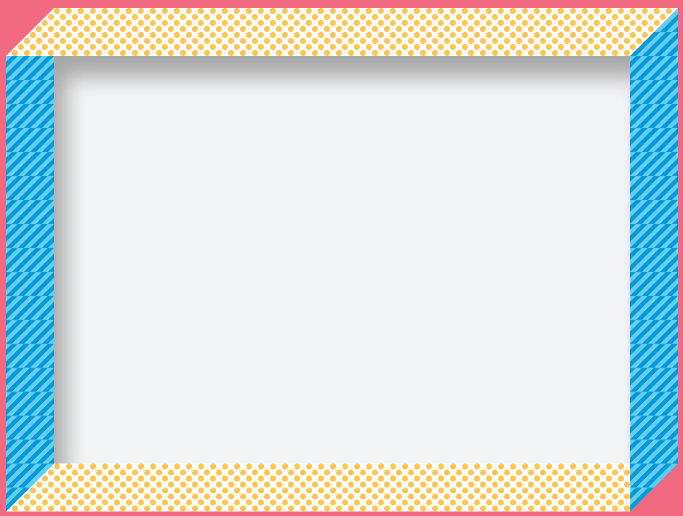
ATB Financial 2017 Annual Report

It's all about you.



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About

time, isn’t it?

Let's make something perfectly clear.

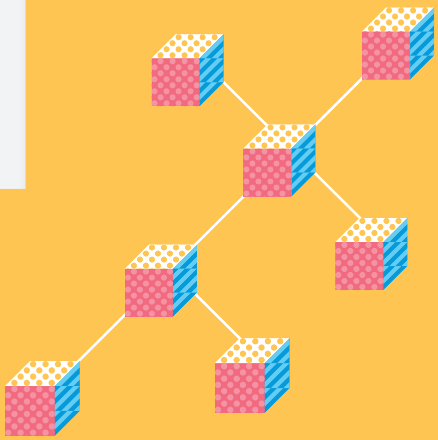
Banking should always be all about you, because your money and what you do with it is very personal. You need to know that we're using all the skills and power we have as a financial institution to do what's right for you.

Dave Mowat
President and CEO

Banking didn't change for decades.

(try to look surprised)

2017



Back then:

Inflated interest rates. Unavoidable fees. Arbitrary rules. Bankers' hours. And processes that made everything more difficult than it needed to be. After decades of banking being more about banks than about the customers they're supposed to serve, things have finally started to change.

Today:

You can pay in a store using nothing more than your phone and a thumbprint.

You can send money across the world in seconds.

You can go years without stepping into a branch or carrying cash.

You can expect so much more.

ATB is changing, too.

From this point on, we're 100% focused on making banking work for you—not the other way around. Because for us, banking really is all about you.

Message from President
Dave Mowat

It's not news to anyone that 2016 was one of the worst years, financially, in the history of our province. The economic impact of low oil prices was felt across all sectors and continued to make things tough for a lot of Albertans, including many of our customers. When things get tough, it can be tempting to batten down the hatches and just ride things out. But that's never been how ATB works. Even when things were at their worst, we never panicked, never changed our credit criteria, and never turned our backs on the customers who were relying on us. Instead, we made a point of listening to what our customers told us they needed and got to work making it happen.

The only reason it's possible to do any of those things is because we have over 5,000 people who believe in what they're doing. People who understand that in good times and bad, banking is woven into every part of our lives. Our team members never lost sight of the importance of listening to our customers and helping them get what they needed to get through life's challenges.

The importance of sticking by one another was never more evident than in response to the wildfire that devastated Fort McMurray in May 2016. On the day of the evacuation, our immediate goal was making sure our 32 team members and their families were safe. Once they were, those team members got to work triaging our customers affected by the fire. Even in the midst of the chaos, we were able to listen to what customers needed most and work around typical banking processes to help.

Our belief in the importance of listening prompted some major changes within ATB. We've shifted almost everything in our organization to align with our commitment to listening. From our corporate structure to our introduction of innovative technology, our focus is on making life better for our customers. This includes helping entrepreneurs launch or expand their businesses, so they can help diversify Alberta's economy and bolster the confidence of all Albertans. Right now, we have more than 100,000 business customers who are showing us exactly why there are so many reasons to be excited by what the future holds.

It's a future ATB is gearing up for as we transform our business through better service and advanced technology. We're in an age right now where new technology will allow us to make the banking experience infinitely better and more convenient. Used correctly, technology lets us remove the pain points and make banking simpler, more intuitive and more agile.

Technology will never replace the face-to-face service that customers want, unless that face is Pepper's, but it will allow us to devote more time to listening to what customers want and need us to hear.

Dave Mowat
President and CEO

ATB Listens

frames everything we do.

Launched in September 2016, ATB Listens is our company-wide promise to listen—really listen—to you. Every time. Every place. In every way. Sounds simple, but it isn't. Because banking is designed to put banks first, not people. Banking isn't designed to listen. So we're changing that.

ATB Listens represents an entirely new take on banking. One that puts customer needs, priorities, and concerns first. Instead of telling you all about us and what we offer, we're taking a breath, sitting back, and really hearing what our customers are saying. Asking you to tell us what you need, what matters most to you, and what you want your money to do for you.

Since September, we've heard from hundreds of customers with something to share. And we've listened to every single one. Some, we've been able to help right away. For others, we've done what we could and begun transforming how we work so we can do more.

Some notable ways we've listened this past year:

- When you told us you wanted to grow your businesses, we established two Entrepreneur Centres, one in Edmonton and one in Calgary. Whether you're an ATB customer or not, you can connect with great business advice while meeting your personal and business banking needs.
- When you told us you wanted the ability to do more with your investing and saving, we launched ATB Prosper, a state-of-the-art platform introducing customers to ATB's online investing and saving world. **atbprosper.com**

We've got loads of other improvements and innovations in the works—most based on ideas that came from listening to you. ATB is able to act on what we hear from you and turn ideas into action quickly, because we're exactly the right size—big enough to have the resources to get things done, but small enough to be nimble and responsive.

A few of the ways we've been listening to our customers.

Like you.

1

2

Established two Entrepreneur Centres

One in Edmonton and one in Calgary. Whether you're an ATB customer or not, you can connect with great business advice while meeting your personal and business banking needs.

Launched ATB Prosper

A state-of-the-art platform introducing customers to ATB's online investing and saving world.

atbprosper.com

Message from Board Chair
Brian Hesje

Managing through the economic downturn Alberta faced this past year is a significant accomplishment. The fact that ATB has done it with no decrease in either team member engagement or customer satisfaction speaks volumes about who we are as an organization and where our priorities lie. People—both the ones we serve and the team members who make that work possible—will always be our focus.

Being able to manage through those challenges was achievable, in large part, because of the ATB team. Their willingness to listen to what our customers want, and undertake a major restructuring to make those wants a reality, demonstrates our dedication to making banking work for our customers. That restructuring also reflected our commitment to promoting from within and to creating gender balance in our leadership team, as we saw several senior roles filled by long-time ATB leaders, including two senior executive roles filled by women.

The challenge of transforming banking is easy to say, and incredibly hard to do. You have to be innovative and you have to have a culture that encourages change and embraces taking risks. And you need people within your organization who believe that the organization is interested in helping them transform to be better. Fortunately, ATB has those people and a commitment to developing that culture. We know it won't happen overnight. It was a challenge last year, it is again this year, and it will be next year. But we're getting there.

In the midst of all this change, we were fortunate to have continuity in our board and our ongoing commitment to sound governance. In November 2016, the Governance Professionals of Canada recognized us for having Best Overall Corporate Governance in a non-publicly listed company. It was a tremendous honour and something we think demonstrates our belief in the importance of doing things right, at every level.

On behalf of ATB's Board of Directors, thank you to our team members for their passion for transforming banking, to our customers for their faith in what we do, and to the Government of Alberta for their support.

Brian Hesje
Chair of the Board

See, nothing to hide.

You won't see us coming up with products and then trying to convince you that you need them. Instead, we're listening to what you want and creating products and services that will deliver.

Apple Pay

(because just look how busy you are!)

You told us you need banking solutions that work as fast as you do. That's why ATB was one of the first financial institutions in Canada to launch Apple Pay—a safe, secure way to pay using your iPhone or Apple Watch in stores.

Digging through your wallet for a little piece of plastic is so 2015. With Apple Pay, you can scan and go—instantly. No more PINs or showing your card.

Since we launched it in May 2016, over 21,000 ATB customers have joined the digital wallet revolution by activating their ATB debit and MasterCards for Apple Pay.

Over 21,000
ATB customers have joined the digital wallet revolution.

Business highlights 2016–17

By working together, ATB:

- Achieved our best-ever corporate-wide customer advocacy score.[1]
- Reached 89% team member engagement,[2] our best ever.
- Welcomed 24,291 new Alberta customers.
- Was ranked second of Canada's Top 50 Best Workplaces by the Great Place to Work Institute.
- Won a Canadian Society of Corporate Secretaries award for best board practices in strategic planning, oversight, and value creation.
- Donated $3.3 million to charities, spent $7.8 million on community-focused sponsorships, and fundraised $1.5 million through corporate social responsibility initiatives.

Because we're customer-obsessed, we:

- Launched ATB X, a business accelerator to support new entrepreneurs and maximize their success.
- Launched two ATB Entrepreneur Centres to support entrepreneurs as they start and grow their businesses and provide both business and personal banking services unique to entrepreneurs.
- Expanded Alberta Private Client into two new communities.
- Established a unique arrangement with Cashco Financial to establish alternatives to payday loans and provide better banking services to Albertans who have not been well served by traditional financial institutions.
- Established Four Directions, an ATB agency serving primarily homeless people in one of the poorest communities of Edmonton and using innovative biometric technology to replace the need for more traditional types of identification.

[1] The customer advocacy index (CAI) is ATB's standard metric, based on surveys conducted by NRG Research on ATB's behalf, for measuring a customer's willingness to continue to bank with ATB and to recommend ATB to others, allowing us to benchmark ourselves against other financial institutions in Alberta.
[2] Team member engagement scores are measured by Aon Hewitt.

Let's reflect on a few of the ways we demonstrated our commitment to making banking work harder for you this past year.

To transform banking, we:

- Were among the first financial institutions in Canada to offer Apple Pay for credit and debit cards.
- Unveiled a new ATB online banking platform with a more modern look and feel.
- Released the new ATB Mobile app and provided for more services, including remote deposit capture for cheques.
- Launched Global Transfers, enabling Albertans to more easily move money from their accounts to virtually anywhere in the world.
- Were the first financial institution in North America to apply a Facebook Messenger bot to move money and perform transactions.
- Launched ATB Prosper, a state-of-the-art platform introducing customers to online investing and saving.
- Introduced Albertans to Pepper, a robot ATB purchased to explore using robotics and artificial intelligence to support our team members and customers.

Customer Obsession is about taking the grit out of the gears of banking. We're listening to you, putting ourselves in your shoes, and fixing what needs to be fixed.

Curtis Stange
Chief Customer Officer

Are we obsessed with making your banking experience better in every possible way? Yes, absolutely—and we're the first to admit it's an obsession that's long overdue.

Our Customer Obsession focus was launched as part of ATB Listens in September 2016. Since then, we've listened attentively, taking action on the good—and the bad—to deliver a banking experience that's all about you.

One of our first initiatives was creating an ATB Listening Post, which gathers all the feedback we receive from you in person, online, through our Customer Care Centre, and through social media, and shares it within ATB to identify pain points and take action. It's helped us identify the things you hate—the stuff we intend to eliminate from banking—and build a wish list of all the things you wish banking could do for you.

You won't see us coming up with products and then trying to convince you that you need them. Instead, we're listening to what you want and creating products and services that will deliver. We're also working to improve how we deliver those services to you, by changing the dynamics of how we work. You tell us what you need, and we'll help make it happen. When you need us in person, we'll be there. When you need technology to work, it will. And when you need us to get out of the way, we'll do that too.

You’re

our obsession.

(but not in a creepy way)

Our transformation shows that we've been listening. We're not good enough yet—not even close. But that's why we're reimagining the way we work so we can be exceptional and deserving of your business.

Wellington Holbrook
Chief Transformation Officer

We know that for many people, transformation is an overused word. Everybody is transforming something, often without really changing anything. But when we talk about transformation, we fully intend to turn banking on its ear.

This past year we undertook an ambitious, wholesale makeover that will completely revamp the way we work and how you bank, all with the express purpose of meeting your needs. To make that happen, we're investing in technology and resources that are already making banking faster, smarter and more intuitive. This past year alone, we were:

- The first to transfer money using blockchain, which ensures secure, online transactions in seconds.
- The first to use a bot to transfer money using Facebook's instant messaging.
- The first to introduce Pepper—a charming, interactive, artificial intelligence robot that has the potential to enhance recognition software and improve service.

