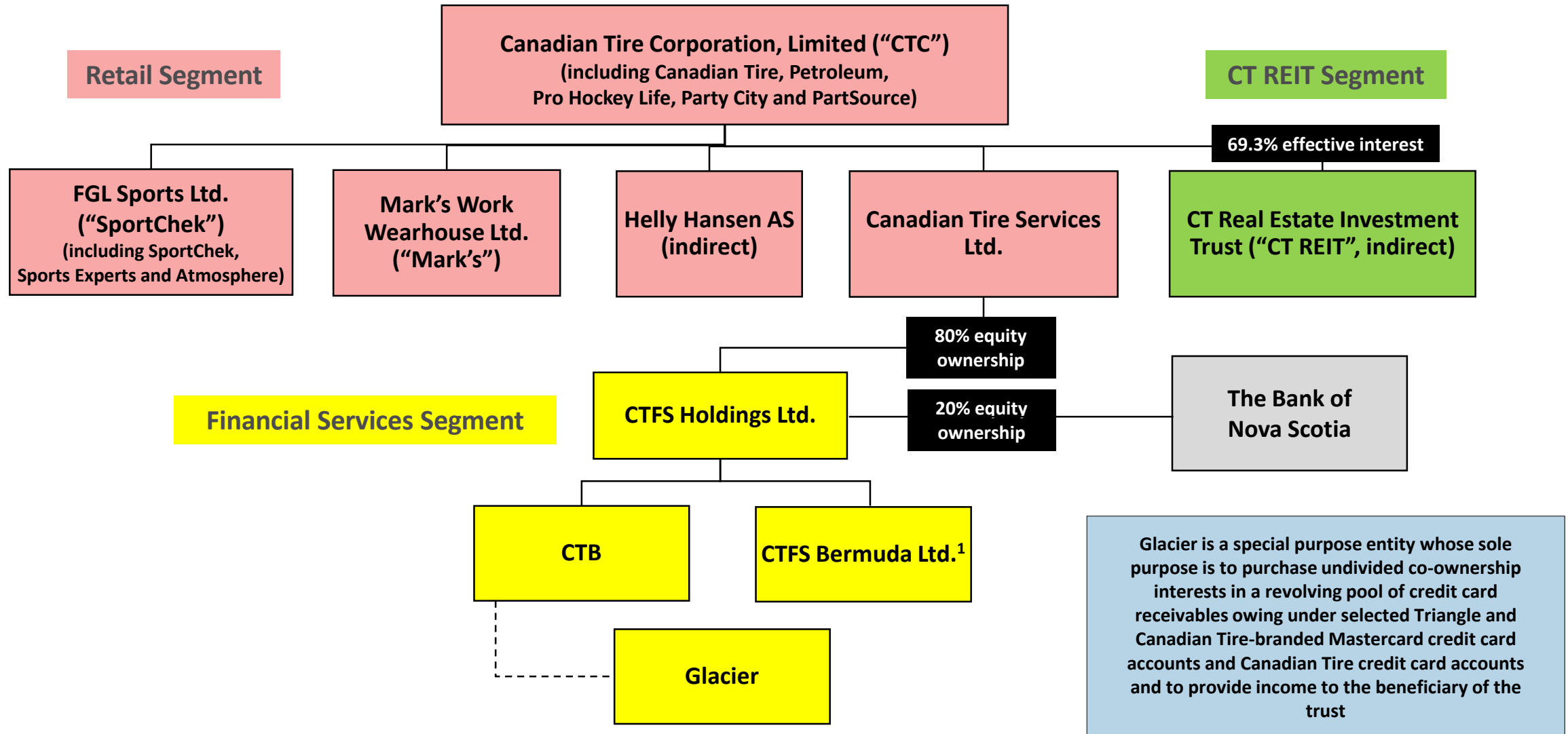
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# CTC's Organizational Structure



# CTC's Business Segments

## Retail Segment



### Canadian Tire<sup>1</sup> (est. 1922)

- One of Canada's most trusted and iconic brands
- Market leader across core categories
- 504 Dealer-operated stores located across Canada in superior real estate locations under the Canadian Tire banner
- Continues to innovate with exciting merchandise strategies, great new Owned Brands and market-leading programs

### SportChek<sup>1</sup> (est. 1974 acq. 2011)

- Canada's largest sporting goods retailer
- 403 stores located across Canada under the banners SportChek, Sport Experts, Atmosphere, National Sports, Sports Rousseau, L'Entrepôt du Hockey and Hockey Experts
- Strong relationships with national vendor brands
- CTC's digital lab and testing ground

### Mark's<sup>1</sup> (est. 1977 acq. 2001)

- Focused on developing durable, high-quality and comfortable apparel and footwear for industrial and casual use
- 381 stores located across Canada under the banners Mark's, Mark's Work Warehouse and L'Équipeur (Quebec)
- Strong owned brands with complementing exclusive and national brands

### Petroleum<sup>1</sup> (est. 1958)

- One of Canada's largest independent retailers of gasoline
- 296 retailer-operated gas bars and convenience stores located across Canada under the names Canadian Tire and Gas+ with the majority co-located with a Canadian Tire store

### PartSource (est. 1999)

- 85 specialty automotive hard parts stores located in 5 Canadian provinces
- Caters to medium to heavy "do it yourselfers", automotive enthusiasts and commercial installers
- Supplies auto parts to Canadian Tire stores in small to midsize markets

### Helly Hansen (est. 1877 acq. 2018)

- Based in Oslo, Norway
- Product sales in over 40 countries
- Global leader in technical performance products within its core categories of sailing, skiing, mountain, urban, rainwear and workwear
- Wholesale, store network and ship-to-home eCommerce fulfilment capabilities globally

### Party City (est. 1986 in USA & 2012 in Canada acq. Canadian business in 2019)

- 65 specialty party supply stores located in 7 Canadian provinces
- Recognized leader in party supplies: from balloons and costumes to paper plates and party favours

### Financial Services<sup>1</sup> (est. 1960s)

- Markets Triangle and Canadian Tire-branded Mastercard credit cards
- \$6.3B in gross average credit card receivables
- 2.1M active credit card accounts
- Extensive customer data and strong analytics capabilities
- Best-in-class Canadian-based call centers
- Owned 20% by Scotiabank

