

# CNH CAPITAL CANADA RECEIVABLES TRUST

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2010 AND 2009 (In Canadian Dollars)

---

### GENERAL

Management's Discussion and Analysis ("MD&A"), dated April 8, 2011, should be read in conjunction with the audited financial statements for the years ended December 31, 2010 and 2009. Management is responsible for the reliability and timeliness of the information disclosed in the MD&A.

### BUSINESS OF THE TRUST

CNH Capital Canada Receivables Trust (the "Trust") was established by The Canada Trust Company (formerly TD Trust Company), as Issuer Trustee, under the laws of the Province of Ontario by Declaration of Trust dated September 11, 2000. BNY Trust Company of Canada is the Indenture Trustee.

The Trust's activities are limited to the acquisition and administration of retail installment contracts and finance lease contracts (the "Purchased Assets") from CNH Capital Canada Ltd. ("CNH Capital Canada" or the "Seller"), and financing these purchases through the issuance of asset-backed notes and loans (the "Notes") and subordinated loans. Collections on the Purchased Assets are used to pay the obligations of the Trust, including the payment of interest and principal owing on the securities issued by it.

Pursuant to the Administration Agreement between the Issuer Trustee and CNH Capital Canada (the "Administrator"), and the Sale and Servicing Agreement between the Issuer Trustee and CNH Capital Canada (the "Servicer"), CNH Capital Canada carries out certain administrative and management activities for and on behalf of the Trust, including the administration, servicing, and collection of the Purchased Assets. The Trust pays a nominal fee to CNH Capital Canada for the performance of the activities and fulfillment of its responsibilities under the Administration Agreement. No fee is payable by the Trust to CNH Capital Canada for the servicing of the Purchased Assets pursuant to the Sales and Servicing Agreements since the Purchased Assets are sold to the Trust by CNH Capital Canada on a fully-serviced basis. The Trust has no employees.

The Trust has been structured to provide investors in the Class A and B Notes with bullet payments on their respective maturity dates, while investors in the variable loans will receive payments that amortize on a monthly basis concurrent with the principal collections activity on the underlying Purchased Assets.

In November 2009, the Trust issued Series 2009-1 Receivables-Backed Notes, Class A and B of which the Class A Notes were privately placed with an institutional buyer.

In June 2010, a clean-up call was exercised by CNH Capital Canada whereby \$38,068,611 of retail installment contracts were sold at book value to CNH Capital Canada. Also related to this clean-up call, the Series 2006-1 Class B Notes, the Series 2006-1 VPN Notes and the Series 2006-1 subordinated loan were repaid in full.

In November 2010, the Trust issued Series 2010-1 Receivables-Backed Notes, Class A and B Notes, which were publicly placed pursuant to a prospectus.

# CNH CAPITAL CANADA RECEIVABLES TRUST

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2010 AND 2009 (In Canadian Dollars)

---

### RESULTS OF OPERATIONS

The Trust's portfolio of managed receivables increased by \$74,073,665 to \$570,635,758 as at December 31, 2010 from \$496,562,093 as at December 31, 2009. This increase is attributable to \$374,479,651 of new purchases of retail notes and finance leases in November 2010, which was partially offset by a clean-up call exercised by CNH Capital Canada in June 2010 whereby \$38,068,611 of retail installment contracts were sold at book value to CNH Capital Canada. Related to the clean-up call, the Series 2006-1 Class B Notes and the Series 2006-1 subordinated loan were repaid in full.

Interest income for the year ended December 31, 2010 totaled \$24,549,169 compared to \$11,868,804 and \$22,204,269 reported for the years ended December 31, 2009 and 2008, respectively. In 2008, the Trust did not purchase any retail notes and finance leases. In 2009, the Trust's purchase of retail notes and finance leases occurred late in November therefore the financial impact of this purchase was more fully realized in the current year rather than in the prior year.

Interest expense was \$24,545,169, \$11,864,504, and \$22,197,402 for the years ended December 31, 2010, 2009 and 2008, respectively. The increase in interest expense in the current year is consistent with the timing of the new purchases in 2010 and 2009.