Our transformation process has also involved a massive internal shift, where we've moved dozens of team members within the organization to make sure their skill sets can better meet your needs. And we're giving them the tools they need to wow you with what they can do.

We're

transforming banking.

(and we can look you in the eye when we say that)

Directors

As at March 31, 2017, the board consists of 12 independent directors. **For detailed biographies, visit atb.com/directors**

(Pictured from left to right)

Brian Hesje
Director since 2011. Board Chair. Ad hoc on all committees.

Jim Carter
Director since 2010. ATB Investor Services subsidiaries (Chair). Risk Committee.

Jim Drinkwater
Director since 2010. ATB Investor Services subsidiaries. Audit Committee. Risk Committee (Chair).

Wendy Henkelman
Director since 2014. Audit Committee. Human Resources Committee.

Joan Hertz
Director since 2008. Governance and Conduct Review Committee (Chair). Risk Committee.

Barry James
Director since 2014. Audit Committee (Chair). Risk Committee.

Colette Miller
Director since 2009. Audit Committee. Human Resources Committee (Chair).

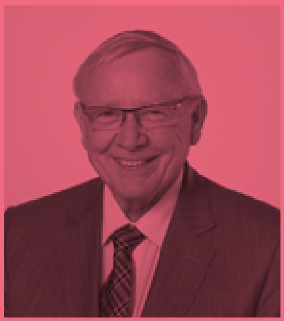
Robert Pearce
Director since 2014. Audit Committee. Risk Committee.

Diane Pettie
Director since 2014. Governance and Conduct Review Committee. Human Resources Committee.

Todd Pruden
Director since 2015. Governance and Conduct Review Committee. Human Resources Committee.

Clayton Sissons
Director since 2014. Audit Committee. Governance and Conduct Review Committee.

Shannon Susko
Director since 2014. Governance and Conduct Review Committee. Human Resources Committee.







We imagine you right there at the table with us.





Senior executive and officers

For detailed biographies, visit atb.com/executive

(Pictured from left to right)

Dave Mowat
President and CEO

Peggy Garritty
Chief Reputation and Brand Officer

Wellington Holbrook
Chief Transformation Officer

Bob Mann
Chief Risk Officer

Bob McGee
Chief Financial Officer and Head of Operations

Lorne Rubis
Chief Evangelist

Curtis Stange
Chief Customer Officer

Liz Stretch
Chief People Officer

Chris Turchansky
President, ATB Investor Services

Rob Bennett
Executive Vice-President, Retail Financial Services

Teresa Clouston
Executive Vice-President, Business and Agriculture

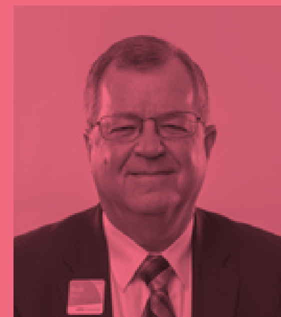
Ian Wild[3]
Executive Vice-President, Corporate Financial Services

Tim Gillespie
Executive Managing Director and Head, Corporate Financial Services Client Solution Groups

Jon Horsman
Executive Managing Director and Head, Corporate Financial Services Financial Service Groups

[3] Retired September 30, 2016.











A window of opportunity.

We've always taken pride in creating a work environment that encourages engagement and inspires excellence. In fact, this past year saw us named one of Canada's best places to work for the fifth year in a row. Our leadership team is a big reason why, with Dave Mowat—Canada's top-rated CEO, according to Glassdoor—leading the charge.

Our employee engagement rating this past year was 89%, an all-time high—despite the fact no one within ATB had received a raise for the past two years. This tells us the people who work here understand the work they do is important and meaningful, and that working here is about more than just a paycheque to them.

Over the past year, we've amplified our efforts to create a more collaborative work environment, where everyone has a chance to contribute to how we're transforming banking. This means encouraging and empowering team members to share their ideas and suggestions, and giving them the tools they need to make banking more responsive.

So why should how we treat our employees matter to you? Other than because it's the right thing to do, it should matter because it influences your experience too. When people know they are valued and respected, they value and respect others in turn. They come to work excited by the opportunity to find banking solutions that will make your life better. Because we listen to our employees, they are ready to listen to you. And that's a win-win for everyone.

Our employees

listen to you, because we listen to them.

When it comes to caring, you can see right through us.

Giving back to the community has been a part of ATB's DNA from the very beginning, but it has never been more relevant or more needed than it was this past year.

At the beginning of 2016, Albertans were in the midst of one of the worst recessions in our province's history, with the price of oil hovering at around $31 per barrel. Far too many of our customers found themselves dealing with job loss or financial struggles, and we did whatever we could to help them cope with their own situation. Often, what they needed most was someone to really listen and help them explore their options.

Things went from bad to worse for our province, when on May 1, 2016, Fort McMurray found itself facing "the beast" —a massive wildfire that would eventually claim 590,000 hectares of forest and, two days later, force 88,000 residents to flee their homes and community. Once again, ATB, like thousands of other Albertans, was quick to jump into action.

Within a day of the fire, ATB organized a disaster relief assistance program for customers. It included loan payment deferrals, temporary excess on overdraft accounts, deposit account service charge waivers, Mastercard limit increases, payment deferrals, and interest rate reductions. Within the first week, we made calls to customers who we identified as "severely impacted" to see how we could help them and what they needed. Over the next several months, we contacted all other affected customers to make sure they were aware of the program and able to access it should they need it. All told, about 2,000 customers used the assistance program. Throughout it all, we made sure we were there to listen to what our customers and our team members needed, and then we did whatever it took to make that happen.

Although 2016 was a difficult year for many, this past year demonstrated how truly resilient Albertans are in the face of adversity. We're proud to have played even a small part in supporting Albertans through good times and bad.

Facing challenges together, makes us stronger.

Filling the gap with meaningful contributions.

Donations	Sponsorships	ATB Cares
$3.3M	**$7.8M**	**$4.1M**

Junior ATB	Empower U	Helping Hands
105 participating schools	**921** women have graduated	**$104,930** to 213 organizations that our team members support

We're listening

to what the community needs, too.

Corporate social responsibility: a peek into our soul.

Transforming our business so that banking works for people, and not the other way around, is at the heart of the ATB Story. That means investing in innovation and customer experiences (which you can read about throughout this report), but it also reflects our commitment to listen to the needs of the community and help those who are traditionally not well served gain access to financial services.

For many people living in poverty, not having a permanent address or personal identification makes getting a bank account impossible. Not having a bank account frustrates any efforts to break the cycle of poverty that traps too many. Four Directions Financial Services was developed through extensive consultation with Boyle Street Community Services, several other community agencies and clients to provide tailored financial services to Edmonton's inner-city community. Four Directions Financial Services uses biometrics (fingerprints and iris scans) to verify identities, eliminating the need for traditional forms of identification. Everything from the name to the layout to the décor of the agency was created through consultation with the community it serves to create a welcoming, inclusive environment.

This past year also saw the launch of our innovative arrangement with Cashco Financial to bring meaningful banking to underserved people who previously depended almost exclusively on payday loans. The arrangement is unprecedented in the financial industry, allowing Cashco to offer term loans as well as transaction and savings accounts empowered by ATB.

Empower U, a financial literacy program led by ATB and the United Way, celebrated its fifth anniversary this year. So far, over 900 women living in poverty in the Edmonton area have graduated from Empower U, which combines financial education with a matched savings program. Our Junior ATB program is focused on providing financial literacy for elementary students and has expanded to over 100 schools. Also, through Junior Achievement and partnerships with local schools, hundreds of ATB team members provide financial literacy training to young Albertans.

Fundraising looks good on everyone.

Teddy for a Toonie

$804,000

to support the Stollery and Alberta Children's Hospitals

United Way

$702,000

Every day, across Alberta, ATB shares its financial expertise with our customers and our community partners, including our Time to Think grant that pairs a monetary grant with access to ATB's knowledge bank in areas such as succession planning and call centre management. The goal is to look beyond simply cutting a cheque and listen to the needs of the community so we can find ways to help sustain the vital work of Alberta's non-profit sector.

Another way we strengthen the non-profit sector is by bringing our community partners together to forge new relationships. We stepped up to help the Nina Haggerty Centre for the Arts bring its New Voices music video project to life, and invited our long-time friends at CKUA to join us. The result was a showcase of some amazing talent that probably wouldn't have happened without the three of us coming together.

Many of ATB's longstanding community projects continued to shine this year, including our ATB Cares donation platform, Helping Hands grants, and annual Teddy for a Toonie and United Way fundraising campaigns. Our sponsorship portfolio includes the newly opened National Music Centre in Calgary, as well as the Tour of Alberta, the Edmonton Fringe Festival, the Calgary International Film Festival and many more. We partnered with the Pride festivals in Calgary, Edmonton and Jasper in honour of the inspiring youth of Camp fYrefly, which ATB has supported for nearly a decade.

From an environmental perspective, our support of Ducks Unlimited's Revolving Land Program will see 9,500 acres of wetlands restored over 10 years. We're also continuing with retrofitting our branch and office network to reduce our own footprint.

To learn more about these stories and many others ATB shares throughout the year, we encourage you to visit WeAreAlberta.ca and to read our annual Corporate Social Responsibility Report when it is released in September.

It's all about you.

And that's the way it's going to stay.

Okay… this part is actually about us.

Everything we do is about doing a better job of listening to you and giving you what you need and want from your bank. While it's hard to measure our success in meeting that goal quite yet, we do have the numbers that show how we've performed this past year.

Financial highlights 2016–17

For the year ended March 31		2017		2016
Operating results *($ in thousands)*				
Net interest income	$	**1,084,315**	$	1,092,809
Other income		**390,896**		434,100
Operating revenue		**1,475,211**		1,526,909
Provision for loan losses		**234,989**		387,559
Non-interest expenses		**1,044,404**		998,922
Net income before payment in lieu of tax		**195,818**		140,428
Payment in lieu of tax		**45,038**		32,298
Net income	$	**150,780**	$	108,130
Income before provisions for loan losses[4]				
Operating revenue	$	**1,475,211**	$	1,526,909
Less: income from asset-backed commercial paper (ABCP)		**-**		(74,538)
Less: non-interest expenses		**(1,044,404)**		(998,922)
Income before provisions for loan losses	$	**430,807**	$	453,449
Financial position *($ in thousands)*				
Net loans	$	**40,811,222**	$	40,350,157
Total assets	$	**48,547,286**	$	46,757,278
Total risk-weighted assets	$	**32,985,934**	$	33,927,048
Total deposits	$	**33,927,760**	$	30,862,289
Equity	$	**3,147,286**	$	3,109,820
Key performance measures *(%)*				
Return on average assets		**0.32**		0.24
Return on average risk-weighted assets		**0.45**		0.33
Operating revenue growth		**(3.4)**		5.8
Other income to operating revenue		**26.5**		28.4
Operating expense growth		**4.6**		5.8
Efficiency ratio[5]		**70.8**		65.4
Net interest spread		**2.35**		2.53
Loan losses to average loans		**0.58**		0.99
Net loan growth		**1.1**		7.1
Total asset growth		**3.8**		8.5
Total deposit growth		**9.9**		0.89
Growth in assets under administration		**14.2**		7.0
Tier 1 capital ratio[6]		**9.6**		8.9
Total capital ratio[6]		**15.3**		13.7
Other information				
Investor Services' assets under administration *($ in thousands)*	$	**16,725,308**	$	14,650,720
Branches		**173**		173
Agencies		**143**		136
ABMs[7]		**292**		285
Total customers		**725,961**		701,670
Team members[8]		**5,021**		5,065

[4] Income before provisions for loan losses is calculated as the difference between total operating revenue less income from asset-backed commercial paper and non-interest expenses. A non-GAAP (generally accepted accounting principles) measure. Income earned on ABCP is immaterial in the current year.
[5] Calculated by dividing non-interest expenses for the year by total operating revenue for the year. It measures how much it costs us to generate $1 of revenue. So for every $1 of revenue we earned in 2016–17, it cost us 70.8 cents to earn it.
[6] Calculated in accordance with the Alberta Superintendent of Financial Institutions (ASFI) capital requirements guidelines.
[7] Automatic banking machines.
[8] Number of team members includes casual and commissioned.