### CT REIT (est. 2013)

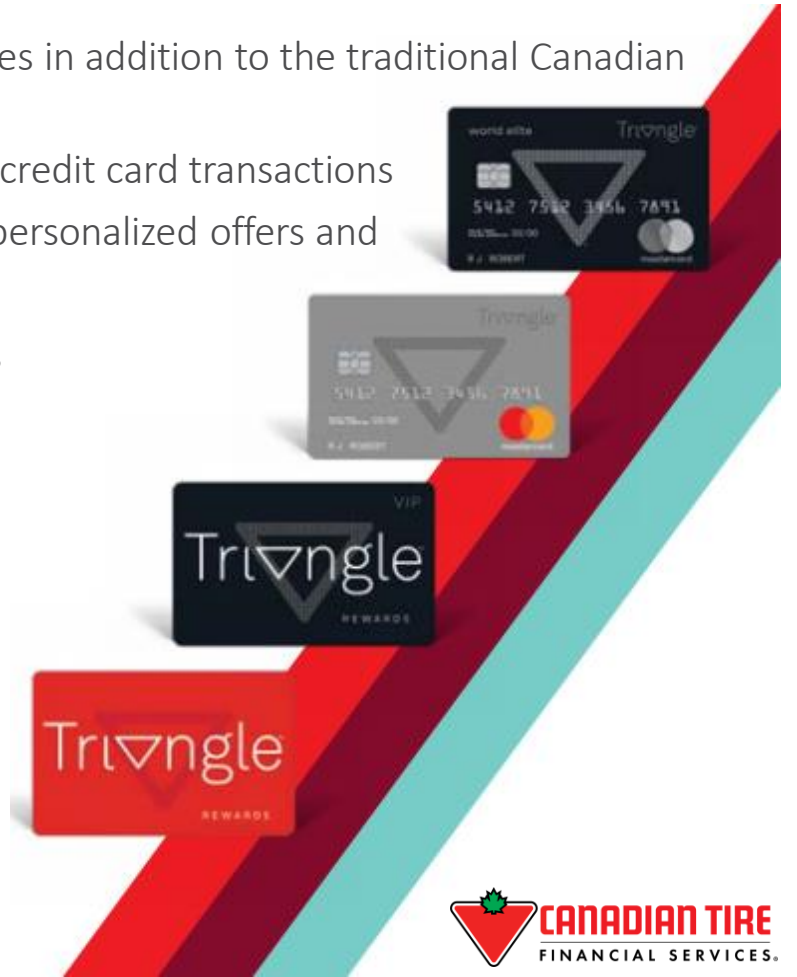
- Geographically diversified portfolio of 345 properties totaling ~27.1M ft<sup>2</sup> of gross leasable area
- Cash flow predictability and reliable monthly distributions
- CTC is CT REIT's largest tenant occupying 93.2% of total gross leasable area
- CTC owns 69.3% of CT REIT with the remainder listed on the TSX (CRT.UN)

# One Company serving One Customer

- In April 2018, Canadian Tire evolved its iconic loyalty program, Canadian Tire Money®, with the introduction of Triangle Rewards™
  - Allows customers to collect and redeem digital Canadian Tire Money at more places<sup>1</sup>
  - Allows CTB to originate new credit card accounts cheaply in SportChek and Mark's stores in addition to the traditional Canadian Tire store channel
  - Expands CTB's analytics capabilities through purchase data coming from more stores / credit card transactions
  - CTB now provides all of CTC's retail businesses with SKU level customer data to allow personalized offers and content
- Starting in 2017, CTB enhanced its in-store-financing program in CTC's core retail banners



Tri▽ngle



# Canadian Tire Bank History

**1960s** - Midland Shoppers Credit Limited, a small financial services firm offering third-party credit card processing for local retailers, began adding Canadian Tire stores to its client list

**1968** - Midland became a wholly-owned subsidiary of CTC and was renamed Canadian Tire Acceptance Limited (“**CTAL**”). CTAL issued the Canadian Tire credit card which can only be used at Canadian Tire stores and gas bars. CTAL was later renamed Canadian Tire Financial Services Limited (“**CTFS**”) and then Canadian Tire Services Limited

**1995** - CTFS became the first non-deposit taking financial institution worldwide to launch a Mastercard credit card. Canadian Tire Receivables Trust (“**CTRT**”) was established to fund the ensuing growth in credit card receivables through both senior and subordinated term ABS and ABCP Notes

**2003** - CTB, a federally chartered Schedule I bank, was established; CTFS’ credit card operations were transferred into CTB; and the name of CTRT was changed to Glacier Credit Card Trust

**2007** - CTB added non-redeemable, CDIC eligible deposits as a source of funding

**2014** - 20% of the Financial Services business was sold to Scotiabank, which also provided CTB with \$2.25B in committed credit facilities which currently expire in October 2022

**2018** - Canadian Tire’s loyalty and credit card program was enhanced by enabling members to collect and redeem My Canadian Tire Money® across most of CTC’s retail banners. The name of the program was changed to Triangle™ Rewards and most of CTB’s credit cards are now called the Triangle™ Mastercard

# Canadian Tire Bank (CTB)

## Canadian Federally Regulated Schedule I Chartered Bank

- CTB is an 80%-owned indirect subsidiary of CTC
- CTB is primarily engaged in:
  - advancing credit to holders of the credit cards that it issues
  - managing the related credit card accounts and receivables (including acting as the “**Servicer**” of the Securitized Pool of Receivables)
  - administering Glacier (the “**Administrator**”)
  - offering deposit products to customers to fund its credit card receivables

## Overall Credit Card Portfolio

- 2.1M<sup>1</sup> active credit card accounts with a \$6.3B<sup>1</sup> gross average receivables balance
- Substantially all of the accounts are Mastercard credit cards with the remainder being legacy Canadian Tire credit cards

## Competitive Advantages

- The strength of the Canadian Tire brand and the deep loyalty that customers have towards it
- Triangle Rewards™ / My Canadian Tire Money® is one of Canada’s most beloved loyalty programs
- A low cost and consistent credit card origination channel through CTC’s stores
- Numerous marketing channels (e.g. in-store, flyer, online)
- Sophisticated credit risk management systems and personnel
- Strategic use of data (e.g. using customer purchasing pattern data from CTC’s stores for predicting risk, creating proprietary models, etc.)
- Best-in-class Canadian-based call centers

# CTB's Funding and Liquidity

Objective: Maintain multiple diversified funding channels and appropriate liquidity to mitigate risk at a reasonable cost while reducing refinancing and interest rate risk