Total credit losses incurred on the Trust's portfolio in 2010 and 2009 were \$862,708 and \$1,063,938, respectively. These credit losses are absorbed by CNH Capital Canada through the residual purchase price payable.

### SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Trust's unaudited quarterly financial information for the years ended December 31, 2010 and 2009:

	2010			
	Q1	Q2	Q3	Q4
Interest income	\$ 7,271,108	\$ 5,866,398	\$ 4,704,615	\$ 6,707,048

  

	2009			
	Q1	Q2	Q3	Q4
Interest income	\$ 3,067,708	\$ 3,085,409	\$ 2,149,234	\$ 3,566,453

# CNH CAPITAL CANADA RECEIVABLES TRUST

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2010 AND 2009 (In Canadian Dollars)

---

### TRANSACTIONS WITH RELATED PARTIES

For the years ended December 31, 2010 and 2009, the Trust's interest expense paid to CNH Capital Canada with respect to residual indebtedness was \$15,156,908 and \$7,061,170, respectively, and the other expenses paid to CNH Capital Canada amounted to \$3,000 and \$3,500, respectively. The transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Total interest expense on the Statements of Operations, Comprehensive Income and Undistributed Income includes amounts paid to related parties for interest on the residual indebtedness.

The amount due to related parties with respect to residual indebtedness is \$17,094,507 and \$16,561,935 as at December 31, 2010 and 2009, respectively.

### ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements, and revenues and expenses for the year reported. The most significant estimate relates to the estimation of credit losses on retail note and finance lease contracts receivable. Actual results could differ from those estimates.

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Canadian Institute of Chartered Accountants ("CICA") requires that Canadian GAAP be replaced by International Financial Reporting Standards ("IFRS") for years commencing on or after January 1, 2011 for all publicly accountable enterprises. The Trust will begin to report its financial statements in accordance with IFRS for its fiscal year commencing on January 1, 2011, with fiscal 2010 IFRS comparative results.

Based on management's analysis to date, the adoption of IFRS will not have any impact on the calculation of the Trust's net assets and its financial performance. Management's analysis of the differences between IFRS and Canadian GAAP indicate the following areas as having the most significant impact to the Trust's accounting policies and financial reporting upon conversion to IFRS.

The principles of International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement*, concerning the derecognition of financial assets are complex and are different from the approach under Canadian GAAP. IFRS has adopted a different approach for determining whether a financial asset or financial liability qualifies for derecognition. Financial assets are derecognized if substantially all risks and rewards have been transferred.

The assessment of control of the financial assets or financial liabilities is then a secondary consideration after the risks and rewards have been analyzed. Under Canadian GAAP, the assessment of control over the transferred assets is the primary factor in achieving derecognition. The determination of whether the Purchased Assets being sold to the Trust from CNH Capital Canada qualify for derecognition from the point of view of CNH Capital Canada will determine the financial reporting and presentation implications of the securitization transactions that the Trust enters into with CNH Capital Canada. Effective January 1, 2010, CNH Capital Canada consolidates the Trust's Purchased Assets and related liabilities.

# CNH CAPITAL CANADA RECEIVABLES TRUST

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2010 AND 2009 (In Canadian Dollars)

---

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other areas that will likely have an impact on the Trust's accounting policies and financial reporting include IFRS 1, *First Time Adoption of IFRS*; IAS 1, *Presentation of Financial Statements* and IAS 24, *Related Party Transactions*. Based on management's analysis to date, the transition to IFRS will not have a significant impact on the Trust's information systems or internal controls.

### RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

#### *Market Risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, equity or commodity prices and credit spreads.

Interest rate risk refers to the risk that the fair value or income and future cash flows of a financial instrument will vary as a result of changes in market interest rates. As of December 31, 2009, the Trust was exposed to the risk that the market rate of interest it would pay on its Series 2006-1 variable rate notes and loans in the future could be different than the fixed rate of interest it received on its investment in retail notes and contracts. To mitigate this risk the Trust had entered into interest rate swap contracts. The notional amounts of the swaps were equal to the outstanding principal balance on the Trust's variable rate notes and loans. The Trust was obligated to pay a fixed interest rate per annum on the notional amount and did receive a floating interest rate equal to the Bankers' Acceptance ("BA") rate plus a specified percentage in excess of the BA rate, which was the basis for determining the amount of interest due on the outstanding loans. The amount the Trust was obligated to pay to the counterparties was netted against the amount the counterparties were obligated to pay the Trust. Only the net amount on each contract was due from the Trust or the counterparties. During the years ended December 31, 2010 and 2009, as the Series 2009-1 and the Series 2010-1 transactions only include fixed rate notes and loans and receive a fixed rate of interest on the investments in retail note and finance lease contracts, the Trust did not enter into any interest rate swap contracts. The Trust's exposure to interest rate risk on the cash accounts is minor.

