Note 11. Credit Card Receivables

The Company, through *PC* Bank, securitizes credit card receivables through the sale of a portion of the total interest in these receivables to independent trusts and does not exercise any control over the trusts' management, administration or assets. When *PC* Bank sells credit card receivables in a securitization transaction, it has a retained interest in the securitized receivables represented by the right to future cash flows after obligations to investors have been met. Although *PC* Bank remains responsible for servicing all credit card receivables, it does not receive additional compensation for servicing those credit card receivables sold to the trusts.

During 2006, $240 (2005 – $225) of credit card receivables were securitized through the sale of a portion of the total interest in these receivables to independent trusts, yielding a nominal net loss (2005 – nominal net loss) on the initial sale inclusive of nil (2005 – $1) servicing liability. Servicing liabilities expensed during the year were $14 (2005 – $13) and the fair value at year end of recognized servicing liabilities was $8 (2005 – $8). The trusts' recourse to *PC* Bank's assets is limited to *PC* Bank's retained interests and is further supported by the Company through a standby letter of credit for 9% (2005 – 9%) on a portion of the securitized amount.

	2006	2005
Credit card receivables	**$ 1,571**	$ 1,257
Amount securitized	**(1,250)**	(1,010)
Net credit card receivables	**$ 321**	$ 247
Net credit loss experience	**$ 9**	$ 5

The net credit loss experience of $9 (2005 – $5) includes $45 (2005 – $33) of credit losses on the total portfolio of credit card receivables net of credit losses of $36 (2005 – $28) relating to securitized credit card receivables. The following table displays the sensitivity of the current fair value of retained interests to an immediate 10% and 20% adverse change in the 2006 key economic assumptions. The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities of each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

	2006	Change in Assumptions 10%	20%
Carrying value of retained interests	**$ 5**		
Payment rate (monthly)	**44.0%**		
Weighted average life (years)	**.7**		
Expected credit losses (annual)	**3.14%**	**$ (.7)**	**$ (1.4)**
Discount rate applied to residual cash flows (annual)	**14.83%**	**$ (2.4)**	**$ (4.9)**

The details on the cash flows from securitization are as follows:

	2006	2005
Proceeds from new securitizations	**$ 240**	$ 225
Net cash flows received on retained interests	**$ 116**	$ 106

In 2006, *PC* Bank restructured its credit card securitization program. Eagle Credit Card Trust ("Eagle"), a previously established independent trust, issued $500 of five year senior notes and subordinated notes due 2011 at a weighted average rate of 4.5% to finance the purchase of credit card receivables previously securitized by *PC* Bank through an independent trust. The subordinated notes provide credit support to those notes which are more senior. *PC* Bank will continue to service the credit card receivables on behalf of Eagle, but will not receive any fee for its servicing obligations and has a retained interest in the securitized receivables represented by the right to future cash flows after obligations to investors have been met. In accordance with Canadian GAAP, the financial statements of Eagle are not consolidated with those of the Company. The restructuring of the portfolio yielded a nominal net loss.