## Multiple Funding Channels<sup>1</sup>

- **49%** of total funding is in **Glacier Notes**
  - **43%** of total funding is in **Term ABS Notes** (~5 year terms at issuance, 3.2 year weighted average remaining term to maturity)
  - **6%** of total funding is in **ABCP** (\$300M liquidity backstop currently expires in August 2021)
- **50%** of total funding is in **CDIC Eligible Deposits**
  - **41%** of total funding is deposits in non-redeemable broker and retail guaranteed investment certificates ("**GICs**") (mostly 5 year terms at issuance, 2.6 year weighted average remaining term to maturity)
  - **9%** of total funding is deposits in retail high-interest savings accounts ("**HIS**") and tax-free savings accounts ("**TFSA**")
  - These deposit funding channels were ramped up when the Canadian securitization market was disrupted in 2007-09 as most depositors view these deposits as a safe haven due to the CDIC insurance
- Short-term **intercompany loans** or draws under the **Scotiabank credit facilities** are also used during the year

# CTB's Funding and Liquidity (cont'd)

## Reduces refinancing and interest rate risk:

- 82% of the funding is laddered over 5 years and is non-redeemable
- Only 9% is demand deposits
- Active interest rate hedger

## CTB has access to \$2.25B of committed credit facilities from Scotiabank

- The facilities consist of:
  - a \$250M revolving line of credit
  - a \$500M Glacier Note purchase facility (“NPF”), and
  - a \$1.5B Glacier NPF
- Current expiry for all facilities is October 2022



[Investment Highlights](#)

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**Glacier Credit Card Trust and the Securitized Pool of Receivables**

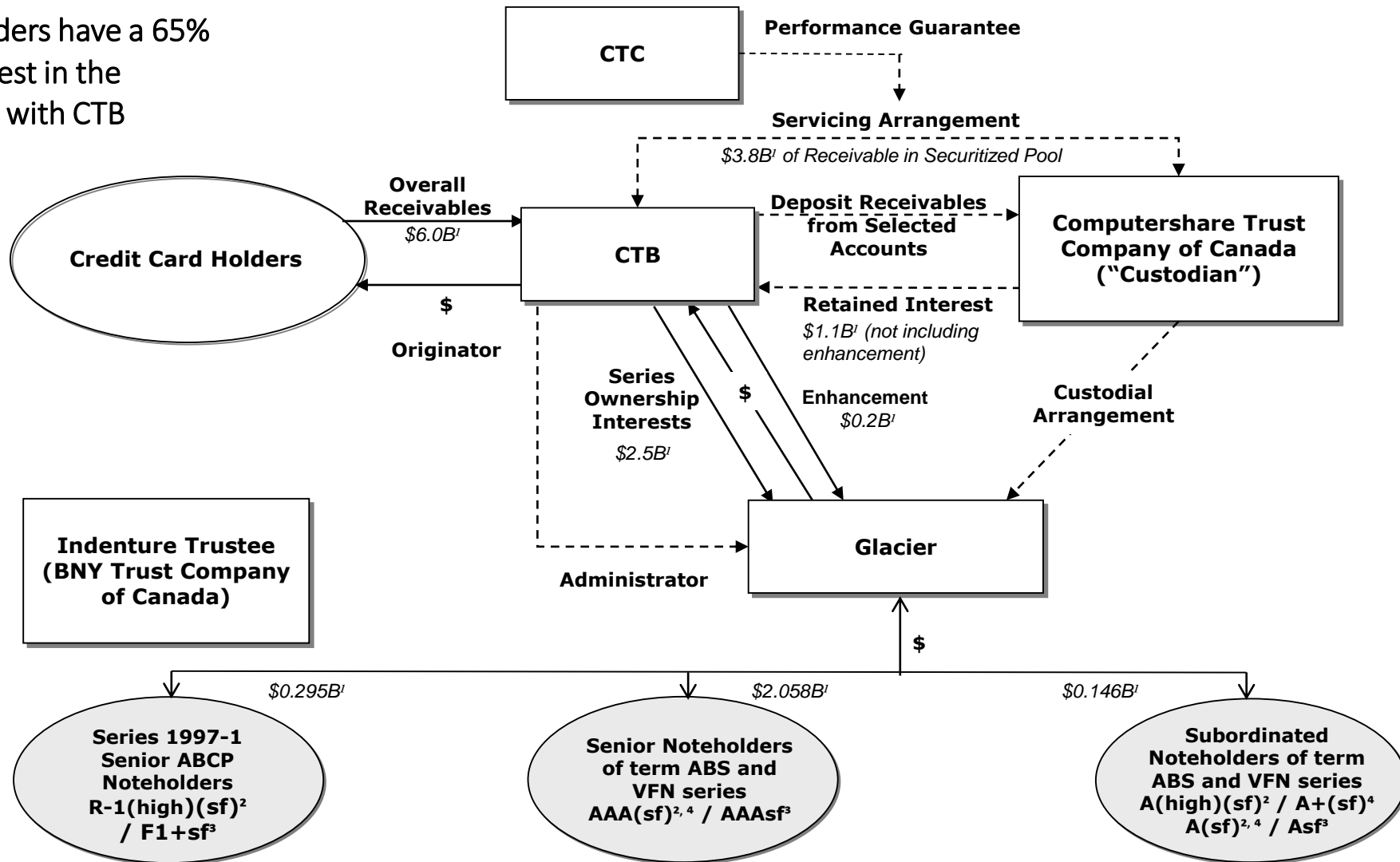
[CTB's Credit Risk Management](#)

[Appendix: Subordinated Term ABS Notes](#)



# Glacier Structure

Glacier noteholders have a 65% ownership interest in the Securitized Pool with CTB owning 35%<sup>1</sup>



<sup>1</sup> As at September 30, 2019. "B" = billions

<sup>2</sup> DBRS <sup>3</sup> Fitch <sup>4</sup> S&P

# Pools of Credit Card Receivables

- Because Glacier provides 49% of CTB’s total funding, not all of the credit card receivables generated by CTB are securitized. There are two pools of credit card receivables:

	Pools of Credit Card Receivables (as at Sept. 30, 2019)	Total Receivables (\$000s)	% of Total	CTB's Ownership	Glacier's Ownership
Newly originated accounts →	Unsecuritized Pool	2,216,164 <sup>1</sup>	37%	100%	0%
Selected Accounts →	Securitized Pool	3,832,652 <sup>1</sup>	63%	35% <sup>2</sup>	65%
	<b>Total</b>	<b>6,048,816<sup>1</sup></b>			