Financials at a glance

Deposits
($ in billions)

2017	$33.9
2016	$30.9
2015	$30.6
2014	$27.3
2013	$23.7

Net loans
($ in billions)

2017	$40.8
2016	$40.4
2015	$37.7
2014	$33.9
2013	$29.7

Income before provisions for loan losses
($ in thousands)

2017	$430,807
2016	$453,449
2015	$414,784
2014	$323,372
2013	$267,331

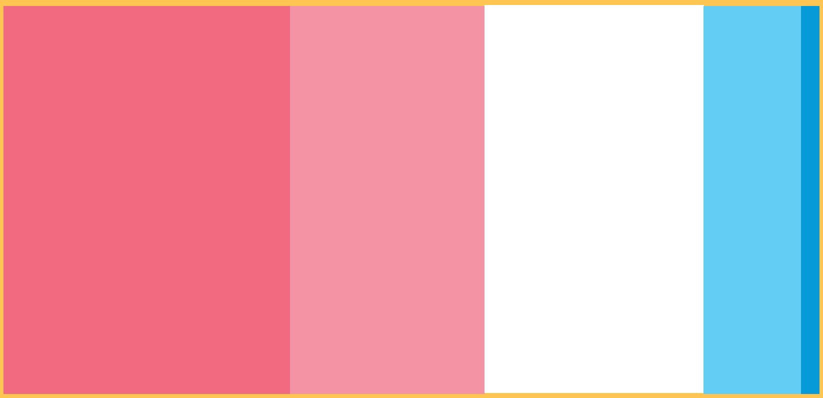
Net income
($ in thousands)

2017	$150,780
2016	$108,130
2015	$328,681
2014	$276,409
2013	$241,300

Net interest spread

2017	2.35%
2016	2.53%
2015	2.67%
2014	2.85%
2013	2.85%

Revenue earned by area of expertise



- 35% Retail Financial Services
- 24% Business and Agriculture
- 27% Corporate Financial Services
- 12% Investor Services
- 2% Strategic service units[9]

Operating revenue

($ in billions)

2017	$1.48
2016	$1.53
2015	$1.45
2014	$1.35
2013	$1.23

Assets under administration

($ in millions)

2017	$16,725
2016	$14,651
2015	$13,691
2014	$11,029
2013	$8,609

Efficiency ratio

2017	70.8%
2016	65.4%
2015	65.6%
2014	70.3%
2013	70.7%

[9] These are business units of a corporate nature, such as investment, risk management, asset/liability management, and treasury operations.

Message from Chief Financial Officer

Bob McGee

In 2016–17, ATB increased profitability, significantly improved our capital and liquidity position, and invested in our future, all while dealing with Alberta's economic challenges and without compromising our customers. We built a strong foundation of capital and liquidity levels that positions us to continue to support consumers and businesses in Alberta in increasingly better and more innovative ways. While the past couple of years have held significant economic challenges for Alberta, we have turned the corner and the economy has improved, but the rate of growth is still a lot slower than what we have previously experienced in Alberta. Through disciplined management of our business, ATB has ensured that we are well positioned to stand by our customers and weather these times of uncertainty, however long they may be.

As Alberta began to recover over the last year from its recent commodity-based economic downturn, loan losses for ATB improved considerably from the previous year, and at a somewhat faster rate than we'd anticipated. This decline in loan loss provisions was a major factor in the 39% ($43 million) increase we saw in net income over the prior year. Our loan book held steady and deposits increased. Operating revenues did decrease, however, due to $75 million in income from asset-backed commercial paper in the prior year's results. Adjusting for that, operating revenues increased $23 million while we undertook to improve capital and liquidity ratios—no easy feat during an economic downturn. Especially notable is that we also achieved this while continuing to make meaningful investments in transforming the organization to make banking work *for* our customers.

It's one thing to say our customers are important to us; it's another to structure our organization to show it. Over the past year, we've taken the first steps to reimagining ATB by establishing the Customer Obsession Team, led by our chief customer officer, and the Transformation Team, led by our chief transformation officer.

The Customer Obsession Team breaks down barriers and brings together all customer-facing areas of ATB: Retail Financial Services, Business and Agriculture, Corporate Financial Services, Investor Services, and the Customer Care Centre. Each of these drivers of our business contributed to ATB's overall growth by managing our loan and deposit book well through the economic crisis, by achieving record customer advocacy and team engagement scores in many of our areas of expertise, and by growing our assets under administration with our award-winning Compass Portfolio series.

The Transformation Team will lead the charge in transforming how we serve ATB's customers. We will shift the way things are done and become recognized as the financial institution that delivers the most innovative solutions for customers. Over the past year, we have invested significant time and resources in areas such as customer experience design, digital solutions, innovation, and information technology, and the results so far have been astounding. From being among the first financial institutions in Canada to offer Apple Pay, to our cutting-edge global transfer service and our new online banking platform, ATB is poised to deliver banking to customers however, wherever, and whenever they want it.

We've made incredible strides this past year, but we won't stop here. In the next few years, we are making bold moves, including strengthening our position as Alberta's bank for entrepreneurs, diversifying our business to support Alberta's changing landscape, and reimagining banking to provide brand new ways to serve our customers. In this ever-changing economic landscape, we'll make smart investments for the future of ATB and Albertans.

For more on our financials and strategy, see the MD&A.

Bob McGee
Chief Financial Officer and Head of Operations

Management's Discussion and Analysis

Introduction

This is Management's Discussion and Analysis (MD&A) of the consolidated results of operations and financial position of Alberta Treasury Branches (operating as ATB Financial or ATB) for the year ended March 31, 2017. The MD&A is current as at May 25, 2017. All amounts are reported in thousands of Canadian dollars, except where otherwise stated, and are derived from the consolidated financial statements prepared in accordance with International Financial Reporting Standards. The statements begin on page 108 of this report.

ATB is not a chartered bank under the *Bank Act of Canada* but a financial institution incorporated under Alberta statute that operates in Alberta only. Any reference to the term *banking* in this report is intended to convey a general description of the services provided by ATB to its customers.

Caution Regarding Forward-Looking Statements

This annual report includes forward-looking statements. ATB may also from time to time make forward-looking statements in other written or verbal communications. These statements may involve, but are not limited to, comments relating to ATB's objectives or targets for the short and medium term, our planned strategies or actions to achieve those objectives, targeted and expected financial results, and the outlook for our operations or the Alberta economy. Forward-looking statements typically use the words *anticipate, believe, estimate, expect, intend, may, plan,* or other similar expressions, or future or conditional verbs such as *could, should, would, or will*.

By their very nature, forward-looking statements require ATB's management to make numerous assumptions and are subject to inherent risks and uncertainties, both general and specific. A number of factors could cause actual future results, conditions, actions, or events to differ materially from the targets, expectations, estimates, or intentions expressed in the forward-looking statements. Such factors include, but are not limited to, changes in our legislative or regulatory environment; changes in ATB's markets; technological changes; changes in general economic conditions, including fluctuations in interest rates, commodity prices, currency values, and liquidity conditions; and other developments, including the degree to which ATB anticipates and successfully manages the risks implied by such factors.

ATB cautions readers that the aforementioned list is not exhaustive. Anyone reading and relying on forward-looking statements should carefully consider these and other factors that could adversely affect ATB's future results, as there is a significant risk that forward-looking statements will not be accurate.

Readers should not place undue reliance on forward-looking statements, as actual results may differ materially from plans, objectives, and expectations. ATB will not update any forward-looking statements contained in this report.

About ATB

History and Mandate

ATB was established by the Government of Alberta in 1938 to provide much-needed financial services to Albertans during the Great Depression. ATB became a provincial Crown corporation on October 8, 1997, under the authority of the *Alberta Treasury Branches Act* and *Alberta Treasury Branches Regulation* (the *ATB Act* and *ATB Regulation*, respectively). In January 2002, we launched our new corporate identity, ATB Financial. This identity reaffirms the business we are in—providing a full range of financial services across Alberta—and reconfirms our commitment to the people of our province.

Legislative Mandate

ATB's legislative mandate, as established in the *ATB Act* and *ATB Regulation*, is to provide Albertans with access to financial services and enhance competition in the financial services marketplace in Alberta. The President of Treasury Board and Minister of Finance (the Minister) and ATB have entered into an agreement formalized in a Mandate and Roles Document, which reflects a common understanding of each party's respective roles and responsibilities in fulfilling ATB's mandate.

As Crown corporations, ATB and our subsidiaries operate under a regulatory framework established pursuant to the provisions of the *ATB Act* and *ATB Regulation*. This legislation was modelled on the statutes and regulations governing other Canadian financial institutions, is updated periodically, and establishes that the Minister is responsible for supervising ATB.

ATB also operates within the legal framework established by provincial legislation generally applying to provincial Crown corporations, such as the *Financial Administration Act*, *Fiscal Planning and Transparency Act*, and *Alberta Public Agencies Governance Act*, as well as applicable legislation governing consumer protection and privacy. ATB's legal framework also includes certain applicable federal legislation governing money laundering. ATB strives to hold itself to the standards of its peers and industry best practices. As such, ATB voluntarily adopts certain federal requirements and guidance that apply to its activities.

With the responsibility of overseeing ATB's activities and performance, the Minister's powers include examining the business and affairs of ATB to ensure compliance with legislation, to ensure that ATB is in sound financial condition, and to require ATB to implement any measures the Minister considers necessary to maintain or improve ATB's financial safety and soundness.

The Minister has also implemented the *Legislative Compliance Management* guideline, pursuant to which the board has adopted the Regulatory Compliance Management Policy. The key aim of this guideline and policy is to ensure that a compliance framework is followed. Our dedicated Compliance department is responsible for identifying and monitoring regulatory risk across ATB and ensuring that the business units have implemented key day-to-day business controls that allow them to comply with applicable legislation.

The Minister has also approved a number of guidelines for ATB similar to those issued by the Office of the Superintendent of Financial Institutions (OSFI), which supervises federally regulated deposit-taking institutions. Regulatory oversight of these guidelines is the responsibility of the Alberta Superintendent of Financial Institutions (ASFI).

Under the guidance of the Minister, ASFI has provided a framework that encourages us to voluntarily comply with the international capital measurement framework promoted by the Bank of International Settlements, known widely as the Basel Capital framework. ATB has continued toward implementation of the Basel framework for measuring its capital adequacy.

Although we are still regulated and managed under the ASFI *Capital Requirements* guideline, we complete an annual Internal Capital Adequacy Assessment Process (ICAAP), which incorporates the OSFI guidelines under the standardized approach in determining capital requirements.

The primary objective of the ICAAP is to assess the adequacy of ATB's capital to support its risk profile and business strategy and to meet the expectations of its key stakeholders—in particular, its regulator, ASFI. The key elements of the ICAAP are:

- Identifying all material risks that ATB faced as at the date of the ICAAP
- Assessing the amounts of capital required to support ATB's risks, primarily credit, market, operational, and stress event risks subject to our risk appetite
- Completing forward capital planning to assess the amount of capital ATB may need to support its business plan
- Ensuring ATB complies with all regulatory requirements related to capital adequacy

Both senior management and the board review, challenge, and approve the ICAAP before its submission to ASFI. ATB subsidiaries, which provide wealth management services, are also subject to regulatory oversight by the Investment Industry Regulatory Organization of Canada (ATB Securities Inc.) and the Alberta Securities Commission (both ATB Investment Management Inc. and ATB Securities Inc.).

ATB and its subsidiaries insist on compliance with all applicable laws and regulations. Annually, ATB gives the Minister a formal report on compliance pursuant to the *ATB Regulation*.

Corporate Governance

ATB's governance extends from the board of directors and its committees to every team member. ATB is committed to transparency and accountability and has voluntarily adopted governance practices relevant to the corporation, including disclosure aligned with National Instrument 58-101 *Disclosure of Corporate Governance Practices* and National Instrument 52-110 *Audit Committees*. ATB supports delivery of useful information through broad channels of communication and use of appropriate financial and operational performance measures. ATB is also committed to accurate, timely, and periodic financial reporting.

Board of Directors

ATB operates under a board of directors appointed by the Lieutenant-Governor in Council. By setting the tone at the top, the board promotes strong governance that is entrenched in ATB's culture. The board has overall stewardship of ATB, oversees ATB's strategic direction, monitors ATB's performance in executing its strategy and meeting its objectives, oversees implementation of an effective risk management culture, and actively monitors ATB's risk profile relative to its risk appetite. It employs governance practices and business policies broadly comparable to those of other Canadian financial institutions. The board, with its diverse range of expertise and experience, acts independently of government and management.

Nomination and Selection of New Board Candidates

The board chair works with an independent consultant and the Governance and Conduct Review Committee to nominate and recommend board candidates based on required competencies; the board's size, composition, and director tenure; and factors such as geography, profession, industry representation, and ATB's diversity policy. The Governance and Conduct Review Committee ensures that board selection complies with the *Alberta Public Agencies Governance Act* and the Mandate and Roles Document. Board recruitment is publicly advertised. Appointment is for a fixed term of up to three years, with the potential for reappointment until a maximum of 10 years is served.

Orientation and Professional Development

ATB provides new directors with a comprehensive orientation to our business, which includes an overview of the roles and responsibilities of the board and its committees and the contributions expected. Board members are also encouraged to do ongoing professional development, including attending internal and external seminars.

Board Evaluations

Annually, through questionnaires, the board evaluates the effectiveness of the board chair, its committees and their chairs, individual directors, the CEO, and board activities. The Audit Committee also assesses the financial literacy of its members annually. The evaluation assists in developing a board composition (skills) matrix and succession planning. The board chair provides one-on-one feedback to each director, with the ultimate goal of improving performance.