The Trust is not exposed to losses from foreign exchange rates, equity or commodity prices. During the years ended December 31, 2010 and 2009, all of the Trust's transactions were denominated in Canadian dollars and the Trust did not invest in equities or commodities.

# CNH CAPITAL CANADA RECEIVABLES TRUST

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2010 AND 2009

(In Canadian Dollars)

---

### RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

#### *Credit Risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations and may arise directly from claims against a debtor or obligor, an issuer of securities or indirectly from claims against a guarantor of credit obligation.

The Trust's investment in Purchased Assets results in significant concentrations of credit risk in the agricultural and construction industries. Numerous factors can affect the future performance of the Trust. These factors include the general level of activity in the agricultural and construction industries, the rate of North American agricultural production and demand, weather conditions, commodity prices, consumer confidence, government subsidies for the agricultural sector and prevailing levels of constructions (especially housing starts).

The Trust manages this risk through the subordinated loans and the residual purchase price payable, which provide the Trust with overcollateralization designed to minimize its credit risk. The principal balances of accounts greater than 30 days delinquent were \$1,368,700 and \$1,176,105, respectively, which represented 0.24% of the Trust's portfolios at December 31, 2010 and 2009.

As of December 31, 2010, the portfolio of the retail note and finance lease contracts by annual yield, which exclude interest waiver periods, and by industry is as follows:

APR Range	Agriculture	Construction	Total Portfolio
0.00% – 2.99%	\$ 171,230,353	\$ 19,111,546	\$ 190,341,899
3.00% – 5.99%	147,378,307	11,277,803	158,656,110
6.00% – 8.99%	172,426,432	14,396,448	186,822,880
9.00% – 11.99%	22,064,578	5,078,810	27,143,388
12.00% – 17.99%	<u>6,510,989</u>	<u>1,160,492</u>	<u>7,671,481</u>
	<u>\$ 519,610,659</u>	<u>\$ 51,025,099</u>	<u>\$ 570,635,758</u>

As at December 31, 2009, the portfolio of the retail note and finance lease contracts by annual yield and by industry is as follows:

APR Range	Agriculture	Construction	Total Portfolio
0.00% – 2.99%	\$ 130,740,884	\$ 26,741,543	\$ 157,482,427
3.00% – 5.99%	73,436,301	18,339,222	91,775,523
6.00% – 8.99%	181,824,163	18,332,962	200,157,125
9.00% – 11.99%	29,076,293	9,631,408	38,707,701
12.00% – 17.99%	<u>6,190,407</u>	<u>2,248,910</u>	<u>8,439,317</u>
	<u>\$ 421,268,048</u>	<u>\$ 75,294,045</u>	<u>\$ 496,562,093</u>

As at December 31, 2010 and 2009, the Trust's maximum credit exposure was \$648,158,695 and \$547,043,350, respectively, being the total of its assets recorded on the Statements of Net Assets.

# CNH CAPITAL CANADA RECEIVABLES TRUST

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2010 AND 2009

(In Canadian Dollars)

---

### RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

#### *Liquidity Risk*

Liquidity and funding risk is the risk that the Trust may be unable to generate or obtain sufficient cash or cash equivalents in a timely and cost effective manner to meet its commitments as they come due. The Trust's restricted cash and cash equivalents balance totaled \$74,249,866 and \$47,226,434 as of December 31, 2010 and 2009, respectively. The Trust's borrowings are comprised of interest-bearing Notes and subordinated loans secured by the underlying Purchased Assets. As at December 31, 2010 and 2009, the balance of the outstanding Notes and subordinated loans was \$629,216,491 and \$528,065,803, respectively. Interest on the Notes and subordinated loans is payable monthly, in arrears on the 15<sup>th</sup> day of the following month. As at December 31, 2010 and 2009, the cash flows from the Trust's investment in retail notes and finance lease contracts and cash account were expected to provide sufficient liquidity for the repayment of the Trust's borrowings and the interest expense on those borrowings.