- All new credit card accounts originated by CTB start in the “Unsecuritized Pool”
- Certain selected eligible accounts in the Unsecuritized Pool are periodically transferred by CTB into the Securitized Pool (e.g. to offset attrition), becoming “Selected Accounts”
- Historically CTB has not moved Selected Accounts back into the Unsecuritized Pool, although the Pooling and Servicing Agreement (the “PSA”) does allow for this as long as certain conditions are met (e.g. random selection, required pool balance is maintained, RAC, etc.)
- Glacier purchases undivided co-ownership interests in the revolving Securitized Pool of Receivables from CTB, which retains an ownership interest in the Securitized Pool (the “Retained Interest”). A portion of CTB’s Retained Interest in the Securitized Pool serves as first loss risk retention (overcollateralization) credit enhancement for the Notes

<sup>1</sup> Pool balances do not include deferred receivables originated through in-store financing offers

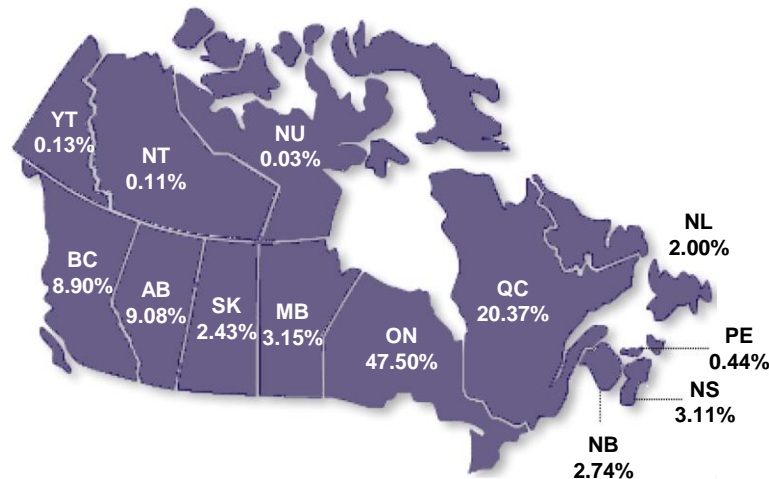
<sup>2</sup> \$168M of CTB’s Retained Interest in the Securitized Pool represents first loss risk retention credit (overcollateralization) enhancement provided to Glacier’s series of co-ownership interests in the Securitized Pool

# Securitized Pool Composition

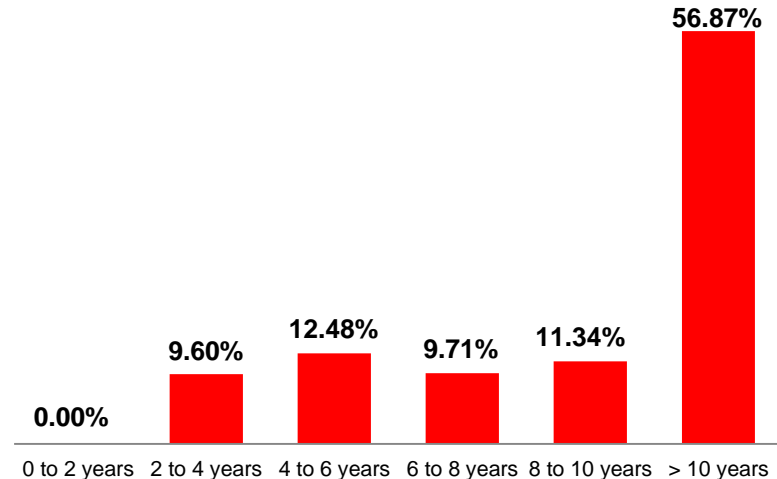
## • Distribution of Outstanding Receivables Balances

- The Selected Accounts are well-seasoned and geographically diversified across Canada in alignment with the location of CTC's stores and economic activity
- Since 2007 when CTB added deposits into its funding mix, CTB has not added eligible accounts to the Securitized Pool unless they have some seasoning in the Unsecuritized Pool
- Substantially all of the Receivables are now generated under Mastercard credit card accounts, with the remainder being legacy Canadian Tire retail credit cards