Committees

The board has established the following four committees to assist in discharging its oversight responsibilities:

Committee	Responsibilities
Audit	• oversees the integrity of ATB's financial reporting and internal control systems and its internal audit and finance functions • facilitates communication between the board and its internal and external auditors
Governance and Conduct Review	• develops governance policies and procedures, including those related to team member conduct and ethics • oversees board and committee evaluations • recommends board candidates
Risk	• establishes ATB's risk appetite • oversees management of key business risks • reviews key risk management policies • oversees ATB's compliance with regulatory requirements
Human Resources	• oversees human resources policies, procedures, and compensation programs • oversees executive succession, development, performance and compensation, and pension plan

Each committee chair reports to the board following each meeting. Committee responsibilities are set out in terms of reference, which are reviewed by the Governance and Conduct Review Committee annually. From time to time, various special-purpose board committees are formed. All committees can engage outside advisors at ATB's expense.

Disclosure under the *Public Interest Disclosure (Whistleblower Protection) Act (PIDA)*

ATB is subject to *PIDA*. To comply with this legislation, ATB has approved the Public Interest Disclosure Framework to enable team members to report wrongdoings, or allegations of wrongdoing, that fall under *PIDA*. In relation to ATB, wrongdoing means contravention of an act or a regulation of Alberta or Canada; an act or omission that endangers the environment or the life, health, or safety of individuals; gross mismanagement of public funds or a public asset; or knowingly directing or counselling a person to commit a wrongdoing.

All disclosures under *PIDA* receive careful and thorough review, to determine whether action is required, and must be disclosed in ATB's annual report. In fiscal 2016–17, no disclosures occurred.

Recognition and Management of Risk

Details on ATB's risk management governance are set out on page 82 of the MD&A.

Recognition of Legitimate Stakeholder Interests

ATB strives to meet the expectations and unique needs of our stakeholders, including the Province, regulators, team members, customers, vendors, and the community. We demonstrate transparency by adopting appropriate disclosure practices. We also engage and communicate with stakeholders through our annual public meeting, annual report, corporate social responsibility (CSR) report, news releases, website, and other engagement channels. Stakeholder engagement is measured and tracked annually in our CSR report, which is available at atb.com.

For more information on ATB's governance, visit atb.com/governance.

2016–17 Business Highlights

Focused on driving value for the organization and for our customers, the Customer Obsession Team came together midway through the year to work differently than we have in the past, to reimagine how we're serving our customers and operating our areas of expertise. The Customer Obsession Team brings together all of the customer-facing roles in the company—from retail banking to agriculture and business, from corporate finances to investor services and from the Customer Care Centre to our future digital bank. In order to ensure that the areas of expertise are really addressing customer feedback, the Listening Post was created to oversee ATB's market research. This team will enhance our understanding of Albertans by providing a deeper perspective on the questions and issues that we address on behalf of our clients. Together, without silos, we are passionate about killing what people hate about banking and creating what they love. We are living the ATB Story.

Under the guidance of the Customer Obsession Team, ATB continues to focus on four areas of expertise: Retail Financial Services (RFS), Business and Agriculture (B&Ag), Corporate Financial Services (CFS), and Investor Services (ATBIS). The following highlights the key aspects of how our areas of expertise are managed and reported:

- RFS includes the branch, agency, and ABM networks and provides financial services to individuals.
- B&Ag provides financial services to independent businesses and agricultural customers.
- CFS provides financial services to mid-sized and large corporate borrowers.
- ATBIS provides wealth management solutions, including retail brokerage, mutual funds, portfolio management, and investment advice.

Retail Financial Services (RFS)

Our goal is to be respected as one of the best-run retail financial groups on the planet, to transform banking, to reimagine it… to make banking work *for* people. RFS's role is to connect customers with experts, attract new customers to ATB, and acquire low-cost deposits.

Transforming Banking

Over the last year, RFS looked at new ways to transform banking in ways that benefited both customers and team members. Customers are now enjoying the benefits of Apple Pay, global payments, and new mobile and digital capabilities. More Albertans are banking with ATB and our customer advocacy continues to reach new record levels. RFS opened seven new owner-managed locations and converted 20 existing agencies to full-service functionality across Alberta this year. ATB private banking (Alberta Private Client) and ATB Group Financial Services made strong progress to expand their relevance, reaching into new markets all across Alberta. Working with both Boyle Street Community Services and Cashco Financial, ATB has opened doors to underbanked segments of the population, allowing us to help people improve their financial outlook in significant ways within 46 different neighbourhoods. In the year ahead, we'll continue to transform and make banking work *for* people.

Listening to our Customers

We've had a busy year, and it's been another tough one. While the economy has seen some positive recovery, many families in Alberta haven't, and we're still doing everything we can to make sure we're helping them through. Our team is extremely proud of the role that ATB and RFS played during the emergency and recovery efforts for the Fort McMurray fire. Much work remains to be done to rebuild the community, but our efforts there are what the ATB Story is all about. Our presence, our leadership, and our influence across the banking industry were significant. Despite the headwinds, RFS grew the customer base, customer advocacy increased to a new record-high, and the business achieved a very challenging financial plan. RFS also realigned team member roles to serve ATB better and achieved a record-high engagement score of 89% from our team.

Our customers are everything to us, and through listening and investment in leadership, our team members, technology, and processes, we're able to provide them with the best solutions to meet their needs. Staying true to our values by refusing to follow industry practices that aren't in the best interest of customers continues to generate trust and goodwill across Alberta. ATB remains one of the only financial institutions in Canada that don't use inflated mortgage rates to calculate fees and penalties, and we are the only financial institution that doesn't sell market-linked GICs. Banking needs to work for customers, and we've put that sentiment at the forefront of how we operate. Banking when and how customers need it. It doesn't get simpler than that.

Business and Agriculture (B&Ag)

Despite the ongoing challenges of the Alberta economy, B&Ag is continuing to find ways to make banking work for more and more entrepreneurs. Throughout 2016–17, making banking work involved a commitment to help many entrepreneurs find ways to manage their businesses through the economic challenges they faced. It also offered our professionals the opportunity to look at building relationships with entrepreneurs in new markets or with some that were not receiving the support they needed from another financial institution. We continued to invest in our professionals, supporting them in becoming the best business bankers they can be, so they can support ATB in becoming the bank for all entrepreneurs.

Becoming the Bank for Entrepreneurs

In Spring 2016, we opened the two flagship ATB Entrepreneur Centres (in Calgary and Edmonton), to support ATB's strategic goal of becoming the bank for entrepreneurs. All types of entrepreneurs—whether ATB customers or not—are coming in to connect with ATB experts, ask questions, and receive support for their business banking, retail, and wealth management needs, while taking advantage of additional resources provided through strategic external partnerships. Because of the Centres' overwhelming success, we are looking for new, unique ways of extending the Entrepreneur Centre experience to other locations across Alberta.

Other initiatives in support of this strategy include ATB BoostR and ATB LendR. BoostR, ATB's own rewards-based crowd-funding platform, celebrated its first anniversary in Summer 2016. It continues to grow and attract unique, start-up-type entrepreneurs wanting to use the platform to test new market ideas and leverage the crowd to get their businesses up and running. LendR, ATB's crowd-lending platform, has now successfully completed its first few deals. We are continuing to look for new opportunities to match the crowd of registered LendRs with entrepreneurs that want and qualify for this type of funding. We established ATB X, our own business accelerator, at Connaught Centre in Calgary, turning unutilized premises into an environment where a selected cohort of businesses can operate, collaborate, learn, and grow. The three-month ATB X engagement includes programming and mentorship from partners and businesses in the market, and the second cohort is now underway.

Diversifying the Markets We Serve

This past year we introduced two new strategic markets, Indigenous banking and social enterprise, to help meet ATB's strategic goal of diversifying the markets we serve. We've taken tangible steps to help ATB establish professional expertise in both of these areas. A director of Indigenous banking is now in place to build relationships on ATB's behalf with Alberta's First Nations and Métis communities. Work is also underway to establish and strengthen ATB's internal Indigenous inclusion practices as part of continuing to evolve our overall diversity and inclusion strategy. A social entrepreneurship specialist is also now in place, focused on building relationships and identifying unique banking opportunities to allow ATB to partner with more social enterprises.

Reimagining Banking

To support ATB's goal of reimagining banking, we launched several innovative projects in 2016–17 to improve existing processes and leverage mobile technology. One of these projects, Relationship Manager Unleashed, is being expanded beyond the initial pilot phase in order to provide all of our customer-facing relationship managers and managers of entrepreneurship with the technology they need in order to complete all of their work without having to transpose data or be tethered to a network or physical ATB location. This project is now also aligned with ATB's Work Reimagined initiative, which will further free up team members' time so they can work how they work best and be even more customer-obsessed.

Corporate Financial Services (CFS)

At a time when other banks are aggressively reducing exposure, CFS has been ever loyal and steadfastly genuine in our pursuit of Albertans' greater good. We are here to listen to and deliver on the needs of entrepreneurs with mid- and senior-market businesses operating in Alberta. Our sales teams have industry expertise, specializing in the sectors that are important to Alberta's economy, such as real estate, energy, and technology. These experts work with our customers to assess the needs of today and vision of tomorrow to ensure we surround them with the financial specialists they need when they need them, in areas such as financial markets, loan syndications, or advisory services.

Transforming Banking

The first year of our three-year journey to transform banking saw the delivery of a number of smart, simple, and helpful solutions for CFS customers and team members, such as ATB Business Mobile, Business Interac e-Transfers and internal operational excellence. Key cash management solutions are in the works, with simple notional and cash pooling available now to select customers. But if we truly want to transform banking, we need to think differently. This different thinking has led to the first "horizontal" channel—Treasury and Payment Solutions—a collaboration between B&Ag and CFS to build out our suite of cash management products and position ATB as an innovator in this space. Fiscal 2017 also marked the launch of ATB FX, our online foreign-exchange portal. We understand that our customers don't operate only between 9 a.m. and 5 p.m., and ATB FX will allow these customers to buy and sell foreign exchange, not just when the markets are open, but when it works for them.

Growing and Diversifying, Along with Our Customers

Despite another difficult year in Alberta's economy, we saw many of our customers grow their business and a diverse mix of new and upcoming industries emerge. We listened. We helped our customers transition through the stages of the business life cycle. We expanded our in-house industry expertise to include renewable energy, healthcare, and technology. And we launched Project Finance, a group specializing in public-private partnership (P3) that provides advice and financing to infrastructure, power, and construction projects.

Investor Services (ATBIS)

Over the past 17 years, ATBIS has become a major competitor in the Alberta wealth industry, with industry-leading customer advocacy, employee engagement, and growth. As ATB's wealth management division, ATBIS serves over 75,000 clients and has over $16.7 billion in assets under administration. Our priorities have been, and remain, listening to Albertans to build trusted relationships; providing smart, simple, and helpful investment advice and solutions; staying committed to our investment philosophy that has shaped our award-winning Compass Portfolios; and transforming wealth management to make investing work for people.

Enhancing the Investor Experience

In our pursuit to make investing smart, simple, and helpful, we launched ATB Prosper in January 2017, targeted at millennials and investors who want to connect with ATBIS digitally. Our compelling new online solution simplifies the complexities of investing, helps clients make confident investment choices to meet their financial goals, and allows us to intentionally and proactively grow the business. The application's simplicity allows investors to set goals, receive portfolio recommendations, open accounts, and track their progress when and where they want. Our portfolio quality, lower fees, and on-demand support specialists provide an empowering digital experience for new savers and upcoming generations of investors.

Expanding our Wealth Solutions

We launched our Institutional Portfolio Management service in support of our goal to make investing work for Alberta's institutional investors, such as not-for-profits, employee associations, municipalities, small pension plans, hospital foundations, and endowments. In September 2016, we launched four prospectus-based asset-class pools: fixed income, Canadian equity, U.S. equity, and international equity, allowing advisors to tailor portfolio solutions for clients, while staying true to our investment philosophy that has contributed to Compass's success. We also launched registered disability savings plans to further expand our wealth solutions to Albertans.

Enhancing Digital Capabilities

To amplify our digital mindset and leverage our digital properties, we launched the new ATB Investor Connect. This enhanced portal allows clients to review their investment accounts online, elect to receive paperless statements, and connect to ATB Track*it* to view all their banking and investment accounts and balances in one place. We also introduced new financial planning tools to further increase our comprehensive financial planning services and advice for clients.

Making Investment Fees Transparent

The Client Relationship Model II (CRM2) regulatory initiative took effect in early 2017 and provides investors with greater transparency about the cost and performance of their accounts. This opportunity has allowed us to build on our commitment of continued transparency for clients, demonstrate our value by providing holistic wealth management and advice, and act as the voice of good for clients to mitigate common investing mistakes.