#### *Measurement of Fair Values and Categorization of Financial Instruments*

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The Trust determines fair value using available market information or other appropriate valuation methodologies such as discounted cash flow analysis. Fair values using valuation models require the use of assumptions concerning the amount and timing of estimated cash flows and discount rates. In determining those assumptions, the Trust looks primarily to external observable market inputs including factors such as interest yield curves and price or rate volatilities as applicable.

The CICA Handbook Section 3862, Financial Instruments – Disclosures (“Section 3862”), requires that all financial instruments measured at fair value be categorized into one of three hierarchy levels for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1* Inputs are unadjusted quoted prices of identical instruments in active markets.
- Level 2* Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3* One or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The disclosures required by Section 3862 are included in the Measurement of Fair Values and Categorization of Financial Instruments financial statement note disclosure.

# CNH CAPITAL CANADA RECEIVABLES TRUST

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2010 AND 2009

(In Canadian Dollars)

---

### RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

#### *Derivatives*

Prior to the Series 2009-1 and the Series 2010-1 transactions, the Trust entered into interest rate swap contracts with approved creditworthy counterparties to manage the Trust's current and anticipated exposure to interest rate risks. The Trust did not enter into interest rate swap contracts for trading or speculative purposes. Interest rate swaps that were designated, and effective, as qualifying hedges were recognized on an accrual basis with net settlements recorded as an adjustment to interest expense. Interest rate swaps that did not qualify for hedge accounting under Section 3865, *Hedges* ("Section 3865") were recorded at fair value with the changes in fair value recognized in earnings in the period in which they occur.

The Trust's interest rate swap agreements were not designated in effective hedging relationships for accounting purposes as outlined in Section 3865. As at December 31, 2009, the Trust recorded derivative liabilities of \$1,044,466, which represented the fair value of the interest rate swaps as of December 31, 2009. The net change in fair value of interest rate swaps during the years ended December 31, 2010 and 2009 was a gain of \$1,044,466 and \$3,248,374, respectively. Due to the structure of the Trust any gains or losses relating to interest rate swap agreements are attributable to CNH Capital Canada and, as such, a net offsetting adjustment is made to interest expense and residual purchase price payable for these amounts. The gains and losses arising from the derivative liabilities and the related offsetting adjustment to the residual purchase price payable are recorded in interest expense in the periods in which they arise.

The fair value of interest rate swaps was estimated based on discounted expected cash flows using quoted market interest rates. Considerable judgment was required in interpreting market data to develop estimates of fair value, so the estimates were not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. The Administrator was not aware of any factors that would significantly affect the fair value estimates contained within these financial statements.

### DISCLOSURE CONTROLS AND PROCEDURES

The Trust's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Trust is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management on a timely basis to allow appropriate decisions regarding public disclosure. As of December 31, 2010 and 2009, an evaluation was carried out, under the supervision of and with the participation of management of CNH Capital Canada, of the effectiveness of the Trust's disclosure controls and procedures as defined under National Instrument 52-109. Based on that evaluation, management concluded that the design and operation of the Trust's disclosure controls and procedures were effective as at December 31, 2010 and 2009.

# **CNH CAPITAL CANADA RECEIVABLES TRUST**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2010 AND 2009 (In Canadian Dollars)**

---

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Management of CNH Capital Canada assessed the design effectiveness of the Trust's internal control over financial reporting as at December 31, 2010 and 2009, and based on that assessment determined that the Trust's internal control over financial reporting design was effective. No changes were made in the Trust's internal control over financial reporting during the years ended December 31, 2010 and 2009, that have materially affected, or are reasonably likely to materially affect, the Trust's internal control over financial reporting.

### **ADDITIONAL INFORMATION**

Additional information regarding the Trust is available at [www.sedar.com](http://www.sedar.com).