**Geographic Distribution<sup>1</sup>**



**Account Age<sup>1</sup>**



# Securitized Pool Composition (cont'd)

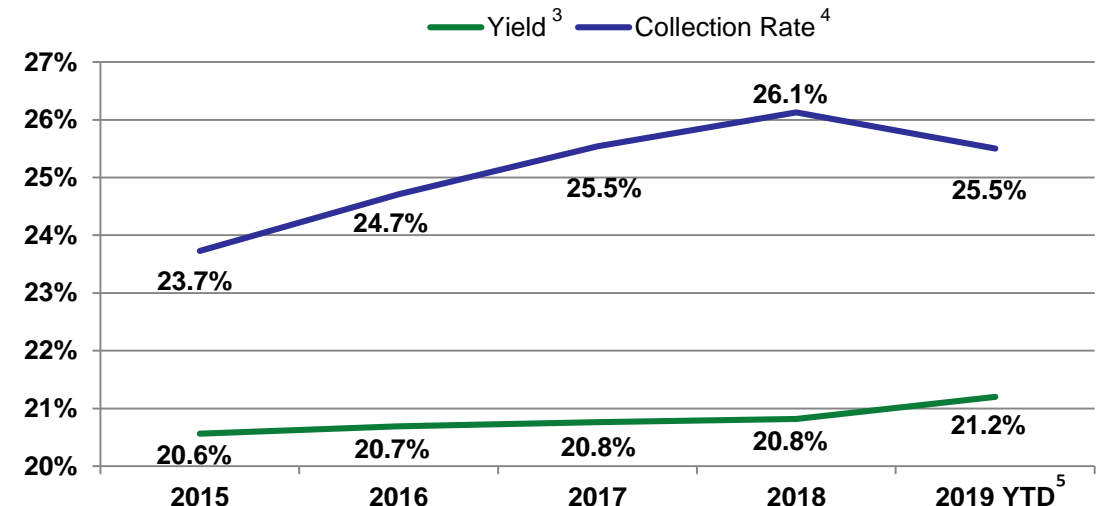
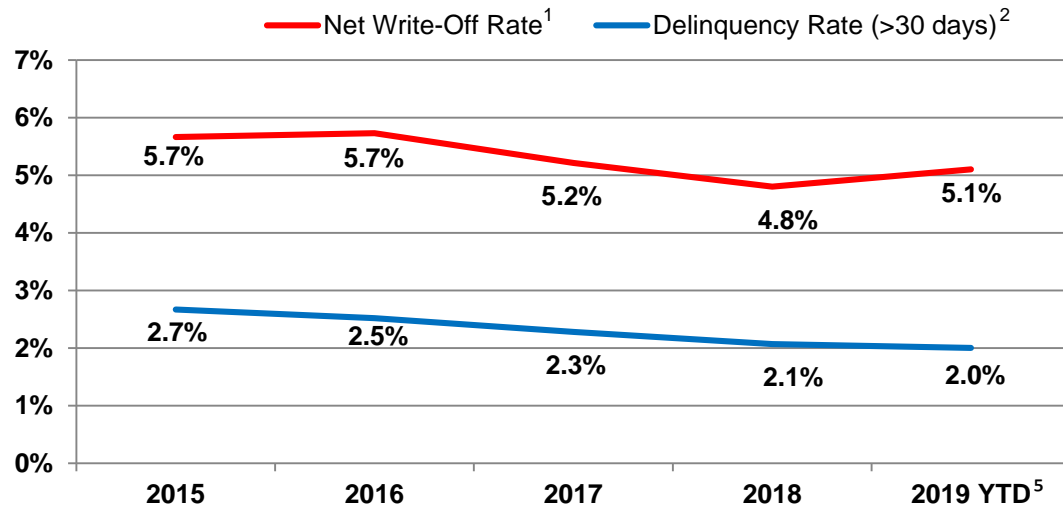
Account Balance (as at June 30, 2019)				
Balances	# of Selected Accounts	% of Total # of Selected Accounts	Outstanding Balances (\$000's)	% of Outstanding Balances
<b>Credit Balance</b>	<b>117,678</b>	<b>3.20%</b>	<b>(\$14,113)</b>	<b>(0.36%)</b>
\$0.00 <sup>1</sup>	2,344,956	63.78%	-	0.00%
\$0.01 – 499.99	415,019	11.29%	68,261	1.76%
\$500 – 999.99	150,235	4.09%	93,837	2.42%
\$1,000 – 1,999.99	164,560	4.48%	214,465	5.52%
\$2,000 – 2,999.99	92,765	2.52%	212,198	5.46%
\$3,000 – 3,999.99	64,288	1.75%	213,543	5.50%
\$4,000 – 4,999.99	52,862	1.44%	229,455	5.91%
\$5,000 – 5,999.99	38,016	1.03%	203,303	5.23%
\$6,000 – 7,499.99	44,809	1.22%	295,596	7.61%
\$7,500 – 9,999.99	59,841	1.63%	512,770	13.20%
Greater than \$10,000	131,526	3.58%	1,856,267	47.77%
<b>Total</b>	<b>3,676,555</b>	<b>100.00%</b>	<b>\$3,885,582</b>	<b>100.00%</b>

Credit Limits (as at June 30, 2019)				
Limits	# of Selected Accounts	% of Total # of Selected Accounts	Outstanding Balances (\$000's)	% of Outstanding Balances
\$0 – 500	129,363	3.52%	5,481	0.14%
\$501 – 1,000	198,746	5.41%	11,597	0.30%
\$1,001 – 2,000	484,807	13.19%	56,605	1.46%
\$2,001 – 3,000	426,493	11.60%	65,241	1.68%
\$3,001 – 4,000	245,571	6.68%	76,867	1.98%
\$4,001 – 5,000	451,217	12.27%	182,178	4.69%
\$5,001 – 6,000	246,220	6.70%	140,389	3.61%
\$6,001 – 7,500	290,742	7.91%	224,267	5.77%
\$7,501 – 10,000	329,901	8.97%	383,497	9.87%
Greater than \$10,000	873,495	23.76%	2,739,460	70.50%
<b>Total</b>	<b>3,676,555</b>	<b>100.00%</b>	<b>\$3,885,582</b>	<b>100.00%</b>



# 5 Year Securitized Pool Performance

- The write-off and delinquency rates have trended lower primarily as a result of favourable macroeconomic conditions, effective credit risk management strategies and the seasoning of the Securitized Pool. The temporary decline in 2018 was the result of transferring accounts in good standing from the Unsecuritized Pool to the Securitized Pool in August 2018 which increased the securitized pool of Receivables by ~21.5%.
- The collection rate has increased due to cardholder behaviour and the seasoning of the Securitized Pool. While the graph shows the collection rate as having declined by 0.6% in 2019, it has only declined 0.3% in comparison to the same 9 month period in 2018. The 2018 collection rate experienced a temporary increase after the transfer of the accounts mentioned above. The collection rate has basically stabilized since 2017. Yield has remained stable



<sup>1</sup> Is calculated as the annual average of each monthly net write-off rate, which is calculated as the total gross write-off amount on the Selected Accounts during the month, less the total recoveries on Selected Accounts during the month, annualized, and divided by the monthly average Receivables balance where the monthly average Receivables balance is the average of the amount of Receivables owing on Selected Accounts at the beginning of the month and the amount of Receivables owing on Selected Accounts at the end of the month (the "Monthly Average Receivables Balance")

<sup>2</sup> Is calculated as the annual average of each monthly delinquency rate, which is the percentage of outstanding Receivables on the Selected Accounts that are >30 days delinquent

<sup>3</sup> Is calculated as the annual average of each monthly yield which is calculated as the total credit charges and interchange earned in the month on Selected Accounts, annualized, and divided by the Monthly Average Receivables Balance

<sup>4</sup> Is calculated as the annual average of each monthly collection rate, which is calculated as the total collections on the Selected Accounts during the month divided by the Monthly Average Receivables Balance

<sup>5</sup> YTD numbers as at September 30, 2019.