Our Strategic Direction

ATB has been building its capacity in both people and technology and is now poised to capitalize on that foundation to accelerate with the digital revolution that is enveloping financial services. By having two clear points of differentiation—"the ATBs" and our tools, technology, and processes to streamline how things work behind the scenes—ATB is in a position to embrace the change swirling around it and separate ATB from the crowd of competitors. Focusing on listening to you, becoming the bank for entrepreneurs, diversifying and supporting the growing sectors of Alberta's economy, and harnessing ATB's resources to reimagine banking from the customer's perspective will enable ATB to capture growth in a slow market.

Listening to You

In 2015 ATB launched its **Story:** 94 words that describe ATB's purpose and challenge us to transform banking, reimagine it, and make banking work for the customer. (Visit atb.com/thestory.) Rather than setting our sights on being like the other banks, our Story calls on us to be more than a bank. We make the Story true through:

- **The ATBs** and our ability to develop an exceptional culture that sets a consistently high bar for how we treat our customers and each other and
- **Tools, technology, and processes** that ensure that all behind-the-scenes activities are engineered from the customer's perspective—so we not only meet but exceed expectations.

To constantly remind us that our customers are at the heart of everything we do, we do what is **smart, simple, and helpful:** words that describe what our customers consistently want and expect from ATB. And this year, we're also doing everything in our power to "listen," which reflects our understanding that the only way we can deliver on the Story is by listening to our customers. ATB Listens is the promise we're making to Albertans, and it will define how we are differentiating ATB in the marketplace.

Our Commitment

As part of the Customer Obsession Team, the areas of expertise will work together to bring ATB's Story to life. ATB's main priorities for the future are to become the bank for entrepreneurs, grow and diversify the business, and reimagine banking.

Becoming the Bank for Entrepreneurs

Alberta is known for its entrepreneurial spirit, and there are countless examples of Alberta entrepreneurs who buck the odds and turn bold ideas into outstanding businesses. But traditional banking has not always worked well for entrepreneurs whose approach is not as "neat and tidy" as banks would like. ATB will bridge that gap, not only through our approach to business banking, but also by understanding that entrepreneurs' personal banking needs are equally important and don't always fit the "neat and tidy" retail box. We will connect more business customers, their families, and their employees with the right experts to make banking and wealth management work for them.

Focusing on Where We Grow and Diversify

We see a number of opportunities to expand our expertise to match and support growing areas of Alberta's economy. We've identified and are actively pursuing several key areas, including manufacturing, renewable energy, technology, and non-profits and social enterprises. This diversification also allows us to change the mix of our income to rely less on margin-based revenue. Reaching out to Albertans through our branch and agency network while expanding Alberta Private Client and Group Financial Services will continue to be priorities as we move into the year ahead.

Reimagining Banking

While we can't predict the future for banking, it's a safe bet that more change will take place in our industry in the next 10 years than we've seen in previous decades combined. New tools and technology are being developed at an increasingly rapid rate. New players are entering the marketplace. And customers are no longer willing to accept cumbersome and confusing banking just because that's what they've always experienced.

While that challenge can feel daunting, ATB is in fact ideally positioned to do banking differently. We're the perfect size: not too big to be able to change quickly, and not too small to be unable to invest in new tools and technology that transform banking experiences for our customers. The challenge for us is to reimagine ATB—to line up our resources, people, and priorities to match the business model and make sure we can deliver outstanding results. That starts with recognizing that, until now, ATB has been a successful traditional financial institution that added digital tools and expertise. We now will turn that approach on its head and become an outstanding digital company with traditional banking channels and services and outstanding people that, combined with new digital offerings, can serve customers how they want to be served.

In order to accomplish these goals, the Transformation Team will execute and deliver on strategies to reimagine ATB's tools, technology, and processes with the following priorities:

Delivering Outstanding Customer Experiences

From the way our customers experience face-to-face interactions with ATB team members, to the digital products and solutions our customers expect, we are on a journey to reimagine banking to create an exceptional experience.

Work Reimagined

In order to reimagine banking, we need to reimagine how we work. Our current tools are good for today, but not good enough for the future. In order to meet the needs of our team members so they can provide the best experience for our customers, we will introduce Google's G-Suite. This set of tools will allow us to harness the collective power of all team members taking a stand to be better, to be different, and to transform. By connecting, sharing, and collaborating, we will break free from the processes and tools of the past and explore new, innovative, and creative ways to do our work.

Transforming Banking and the Business Model

We will test new banking technology, notions, and ideas, and build use-cases and test proof of concepts to establish business possibilities. We will also challenge the traditions of how financial institutions organize themselves to achieve the outcomes our team members and customers are seeking. Building off current examples like ATB BoostR, ATB X, and the Entrepreneur Centres, we will transform our approach to business design and use innovative techniques to support the business in finding new, more efficient and creative ways to bring new customer experiences to Albertans.

Creating New and Better Digital Solutions

Financial institutions typically develop solutions in traditional ways, often building heavy application-based architecture and systems. Because we believe the most successful financial institutions of the future will learn to become nimble and dynamic, we are investing in the digital enablement of ATB systems and architecture and working to have the best mobile apps in the market that are simple, contextual, and secure. We are also improving our current processes and practices to ensure faster, more efficient, and less costly outcomes that ultimately create better customer experiences.

Using Data to Drive Better Decisions

We intend to unleash a treasure trove of data and insights to transform the way our team members use this information and support data-driven decisions for our customers and in the sound operations of our business. Using cognitive and artificial intelligence, we will identify new ways to serve our customers to improve their experiences. Finally, we are transforming to a fully digital environment with a plan to digitize virtually all documents and processes to eliminate paper in the ongoing operations of our business.

Investing in Cyber Security and Cloud Enablement

We are modernizing our IT shop to become one of the most forward thinking and progressive in our industry. We will be augmenting our investments in cyber security to enhance our capacity to support a more advanced digital organization. We are also revising our information security policies, processes, and tools to ensure they are smart, simple, and helpful. We are establishing cloud capability as part of our hybrid IT operating model to contribute to better tools for team members and the accessibility and experiences our customers expect in today’s day and age.

Economic Outlook

All references to years contained in this section are to calendar years, unless otherwise stated.

As an Alberta-based financial institution, ATB regularly monitors provincial, national and international economies and considers how these may impact our customers and operations. The recent performance of the Alberta economy is outlined in the table below:

	Reference period	Current year	Previous year	Previous year
Unemployment *(seasonally adjusted)*	Apr 2017	**7.9**	7.4	6.8%
Housing starts urban areas *(seasonally adjusted, annualized rate)*	Apr 2017	**31,218**	28,652	9.0%
Bulding permits *($ in billions, seasonally adjusted)*	Mar 2017	**1.1**	1.0	9.8%
Manufacturing sales *($ in billions, seasonally adjusted)*	Mar 2017	**5.8**	4.9	18.4%
New motor vehicle sales *(# vehicles)*	Mar 2017	**22,546**	19,594	15.1%
Consumer Price Index	Apr 2017	**137.4**	135.1	1.7%
Retail trade *($ in billions, seasonally adjusted)*	Mar 2017	**6.6**	6.2	7.2%
Wholesale trade *($ in billions, seasonally adjusted)*	Feb 2017	**6.7**	6.2	8.9%

Alberta Economy at a Glance

Our outlook for the upcoming fiscal year and beyond, as of May 19, 2017, is as follows:

Alberta's economy is recovering from the worst downturn it has experienced in three decades. But even though signs of growth are starting to appear, the path forward remains unclear.

To start, the global economy continues down an uneasy road. Geo-political events have muddied economic forecasts and are causing tension, particularly regarding the current U.S. administration. The president of the United States has promised tax cuts and boosts to infrastructure spending, which points towards economic expansion. However, warnings of isolation and trade barriers signal the opposite. Europe also remains mired in uncertainty, from Brexit to important political elections slated for this year.

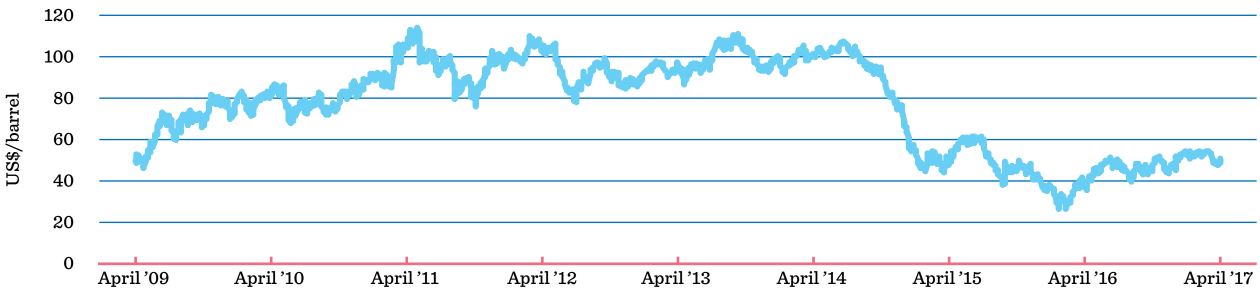
ATB is forecasting real GDP growth of 2.7% this year and 2.3% in 2018. While 2017 represents an end to the recession, this year ushers in what will feel like slow growth. It will stand in contrast to the high-growth period of 2010–14 when the economy expanded by 4% to 5% annually.

Alberta's Economic Challenges

Even though sentiment in the energy sector has lifted, Alberta's greatest economic obstacle this year will continue to be in the energy industry.

Although business confidence has lifted in the energy sector and oil and gas production has begun to increase, worries remain—especially because Alberta's largest buyer of oil is increasing production, too. Crude supply figures show that extraction in the U.S. is not only growing but inching toward record highs set in 2015. Increasing oil supplies could prove problematic for the price of oil, especially if demand does not follow. The supply and demand of oil will be monitored closely this year and may continue to prove challenging for Alberta.

Daily crude oil price, West Texas Intermediate (WTI)



Source: Bloomberg, Altacorp Research

Closer to home, there are concerns regarding construction activity in the province. This year, construction on non-residential projects is expected to soften. This has to do with the surplus of commercial real estate coming onto the market in Calgary and to a lesser extent in Edmonton. Office vacancy rates are mounting and may be troublesome for future construction activity. On the residential side, worries also exist about the rising number of new, but vacant homes in the province. Though overall, the decrease in residential and commercial construction could be partially offset by increases in government and institutional building projects. Both the federal and provincial governments have suggested that spending on infrastructure remains paramount in 2017.

Implications for ATB

For five consecutive quarters, Alberta has seen a net outflow of interprovincial migrants. Our province's weak economy and struggling labour market explain the net outflow. It is likely that Alberta will continue to experience a net outflow of provincial migrants, at least for the first half of 2017. Better job prospects in other provinces coupled with a weaker labour market and falling wages in Alberta may continue to entice people to move to other provinces. This could result in a second consecutive year of net interprovincial outmigration from Alberta.

As a result of the provincial outmigration, housing construction is expected to remain subdued this year. This may again reduce the need for financing for construction companies in the province and keep the mortgage market in check. However, lower house prices in our province combined with low interest rates and improving economic conditions may attract more new homebuyers and increase mortgage volumes.

Canada's central bank has been cautious with respect to interest rate decisions over the past year. Global uncertainties and persistent slack in Canada's economy, relative to the US have kept the Bank of Canada (BOC) from making a decision one way or the other. It's most likely that the BOC's key rate will stay at its current level (0.25 per cent). This means that cheaper credit will be available to consumers at least for the next year.

Although oil prices should rise from last year, investment in both conventional and non-conventional crude oil production is expected to remain soft. This will continue to keep Alberta's labour market at bay and other sectors in our province as well. The unending unpredictability of financial markets, as well as OPEC's decisions, will continue to affect the price of oil and remain a key concern for Alberta.

Finally, after two very good years, a lower loonie will continue to benefit Alberta's agricultural and tourism sectors which will sustain economic diversity and job creation.

For our daily economic commentary, visit* The Owl *at atb.com/economics.

Financial Performance Overview

2016–17 Performance and 2017–18 Objectives

Detailed analysis of our 2016–17 consolidated operating results and our financial position as at March 31, 2017, can be found on pages 57 and 70, respectively.