# Outstanding Glacier Notes

- Glacier finances its purchases of co-ownership interests in the Securitized Pool of Receivables through direct issuances of multiple types of Notes. As at September 30, 2019, Glacier had 6 outstanding series of Notes totaling \$2.5B:

Glacier Outstanding Series	Amount Outstanding (\$millions) <sup>1</sup>	Limit (\$millions) <sup>2</sup>	Blended Interest Rate <sup>3</sup>	Remaining Term (in years)	Expected / Actual Repayment Date
Series 2015-1 (term ABS)	500		2.31%	1.0	20-Sep-20
Series 2017-1 (term ABS)	560		2.13%	3.0	20-Sep-22
Series 2018-1 (term ABS)	584		3.20%	4.0	20-Sep-23
Series 2019-1 (term ABS)	560		2.35%	4.7	6-Jun-24
<b>Total Term ABS</b>	<b>2,204</b>		<b>2.51%</b>	<b>3.2</b>	
Series 1997-1 (ABCP)	295	300	private		< 1 year <sup>5</sup>
Series 2016-A (VFNs)	0 <sup>4</sup>	500	private		by Oct. 2022
<b>Total Variable Series</b>	<b>295</b>	<b>800</b>			
<b>Total Term ABS and Variable Series</b>	<b>2,499</b>				

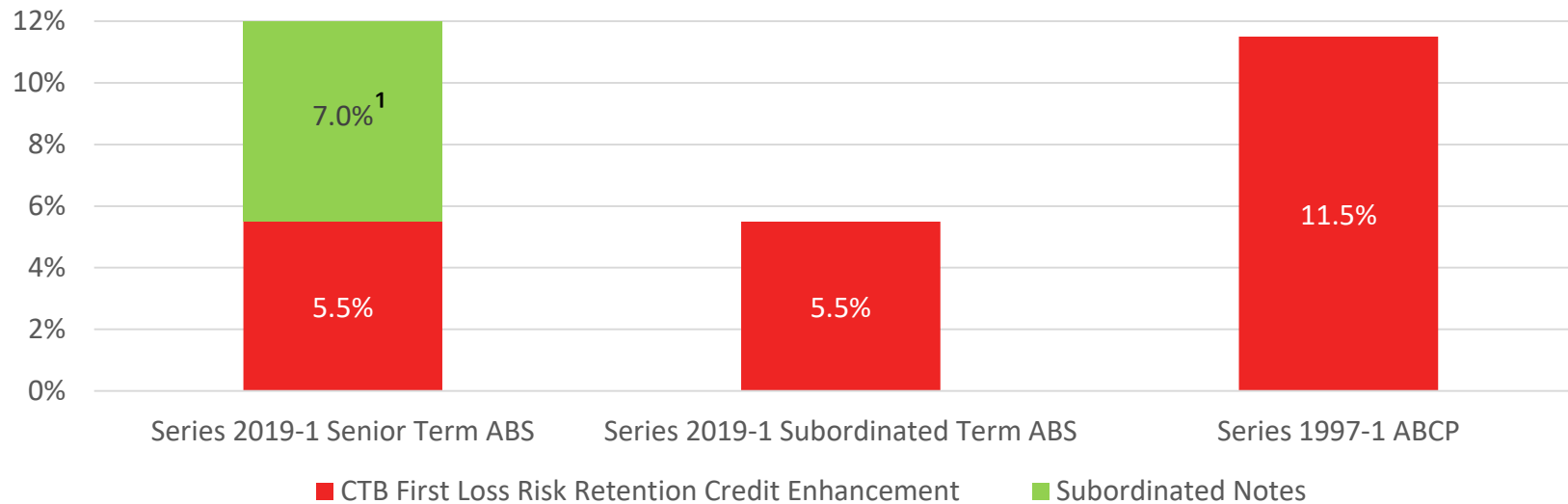
#### Footnotes:

- <sup>1</sup> Includes the total of the senior and subordinated Notes
- <sup>2</sup> The limit for the ABCP is the committed amount provided by the syndicate of liquidity lenders in the liquidity facility and for the VFNs is the committed amount provided by Scotiabank for the NPF that is funded by Series 2016-A
- <sup>3</sup> The weighted average interest rate on the senior and subordinated term ABS Notes
- <sup>4</sup> There is a nominal balance to maintain the series' co-ownership interest
- <sup>5</sup> Although the ABCP Notes have terms < 1 year, the liquidity facility currently expires in August 2022

- Series 2016-A senior and subordinated variable funding Notes (“VFNs”) have been issued privately to Scotiabank under the \$500M NPF. CTB maintains a sufficient Securitized Pool Receivables balance to fully utilize this NPF, if required
- If required, the additional \$1.5B available under the other NPF would be issued privately to Scotiabank under one or more new series

# Credit Enhancement for Glacier Notes

- Glacier's term ABS series Notes have credit enhancement in the form of:
  - A-rated Subordinated Notes enhance the AAA-rated Senior Notes, and
  - CTB first loss risk retention (overcollateralization) enhances both the Senior Notes and the Subordinated Notes
- All of the credit enhancement for the R-1(high)/F1+ rated ABCP Notes is in the form of CTB first loss risk retention (overcollateralization)
- The healthy excess spread/margin on the Securitized Pool has ensured that there has never been an amortization event
- Credit enhancement levels are determined with the rating agencies at the time of Note issuance based on the Securitized Pool performance metrics relative to such rating agencies' stress test models. The senior term ABS and ABCP Notes each have the highest credit rating, with the ABCP also having the highest rating modifier for ABCP





# Glacier's Securitized Pool Performance Metrics and Credit Enhancement as Compared to Other Canadian Credit Card ABS Issuers

- During the 2007-09 financial crisis, the volatility of the write-off rate for Glacier's Securitized Pool was in almost all cases less than half that of the other Canadian credit card ABS issuers' (the "Other Credit Card ABS Issuers") receivables pools (the "Other Pools") demonstrating CTB's strong credit risk management competencies
- Glacier's Notes have a higher credit enhancement % versus the Other Credit Card ABS Issuers due to consistently higher write-off rates and lower collection rates versus the Other Pools reflecting the demographic of the cardholders that currently represent the Selected Accounts

Credit Card ABS Issuer <sup>1</sup>	Glacier	Other Pools	Canadian II	Cards II	Eagle	Evergreen	Golden	Master II	Trillium II
Seller	CTB	Overall	NB	CIBC	PCB	TD	RBC	BMO	BNS
Securitized Pool Size <sup>2</sup>	\$3.8B	\$48.2B	\$1.8B	\$12.0B	\$2.3B	\$8.5B	\$10.8B	\$7.9B	\$4.8B
<b>Securitized Pool Performance<sup>2,3</sup></b>									
Net Loss/Write-Off Rate	5.06%	2.83%	3.29%	3.24%	3.11%	2.21%	2.34%	3.21%	3.40%
Delinquency Rate (>30 days)	2.03%	1.92%	1.68%	2.14%	1.36%	1.46%	1.71%	2.60%	1.78%
Payment/Collection Rate	26.48%	48.80%	52.13%	39.36%	59.27%	49.21%	51.75%	49.69%	45.51%
Yield	21.40%	23.84%	26.62%	22.90%	24.87%	22.52%	22.92%	25.03%	25.03%
<b>Net Loss Volatility<sup>2</sup></b>									
September 2008	6.32%	3.28%	3.74%	3.81%	3.14%	n/a	2.52%	2.88%	n/a
Subsequent Peak	8.85%	6.31%	7.22%	7.28%	7.45%		4.22%	5.61%	
<b>% Change</b>	<b>40.0%</b>	<b>92.1%</b>	<b>93.0%</b>	<b>91.1%</b>	<b>137.3%</b>		<b>67.5%</b>	<b>94.8%</b>	
<b>Credit Enhancement<sup>4,5</sup> - AAA</b>	<b>11.50%-12.50%</b>	<b>6.51%</b>	<b>5.75%</b>	<b>7.25%</b>	<b>7.00%</b>	<b>6.50%</b>	<b>6.50%</b>	<b>5.50%</b>	<b>8.00%</b>
<b>Credit Enhancement<sup>5</sup> - A</b>	<b>5.50%</b>	<b>2.45%</b>	<b>2.75%</b>	<b>2.50%</b>	<b>3.50%</b>	<b>2.50%</b>	<b>2.0%</b>	<b>n/a</b>	<b>3.00%</b>

<sup>1</sup> The full names of the Other Credit Card ABS Issuers are: Canadian Credit Card Trust II (Canadian II); CARDS II Trust (Cards II); Eagle Credit Card Trust (Eagle); Evergreen Credit Card Trust (Evergreen); Golden Credit Card Trust (Golden); Master Credit Card Trust II (Master II); and Trillium Credit Card Trust II (Trillium II)

<sup>2</sup> For the Other Pools, the numbers are sourced from DBRS' August 31, 2019 Monthly Canadian ABS Report and have not been verified by Glacier or CTB. For the overall column, the pool size is the total, the pool performance and volatility numbers are pool weighted averages and the credit enhancement numbers are debt weighted averages

<sup>3</sup> Three month average performance as of August 31, 2019

<sup>4</sup> For Glacier, varies by series due primarily to conditions at the time of Note issuance. Some or all of this enhancement represents a portion of CTB's Retained Interest in the Securitized Pool of Receivables. For Other Credit Card ABS Issuers, the value provided is from the most recent issuance of term ABS with fixed rate senior notes

<sup>5</sup> Percentages provided are in relation to the total notes issued (i.e. senior notes plus subordinated notes)

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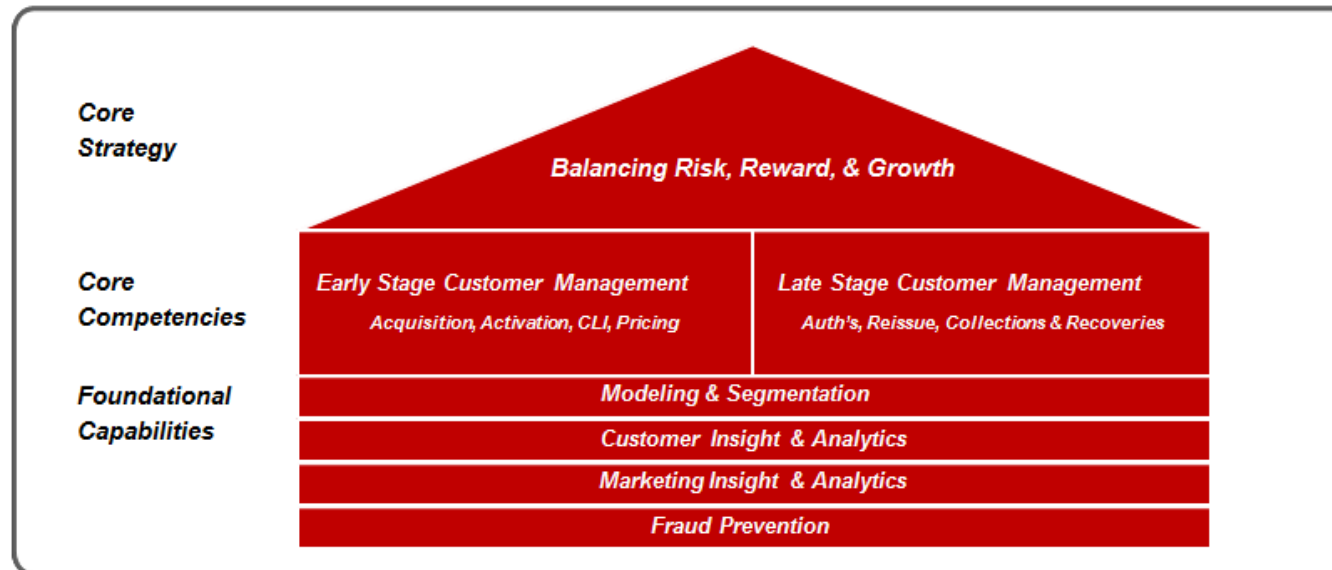
**CTB's Credit Risk Management**

[Appendix: Subordinated Term ABS Notes](#)



# CTB's Credit Risk Organizational Structure

- CTB has a strong credit management team and sophisticated proprietary credit risk management models and processes
- The mandate of Credit Risk is to balance the pursuit of shorter term financial targets with a longer term goal of higher quality receivables and lower portfolio volatility
- This is accomplished by:
  - CTB uses sophisticated statistical techniques to analyze historical performance in order to identify characteristics that are predictive of future customer behaviour (including the use of purchase data from CTC's stores)
  - utilizing sophisticated technologies to develop, evaluate and implement credit risk strategies
  - interpreting and evolving current strategies into more effective solutions for the future



# CTB's Early Stage Customer Management

**Customer acquisition is only the beginning of CTB's growth strategy**

## New Account Acquisition

- Most new accounts are acquired in Canadian Tire, SportChek and Mark's stores and online
- CTB uses a variety of models and data, including credit bureau data, to adjudicate credit for the customer while in the store or online
  - determine which applicants to extend credit to, how much credit to extend (limit) and at what interest rate (pricing)
  - initial limits start as low as \$200 – small limits will be increased regularly if the cardholder demonstrates early good credit behaviour
  - develops and tests new strategies, methods and tools for improved adjudication policies on an ongoing basis

## Account Acquisition Strategy

- The approval decision is based more on willingness to pay and less on ability to pay
- The limit decision is based more on ability to pay and less on willingness to pay