(%)	2016–17 target	**2016–17 results**	2017–18 target
Return on average assets	0.10–0.20	**0.32**	0.30–0.50
Return on average risk-weighted assets	0.10–0.30	**0.45**	0.40–0.60
Operating revenue growth before asset-backed commercial paper	4.0–6.0	**1.8**	3.0–6.0
Efficiency ratio	65.0–70.0	**70.8**	73.0–75.0
Performing loan growth	4.0–7.0	**1.2**	5.0–7.0
Deposit growth	3.0–6.0	**9.9**	-2.0–2.0
Growth in assets under administration	10.0–20.0	**14.2**	10.0–15.0

Review of 2016–17 Consolidated Operating Results

Net Income

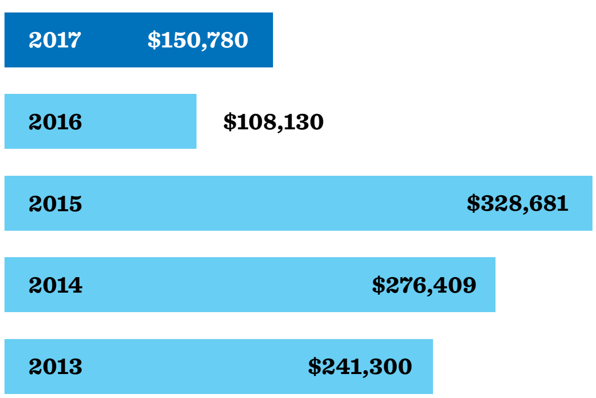
For the year ended March 31, 2017, ATB earned $150.8 million, a 39.4% or $42.7 million increase from the $108.1 million earned in fiscal 2015–16. The increase from the prior year was driven by a $152.6 million (39.4%) decrease in the provision for loan losses, offset by a $51.7 million (3.4%) decrease in operating revenue and a $45.5 million (4.6%) increase in non-interest expenses.

ATB's income before provisions for loan losses decreased by $22.6 million (5.0%) to end the year at $430.8 million. Income before provisions for loan losses, a non-GAAP[1] measure, is defined as follows:

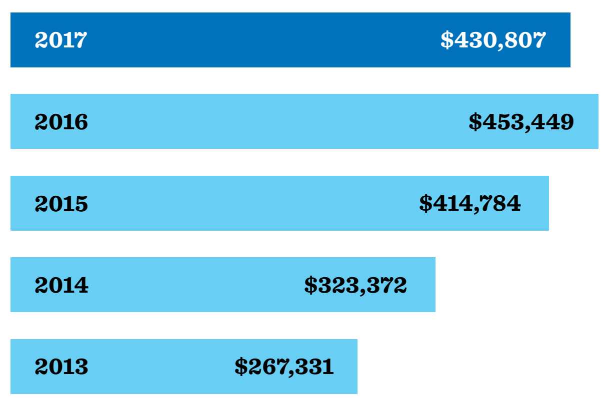
($ in thousands)	2017	2017 vs 2016 increase (decrease)		2016
Operating revenue	$ 1,475,211	$ (51,698)	(3.4)%	$ 1,526,909
Less: income from asset-backed commercial paper (ABCP)[2]	-	74,538	(100.0)%	(74,538)
Less: non-interest expense	(1,044,404)	(45,482)	4.6%	(998,922)
Income before provisions for loan losses	$ 430,807	$ (22,642)	(5.0)%	$ 453,449

[1] Generally accepted accounting principles.
[2] Income earned on ABCP is immaterial in the current year.

Net income
($ in thousands)



Income before provisions for loan losses
($ in thousands)



Fiscal 2017–18 Outlook for Net Income

Overall, we expect net income for fiscal 2017–18 to be between $115 million and $195 million. Loan and deposit growth are expected to slowly progress back to historical levels. Operating revenues will show small to moderate growth, with an increased focus on non-interest sources of income. Non-interest expenses will grow in fiscal 2017–18, as a result of our focused investment in transformation initiatives during the year. Loan loss provisions are expected to continue to improve (decrease) over the next fiscal year.

Return on Average Assets

The return on average assets for fiscal 2016–17 increased from last year. This was driven by an increase in net income that exceeded our increase in average total assets.

($ in thousands)		2017		2017 vs 2016 increase (decrease)			2016
Net income	$	**150,780**	$	42,650	39.4%	$	108,130
Average total assets	$	**47,786,788**	$	3,008,948	6.7%	$	44,777,840
Return on average assets		**0.32%**		0.08%	34.8%		0.24%

Fiscal 2017–18 Outlook for Return on Average Assets

We are targeting a return on average assets between 0.30% and 0.50% for fiscal 2017–18. This target is based on anticipated net income of $115 million to $195 million and total assets exceeding $50 billion.

Operating Revenue

Total operating revenue consists of net interest income and other income. ATB experienced a decrease in both net interest income and other income this year. The decrease in interest income was due to an increase in interest expense from growing deposits and collateralized borrowings. The decrease in other income was driven by the fair value of the asset-backed commercial paper (ABCP) being amortized into last year's income for $74.5 million, which stopped on March 31, 2016.

($ in thousands)		2017		2017 vs 2016 increase (decrease)			2016
Net interest income	$	**1,084,315**	$	(8,494)	(0.78)%	$	1,092,809
Other income		**390,896**		(43,204)	(10.0)%		434,100
Operating revenue	$	**1,475,211**	$	(51,698)	(3.4)%	$	1,526,909

Fiscal 2017–18 Outlook for Operating Revenue

We expect operating revenue to increase by 3.0% to 6.0% in fiscal 2017–18. Growth will be fuelled by customer acquisition, an increased focus on entrepreneurs, and diversifying our existing customer base. We continue our focus on growing non-interest income sources through increased cash management, credit card fees, creditor insurance, and investor products.

Net Interest Income

Net interest income represents the difference between interest earned on assets, such as loans and securities, and interest paid on liabilities, such as deposits and collateralized borrowings. Net interest income decreased by $8.5 million from last year, with $58.3 million of the decrease impacted by a decrease in interest rates, offset by a $49.8 million increase coming from growth in the balance sheet.

Changes in Net Interest Income

	2017 vs 2016			2016 vs 2015		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
($ in thousands)	volume	rate	Net change	volume	rate	Net change
Assets						
Interest-bearing deposits with financial institutions, and securities	**$ 12,499**	**$ 2,620**	**$ 15,119**	$ 8,558	$ (11,191)	$ (2,633)
Loans						
Business	**32,650**	**(2,643)**	**30,007**	93,088	(45,002)	48,086
Residential mortgages	**25,754**	**(25,463)**	**291**	36,532	(36,614)	(82)
Personal	**(1,642)**	**(1,747)**	**(3,389)**	6,969	(5,760)	1,209
Other	**3,506**	**(11,084)**	**(7,578)**	(12,193)	38,017	25,824
Total loans	**60,268**	**(40,937)**	**19,331**	124,396	(49,359)	75,037
Change in interest income	**$ 72,767**	**$ (38,317)**	**$ 34,450**	$ 132,954	$ (60,550)	$ 72,404
Liabilities						
Deposits						
Demand	**$ 8,729**	**$ (16,521)**	**$ (7,792)**	$ 14,010	$ (34,046)	$ (20,036)
Fixed-term	**(19,198)**	**50,414**	**31,216**	(11,326)	20,465	9,139
Total deposits	**(10,469)**	**33,893**	**23,424**	2,684	(13,581)	(10,897)
Wholesale borrowings	**8,279**	**(3,261)**	**5,018**	12,454	466	12,920
Collateralized borrowings	**25,434**	**(10,088)**	**15,346**	20,962	(12,544)	8,418
Securities sold under repurchase agreements	**(130)**	**(47)**	**(177)**	269	(2)	267
Subordinated debentures	**(179)**	**(488)**	**(667)**	-	(4,565)	(4,565)
Capital investment deposits	**-**	**-**	**-**	1,998	(255)	1,743
Change in interest expense	**$ 22,935**	**$ 20,009**	**$ 42,944**	$ 38,367	$ (30,481)	$ 7,886
Change in net interest income	**$ 49,832**	**$ (58,326)**	**$ (8,494)**	$ 94,587	$ (30,069)	$ 64,518

Net Interest Margin and Spread Earned

The net interest margin is the ratio of net interest income to average total assets for the year. Net interest spread is the ratio of net interest income to average interest-earning assets. Both measures are important to ATB.

As a result of the low-interest-rate environment and competitive marketplace, both our net interest margin of 2.27% and net interest spread of 2.35% are lower than last year's net interest margin and spread of 2.44% and 2.53%, respectively. Although there has been a shift towards less expensive notice deposit accounts, this was more than offset by the higher interest rates offered on our fixed-date term deposits and GICs. There was also an increase in collateralized borrowings, which outpaced the decrease in interest paid on them. This was partially offset by the favourable impact from the growth in business loans.

Net Interest Income, Margin, and Spread Earned

	Average balances		Interest		Average rate (%)	
($ in thousands)	**2017**	2016	**2017**	2016	**2017**	2016
Assets						
Interest-bearing deposits with financial institutions, and securities	**$ 5,677,456**	$ 4,160,016	**$ 46,765**	$ 31,646	**0.8**	0.8
Loans						
Business	**19,020,000**	18,206,828	**763,682**	733,675	**4.0**	4.0
Residential mortgages	**14,650,383**	13,727,584	**408,866**	408,576	**2.8**	3.0
Personal	**6,644,347**	6,684,600	**271,026**	274,414	**4.1**	4.1
Other	**717,456**	696,913	**122,433**	130,011	**17.1**	18.7
Allowance for loan losses	**(571,856)**	(199,598)	**-**	-	**-**	-
Total loans	**40,460,330**	39,116,327	**1,566,007**	1,546,676	**3.9**	4.0
Total interest-earning assets	**46,137,786**	43,276,343	**1,612,772**	1,578,322	**3.5**	3.6
Non-interest-earning assets	**1,649,002**	1,501,497	**-**	-	**-**	-
Total assets	**$ 47,786,788**	$ 44,777,840	**$ 1,612,772**	$ 1,578,322	**3.4**	3.5
Liabilities and equity						
Deposits						
Demand	**$ 21,674,990**	$ 19,433,721	**$ 84,413**	$ 92,206	**0.4**	0.5
Fixed-term	**11,350,657**	12,204,319	**255,259**	224,042	**2.2**	1.8
Total deposits	**33,025,647**	31,638,040	**339,672**	316,248	**1.0**	1.0
Wholesale borrowings	**3,927,507**	3,423,689	**64,537**	59,519	**1.6**	1.7
Collateralized borrowings	**6,090,331**	4,725,133	**113,466**	98,120	**1.9**	2.1
Non-interest-bearing liabilities	**1,234,628**	1,378,694	**-**	-	**-**	-
Securities sold under repurchase agreements	**18,327**	43,047	**96**	273	**0.5**	0.6
Subordinated debentures	**351,098**	356,973	**10,686**	11,353	**3.0**	3.2
Equity	**3,139,250**	3,212,264	**-**	-	**-**	-
Total liabilities and equity	**$ 47,786,788**	$ 44,777,840	**$ 528,457**	$ 485,513	**1.1**	1.1
Net interest margin			**$ 1,084,315**	$ 1,092,809	**2.27**	2.44
Net interest spread					**2.35**	2.53

Other Income

Other income consists of all operating revenue not classified as net interest income.

($ in thousands)	**2017**	2017 vs 2016 increase (decrease)		2016
Investor Services	**$ 161,402**	$ 16,464	11.4%	$ 144,938
Service charges	**68,114**	391	0.58%	67,723
Card fees	**56,627**	3,632	6.9%	52,995
Credit fees	**40,485**	(4,339)	(9.7)%	44,824
Insurance	**18,887**	(1,517)	(7.4)%	20,404
Foreign exchange	**8,919**	(8)	(0.09)%	8,927
Net gains on derivative financial instruments	**18,311**	(13,736)	(42.9)%	32,047
Net gains on financial instruments at fair value through net income	**11,436**	(46,985)	(80.4)%	58,421
Sundry	**6,715**	2,894	75.7%	3,821
Total other income	**$ 390,896**	$ (43,204)	(10.0)%	$ 434,100

Other income decreased from last year's income, resulting from a combined $60.7 million (67.1%) decrease in the unrealized net gains on derivative financial instruments and financial instruments at fair value through net income, offset by an increase in revenue earned by ATB Investor Services (ATBIS).

The decrease in net gains on derivative financial instruments is a result of a decrease in unrealized gains from our corporate interest rate swaps designated for hedge accounting and client interest rate swaps used to assist ATB's corporate customers in managing their risk. The decrease is driven by both portfolios composed of receive fixed swaps being unfavourably impacted by the increase in long-term swap rates during the year. This is, however, timing related, as we expect to recover these unrealized losses as they near maturity.

The decrease in net gains on financial instruments at fair value through net income resulted from us amortizing $74.5 million in income last year for the fair value of our asset-backed commercial paper (ABCP) portfolio, which stopped on March 31, 2016. This was offset by unrealized gains from our interest rate management portfolio.

We had an increase in ATBIS revenue of $16.5 million (11.4%), driven by a $2.1 billion (14.2%) increase in assets under administration primarily from the Compass Portfolio Series, ATB's proprietary fund.

The ratio of other income to operating revenue was 26.5%, slightly lower than the 28.4% achieved last year. This ratio is significantly lower than that of the major Canadian banks, as ATB does not generate revenue from trading, investment banking, or major brokerage activities.