# CTB's Account Management

**Every account is continually monitored to manage risk and maximize profitability**

- Account management strategies are dynamic and based on an account's:
  - Credit scores (varieties include: Credit Bureau, insolvency, behaviour, CTB's proprietary Fusion, debt service ratio and revenue)
  - Credit limit utilization
  - Past due status
- The scores are generally re-calculated for most active cardholders on a monthly billing cycle basis to ensure decisions are made using the most accurate and up-to-date information available. Scores are re-calculated nightly on all delinquent customers.
- Sophisticated adaptive control software (TRIAD) is used to develop, test and deploy account management strategies
- Account Management focuses on several key areas:

Key Areas	Action
Credit Limits	Reviewed monthly for increases and decreases
Cash Limits	Reviewed monthly for increases and decreases
Authorizations	Monitor PAD and transaction type
Performance Based Pricing	Reviewed monthly for increases and decreases
Payment Withholding	Withhold open to buy from high NSF accounts
Card Reissue	Length of time to issue cards
Pre-Delinquency	Monitor high risk accounts in good standing
Early Stage Collections	Monitor accounts not in good standing

# CTB's Modeling and Analytics

## Modeling and analytics combines the art of strategy development with the science of analytics to predict customer behaviour

- Credit risk models are the foundation on which risk and marketing strategies are developed
- Utilizes sophisticated statistical techniques to analyze historical performance in order to identify characteristics that are predictive of future customer behaviour (including the use of purchase data from CTC's stores)<sup>1</sup>
- The following sources of data are used in creating models:
  - Credit Bureau data
  - Internal data
  - Behaviour data
  - Delinquency history
  - Payment history
  - Balance growth / utilization
  - Call Center data
  - Transactional data
  - SKU level and MCC data
- CTB has created over 350 proprietary scorecard models including:
  - Risk models
  - Fraud models
  - Attrition scores
  - Acquisition scores
  - Marketing models
  - Revenue models
  - Income models
  - Propensity to purchase models

# CTB's Late Stage Customer Management

**CTB develops, tests and implements analytically based collection strategies across lending portfolios to maximize the effectiveness of the collection process**

- CTB's Ontario-based call centres are integral to balancing loss reduction with striving to maintain delinquent cardholders as CTC customers
- The collection strategies reduce CTB's net write-off rate and increase overall collection results by balancing loss reduction against operating expenses
- Collection scores and customer scores are re-calculated on all delinquent customers on a nightly billing cycle basis to ensure decisions are made using the most accurate information available
- Sophisticated analytics are used to develop, test and deploy collection prioritization strategies including:
  - short message service (SMS) / email / online collection tactics
  - skip tracing techniques
  - payment programs/offers
  - agency assignments & fees

# CTB's Fraud Prevention Strategy

- **Mandate**

- To develop strategies and operational solutions to manage financial losses and related customer attrition resulting from fraud

- **Differentiators**

- Industry leading fraud loss rates
- A team and culture that balances loss mitigation with customer treatment to protect the Canadian Tire brand
- A dynamic infrastructure that enables customer differentiated treatments
- Champions of continuous technology and process innovation for fraud detection, onboarding and authentication



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**Appendix: Subordinated Term ABS Notes**



# Appendix: Subordinated Term ABS Notes

- Glacier offers Subordinated Notes on each of its term ABS issuances
  - In recent years, Subordinated Note offerings have ranged in size from \$35M to \$38M, representing 6.5% - 7.0% of the total Series Notes

Glacier Outstanding Series	Subordinated Notes as a % of Total Series Notes	Subordinated Notes as a % of Senior Notes	Subordinated Note Amount Outstanding (\$M)	Subordinated Note Credit Enhancement (CTB Risk Retention)	Subordinated Note Credit Ratings
Series 2015-1 (term ABS)	7.0%	7.5%	35.0	5.5%	A(sf) <sup>1</sup> / A(sf) <sup>3</sup>
Series 2017-1 (term ABS)	6.5%	7.0%	36.4	5.5%	A(sf) <sup>1</sup> / A(sf) <sup>3</sup>
Series 2018-1 (term ABS)	6.5%	7.0%	38.0	5.5%	A(sf) <sup>1</sup> / A(sf) <sup>2</sup>
Series 2019-1 (term ABS)	6.5%	7.0%	36.4	5.5%	A(sf) <sup>1</sup> / A(sf) <sup>3</sup>
<b>Total</b>			<b>145.8</b>		

- During the Revolving Period or, if applicable, during an Amortization Period, holders of the Subordinated Notes are paid interest after interest is paid to the holders of the Senior Notes
- On the Expected Repayment Date or, if applicable, during an Amortization Period, holders of the Subordinated Notes are paid principal after principal has been paid in full to the holders of the Senior Notes
- A-rated Subordinated Notes benefit from
  - 5.5% credit enhancement in the form of CTB first loss risk retention
  - A well seasoned Securitized Pool of Selected Account exhibiting historically low net-write off and delinquency rates and a historically high collection rate
  - A healthy excess spread/margin (currently 13.5%<sup>4</sup>) has ensured that there has never been an amortization event

# Appendix: Subordinated Term ABS Notes (cont'd)

- Rated credit card receivables backed notes pass stringent stress tests that include a reduction in the base case yield and collection rates and an increase in the base case net write-off rate
- The variables stressed for A-rated notes are the same as those used to stress AAA-rated notes with the biggest difference being that the stressed assumptions are not as severe for an A rating
- Glacier's 2018-1 Subordinated Notes were rated 'A(sf)' by both DBRS and Fitch and Glacier's 2019-1 Subordinated Notes were rated 'A(sf)' by both DBRS and S&P

	Yield	Collection Rate	Write-off Rate
<u>Selected Accounts' Performance as at April 30, 2019</u>			
Last 12 Month Average	20.94%	25.98%	4.78%
<u>Rating Agency Stresses</u>			
DBRS			
'AAA' Stress for Glacier 2019-1	30-45%	35-50%	4.0-5.0x
'A' Stress for Glacier 2019-1	20-30%	30-40%	2.5-3.5x
Fitch			
'AAA' Stress for Glacier 2018-1	35%	45%	4.0x
'A' Stress for Glacier 2018-1	25%	35%	2.6x
S&P			
Base case	17.00%	19.00%	8.50%
'AAA' Stress to base-case for Glacier 2019-1	45-60%	45-55%	3.0-6.6x
'A' Stress to base-case for Glacier 2019-1	55-70%	55-65%	2.0-3.75x