Provision for Loan Losses

ATB's results for the fiscal 2016–17 include a $235.0 million provision for loan losses compared to $387.6 million for the prior year. The $152.6 million (39.4%) decrease was driven by a $107.9 million (83.4%) decrease in the collective provision and a $44.7 million (17.3%) decrease in the individual provision.

($ in thousands)	2017	2017 vs 2016 increase (decrease)		2016
Individual provision before recoveries	$ **224,324**	$ (40,545)	15.3%	$ 264,869
Recoveries	**(10,787)**	(4,170)	63.0%	(6,617)
Individual provision	**213,537**	(44,715)	(17.3)%	258,252
Collective provision	**21,452**	(107,855)	(83.4)%	129,307
Total provision for loan losses	$ **234,989**	$ (152,570)	(39.4)%	$ 387,559
Loan losses to average loans	**0.58%**	(0.41)%	(41.4)%	0.99%

In the beginning of fiscal 2016–17, oil prices remained low and continued to result in several high-value provisions and write-offs in our commercial portfolio, predominantly within the energy sector. During the year, oil prices saw a steady, moderate increase, ending the year at just over US$54 per barrel. The improved oil prices had a significant positive impact on exploration and production loans, resulting in a number of high-value recoveries in the second half of the year. While some portfolios started to recover, business and agricultural loans, specifically independent business loans, were impacted later from the economic downturn, resulting in the individual and collective provisions increasing in the last half of the year. In addition, the economic environment continues to impact the retail portfolio, as it saw a slight increase in its provision for loan losses.

The collective provision is management's best estimate of loan losses expected but not yet incurred. This estimate includes four drivers, with probability of default and loss given default being this year's main drivers. The provision saw increases in the retail segment, specifically consumer term loans and uninsured registered mortgage loans, and the business and agricultural portfolios. The commercial portfolio saw improved provision results. Given lasting impacts from the weak economy, we are expecting further provisions for the retail and business and agricultural portfolios.

Management remains confident in the overall quality of the portfolio, supported by our strong credit- and loss-limitation practices. (Refer to the Risk Management section of this report for further details.) As at March 31, 2017, gross impaired loans of $588 million make up 1.4% of the total loan portfolio compared to 1.5% last year.

Non-Interest Expenses

Non-interest expenses consist of all expenses incurred by ATB except for interest expenses and the provision for loan losses.

($ in thousands)	2017	2017 vs 2016 increase (decrease)		2016
Salaries and employee benefits	**$ 542,290**	$ 26,412	5.1%	$ 515,878
Data processing	**94,711**	2,481	2.7%	92,230
Premises and occupancy, including depreciation	**93,841**	946	1.0%	92,895
Professional and consulting costs	**58,933**	4,492	8.3%	54,441
Deposit guarantee fee	**42,778**	3,562	9.1%	39,216
Equipment and software and other intangibles, including depreciation and amortization	**84,364**	10,907	14.8%	73,457
General and administrative	**69,847**	(1,290)	(1.8)%	71,137
ATB agencies	**11,011**	148	1.4%	10,863
Other	**46,629**	(2,176)	(4.5)%	48,805
Total non-interest expenses	**$ 1,044,404**	$ 45,482	4.6%	$ 998,922
Efficiency ratio	**70.8%**	5.4%	8.3%	65.4%

ATB remains committed to managing expenses in order to bring our efficiency ratio (discussed below) more in line with industry peers. The increase in non-interest expenses was a result of higher salary and employee benefit costs, software and other intangible costs, professional and consulting costs, and deposit guarantee fees as we invest in both people and technology to support our future growth.

The increase in salary and employee benefit costs are a result of investing in our strategic initiatives to transform ATB, higher incentive pay, which is a direct result of meeting or exceeding income targets and other incentive-driver metrics, as well as other employee expenses and pension costs.

The increase in software and other intangibles is the result of continued software improvements. Professional and consulting costs also increased due to ATB beginning work on transformation initiatives for the upcoming year.

Deposit guarantee fees increased due to the increased volume of deposits this year.

Efficiency Ratio

The efficiency ratio was 70.8% in fiscal 2016–17, which is slightly above the target ratio of 65.0% to 70.0%. This represents an increase of 5.4% from the prior year, as the growth in non-interest expenses outpaced the growth in operating revenue.

Fiscal 2017–18 Outlook for Efficiency Ratio

We have set the target efficiency ratio for fiscal 2017–18 at 73.0% to 75.0%. The efficiency ratio will increase over fiscal 2017–18 as we focus on transformation initiatives. However, productivity gains are anticipated as a result of those initiatives and will decrease the efficiency ratio in subsequent years.

Review of Operating Results by Area of Expertise

Results presented in the following schedule are based on ATB's internal financial reporting systems. The accounting policies used in preparing the schedules are consistent with those followed in preparing the consolidated financial statements, as disclosed in the notes to the statements. Since these results are based on ATB's internal management structure, they may not be directly comparable to those of other financial institutions.

The manner in which ATB determines the revenues, expenses, assets, and liabilities attributable to the various areas of expertise is outlined below.

The net interest income, other income, and non-interest expenses reported for each area may also include certain interline charges. The net effects of the internal funds transfer pricing and allocation charges, if any, are offset by amounts reported for strategic service units.

Year-Over-Year Segmented Results

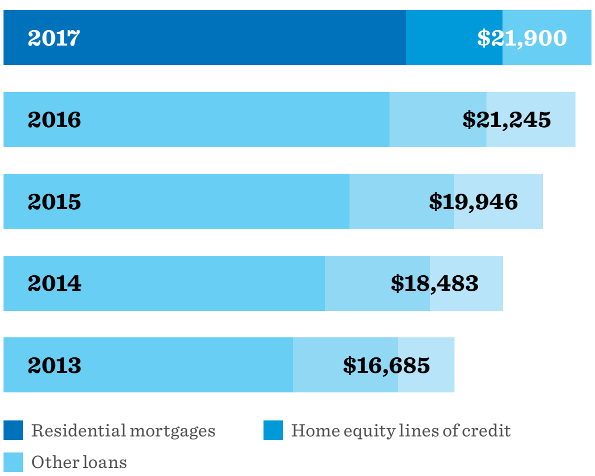
($ in thousands)	Retail Financial Services	Business and Agriculture	Corporate Financial Services	Investor Services	Strategic service units	Total
For the year ended March 31, 2017						
Net interest income	**$ 440,980**	**$ 287,198**	**$ 316,105**	**$ 459**	**$ 39,573**	**$ 1,084,315**
Other income (loss)	**83,282**	**64,351**	**76,197**	**169,849**	**(2,783)**	**390,896**
Total operating revenue	**524,262**	**351,549**	**392,302**	**170,308**	**36,790**	**1,475,211**
Provision for loan losses	**95,458**	**77,433**	**62,098**	**-**	**-**	**234,989**
Non-interest expenses	**466,061**	**207,634**	**108,352**	**123,601**	**138,756**	**1,044,404**
Payment in lieu of tax	**-**	**-**	**-**	**10,743**	**34,295**	**45,038**
Net (loss) income	**$ (37,257)**	**$ 66,482**	**$ 221,852**	**$ 35,964**	**$ (136,261)**	**$ 150,780**
(Decrease) increase from 2016						
Net interest (loss) income	$ (14,212)	$ (8,686)	$ (9,637)	$ 25	$ 24,016	$ (8,494)
Other (loss) income	(3,216)	3,684	14,139	16,694	(74,505)	(43,204)
Total operating revenue	(17,428)	(5,002)	4,502	16,719	(50,489)	(51,698)
Provision for (recovery of) loan losses	7,797	36,413	(196,780)	-	-	(152,570)
Non-interest expenses	14,153	2,872	10,645	10,790	7,022	45,482
Payment in lieu of tax	-	-	-	1,364	11,376	12,740
Net (loss) income	$ (39,378)	$ (44,287)	$ 190,637	$ 4,565	$ (68,887)	$ 42,650
For the year ended March 31, 2016						
Net interest income	$ 455,192	$ 295,884	$ 325,742	$ 434	$ 15,557	$ 1,092,809
Other income	86,498	60,667	62,058	153,155	71,722	434,100
Total operating revenue	541,690	356,551	387,800	153,589	87,279	1,526,909
Provision for loan losses	87,661	41,020	258,878	-	-	387,559
Non-interest expenses	451,908	204,762	97,707	112,811	131,734	998,922
Payment in lieu of tax	-	-	-	9,379	22,919	32,298
Net income (loss)	$ 2,121	$ 110,769	$ 31,215	$ 31,399	$ (67,374)	$ 108,130

Retail Financial Services (RFS)

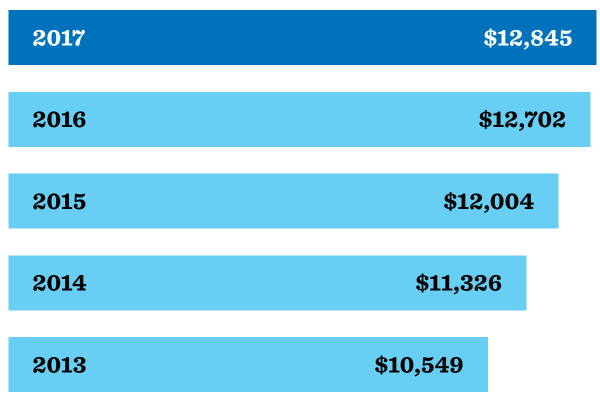
Financial Performance

($ in thousands)		2017		2016
Net interest income	$	440,980	$	455,192
Other income		83,282		86,498
Operating revenue		524,262		541,690
Provision for loan losses		95,458		87,661
Non-interest expenses		466,061		451,908
Net (loss) income	$	(37,257)	$	2,121
Total assets	$	21,899,833	$	21,244,658
Total liabilities	$	12,844,828	$	12,701,875

Loans
($ in millions)



Deposits
($ in millions)



In fiscal 2016–17, RFS saw net income decrease by $39.4 million, resulting from operating revenue decreasing by $17.4 million (3.2%), and non-interest expenses increasing by $14.2 million (3.1%). The decrease in operating revenue was largely due to lower interest earned on loans negatively impacting net interest income, combined with higher interest rates on fixed-date deposits.

The provision for loan losses for the year was $7.8 million more than for fiscal 2015–16. The increase was driven by a combination of loan portfolio growth and the current economic conditions.

Non-interest expenses increased $14.2 million (3.1%), mainly from higher technology and pension costs. Another impact was MasterCard finance charges due to the continued unfavourable Canadian and U.S. exchange rates. This was offset by lower employee costs resulting from fewer team members, as we begin to leverage our workforce optimization strategies started last year.

Loans ended the year $655 million (3.1%) higher than last year, primarily because of our strategic focus to grow residential mortgages this year.

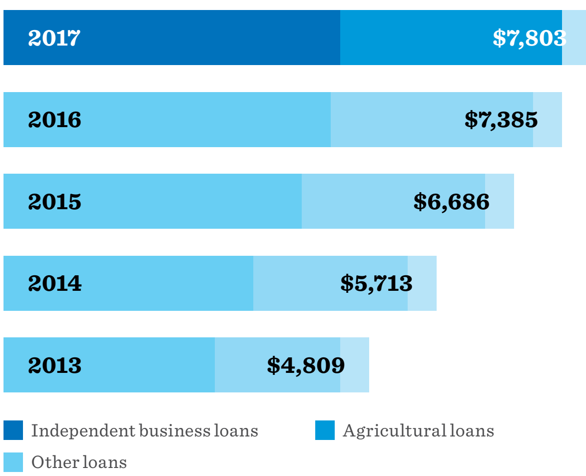
Deposits grew by $143 million (1.1%) this year, primarily due to growth in personal retail deposits of $200 million (2.7%), resulting from the Friendship Pays campaign and growth in new customers. The majority of the growth was seen in springboard savings and high-interest savings accounts. Offsetting this was a $47 million (1.7%) decrease in fixed-date deposits.

Business and Agriculture (B&Ag)

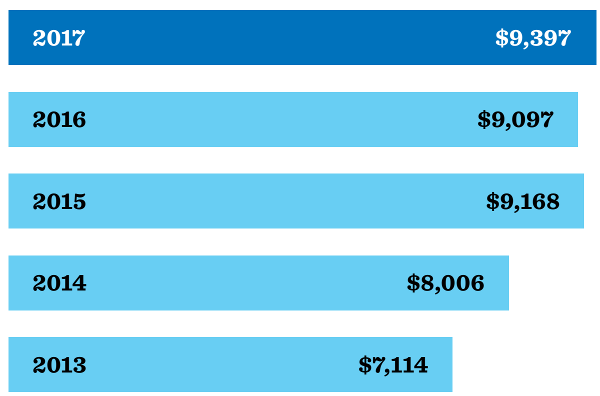
Financial Performance

($ in thousands)		2017		2016
Net interest income	$	287,198	$	295,884
Other income		64,351		60,667
Operating revenue		351,549		356,551
Provision for loan losses		77,433		41,020
Non-interest expenses		207,634		204,762
Net income	$	66,482	$	110,769
Total assets	$	7,809,084	$	7,384,520
Total liabilities	$	9,396,929	$	9,097,122

Loans
($ in millions)



Deposits
($ in millions)



Net income for fiscal 2016–17 declined $44.3 million (40.0%) from last year, resulting from lower net interest income and increases in both the provision for loan losses and non-interest expenses.

Operating revenue decreased $5.0 million (1.4%), which was primarily driven by lower interest income earned on loans.

The provision for loan losses increased significantly in fiscal 2016–17 and was $36.4 million (88.8%) more than at the same time last year. This increase is largely due to higher impairments as a consequence of the economic downturn.

Non-interest expenses increased by $2.9 million (1.4%) over last year's expense. The increase is due to support for our business initiatives this year, which include our Entrepreneur Centres in Edmonton and Calgary, payment channels, and ATB Capital. These expenses were offset by lower employee expenses.

Loans grew by $418 million (5.7%) over last year, which was the result of a $241 million (8.7%) increase in agriculture loans. The strong growth came from farm land and capital asset financing, and revolving loans. Although independent business loans increased by $160 million (3.8%), the growth was negatively affected by weak economic conditions and higher loan impairments.

Deposits saw a $300 million (3.3%) rise compared to the same time last year with most of the growth from the municipal and professional sector.

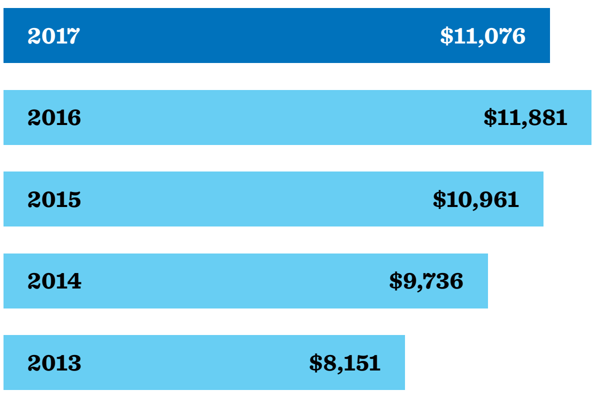
Corporate Financial Services (CFS)

Financial Performance

($ in thousands)	2017	2016
Net interest income	$ 316,105	$ 325,742
Other income	76,197	62,058
Operating revenue	392,302	387,800
Provision for loan losses	62,098	258,878
Non-interest expenses	108,352	97,707
Net income	$ 221,852	$ 31,215
Total assets	$ 11,076,094	$ 11,881,375
Total liabilities	$ 11,015,842	$ 8,418,943

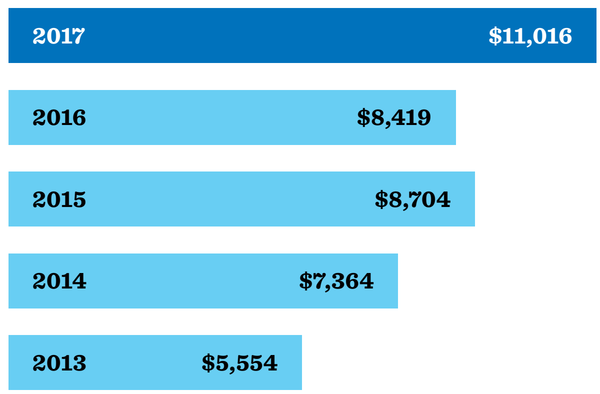
Loans

($ in millions)



Deposits

($ in millions)



Net income increased from last year, largely due to the decrease in the provision for loan losses and an increase in operating revenue. This was partially offset by an increase in non-interest expenses.

Operating revenue this year increased over last year, and was driven by an increase of $14.1 million (22.8%) in other income, in turn driven by the strong performance of our Financial Markets group. However, this was offset by a $9.6 million (3.0%) decrease in net interest income, due to increasing interest expenses for deposits and liquidity, offset somewhat by higher interest earned on our loans.

Provision for loan losses decreased by $196.8 million (76.0%) from last year, primarily due to an improving economic environment and commodity prices attaining sustainable levels during the year. We will continue to work closely with our customers as economic conditions change throughout the year ahead.

The increase in non-interest expenses was the result of higher software-and-salary-related expenses.

Loan balances decreased by $805 million (6.8%) from the prior year, mainly from the energy portfolio. However, this was partially offset by increases in real estate loans.

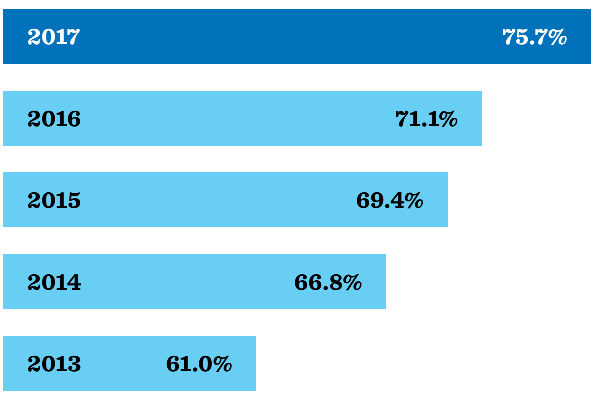
Deposits increased by $2.6 billion (30.9%) from last year, driven by amortizing deposits and notice demand accounts.

Investor Services (ATBIS)

Financial Performance

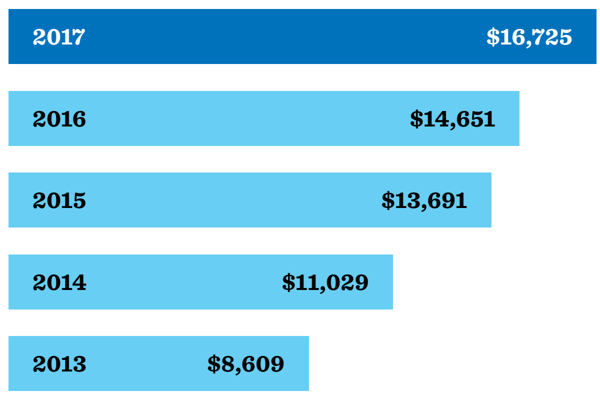
($ in thousands)	2017	2016
Net interest income	$ 459	$ 434
Other income	169,849	153,155
Operating revenue	170,308	153,589
Non-interest expenses	123,601	112,811
Net income before payment in lieu of tax	46,707	40,778
Payment in lieu of tax	10,743	9,379
Net income	$ 35,964	$ 31,399
Total assets	$ 157,954	$ 131,093
Total liabilities	$ 115,509	$ 94,612
Total assets under administration	$ 16,725,308	$ 14,650,720

Compass penetration as a percentage of total assets under administration



Assets under administration

($ in millions)



ATBIS earnings before payment in lieu of tax for fiscal 2016–17 increased by $5.9 million (14.5%) over the prior year. Gradual stabilization of Alberta's economy and controlled spending led to the generation of $170.3 million in annual operating revenue, an increase of $16.7 million (10.9%) over the prior year.

ATBIS finished the fiscal year with $16.7 billion in assets under administration, up $2.1 billion from the prior year. Market growth, at a rate of 8%, accounted for 61% of this year's total asset growth. ATB Investment Management's share of the mutual fund market in Alberta increased by 64 basis points in the 2016 calendar year, ending with a 7.5% share of the province's mutual fund assets.

Compass Portfolio penetration reached an all-time high of 75.7% of our overall assets, an improvement of 4.4% over the 71.1% achieved in fiscal 2015–16. Compass Portfolio balances increased 20.8% to $12.7 billion, experiencing the highest growth compared to other asset categories.

Quarterly Operating Results and Trend Analysis

Review of 2016–17 Fourth Quarter Operating Results

Summarized Consolidated Statement of Income

For the three months ended ($ in thousands)	2017 Q4 Mar 31/17	Q3 Dec 31/16	Q2 Sep 30/16	Q1 Jun 30/16	2016 Q4 Mar 31/16	Q3 Dec 31/15	Q2 Sep 30/15	Q1 Jun 30/15
Interest income	$ 405,233	$ 403,459	$ 403,382	$ 400,698	$ 400,699	$ 396,529	$ 392,381	$ 388,713
Interest expense	134,905	135,869	132,444	125,239	123,114	121,498	121,473	119,428
Net interest income	270,328	267,590	270,938	275,459	277,585	275,031	270,908	269,285
Other income	101,704	82,594	101,732	104,866	108,087	104,678	97,988	123,347
Operating revenue	372,032	350,184	372,670	380,325	385,672	379,709	368,896	392,632
Provision for loan losses	45,979	16,948	78,517	93,545	190,759	91,260	48,084	57,456
Non-interest expenses	292,872	248,759	248,453	254,320	256,376	246,274	246,590	249,682
Net income (loss) before payment in lieu of tax	33,181	84,477	45,700	32,460	(61,463)	42,175	74,222	85,494
Payment in lieu of tax	7,631	19,430	10,511	7,466	(14,137)	9,700	17,071	19,664
Net income (loss)	$ 25,550	$ 65,047	$ 35,189	$ 24,994	$ (47,326)	$ 32,475	$ 57,151	$ 65,830

Net Income

For the quarter ended March 31, 2017, ATB earned $25.6 million in income, a decrease from last quarter's income, but an improvement from the same quarter last year. The provision for loan losses continued to be a major driver of the income earned, as it increased from last quarter but dropped significantly from this time last year.

Operating Revenue

Operating revenue in the fourth quarter is $372.0 million, a $21.8 million (6.2%) improvement over last quarter, largely a result of the $15.7 million (164.3%) increase in income earned from the interest rate management portfolio. However, when comparing revenue earned in the same period last year, we experienced a $13.6 million (3.5%) decrease, resulting from a $12.2 million (117.6%) decrease in unrealized income earned from our interest rate management products.

Provision for Loan Losses

The quarter's provision saw a decrease of $144.8 million (75.9%) versus the same quarter last year. The significant decline was due to a $85.9 million (69.7%) reduction in the individual provision with most of the offsetting recoveries and write-offs seen in the energy portfolio. Compared to the third quarter of this year, the provision increased by $29.0 million (171.3%). The increase in the fourth-quarter provision was caused by the combination of several high value loans becoming impaired, particularly in the business and agricultural portfolios, and a higher collective provision recorded for the same portfolios.

Non-Interest Expenses and Efficiency Ratio

Non-interest expenses increased by $36.5 million (14.2%) over the same quarter last year, mainly due to a $25.3 million (20.1%) increase in salary and employee benefit costs and from higher people-costs, incentive pay, and pension costs. There was also a $4.4 million (29.8%) increase in professional and consulting costs, largely due to the start of transformation initiatives that will carry over into the next year. The increase of $2.8 million (37.6%) in deposit guarantee fees resulted from higher deposit balances and rate increases.

Quarter over quarter, non-interest expenses increased by $44.1 million (17.7%). This was again a result of higher salary and employee benefit and professional and consulting costs, as previously noted. However, this quarter also experienced higher general and administrative costs, due to the Friendship Pays customer acquisition campaign, and achievement note expenses.

ATB's efficiency ratio, measured as total non-interest expenses divided by total operating revenue increased (worsened) from 71.0% in the third quarter of fiscal 2016–17 to 78.7% this quarter. This was also higher (worse) than the 66.5% at the same time last year, with non-interest expenses growing faster than operating revenue.

Trend Analysis

Net interest income has been relatively stable over the last eight quarters. Loans have remained steady this year with more growth happening in deposits. The interest we earn on our loans, however, has steadily dropped due to the low-interest-rate environment we are in. Although we have seen less-expensive demand deposits composing most of the deposit growth, the interest paid on deposits, especially on our fixed-date deposits, has steadily increased and offset the portfolio shift as we try to remain competitive.

While Investor Services' revenue has continued to improve and produce strong results from the Compass Portfolio and the growing assets under administration balance, other income has experienced significant volatility. The major factor for the volatility relates to income generated from our interest rate management products and portfolio. In addition, the quarterly results this year had a significant decrease in income recognized from our ABCP portfolio, which was nearly at par and was also repaid in full in the fourth quarter.

The fluctuation in our provision for loan losses is a direct result of the prolonged economic challenges and changing oil prices. The prior year was tough for our exploration and production customers, but with oil prices steadily rising this year, these customers started to see some financial improvement. Our small business customers, however, were still feeling the impact from the prolonged downturn, especially in the last few quarters of this fiscal year.

In light of the tough economic environment, we were cautious in our spending but continued to invest in our business to support our customers. Expenses this quarter did increase from the past few quarters, but it is largely due to the start of transformation initiatives that will carry over into the next year.

Review of Consolidated Financial Position

Total Assets

Our total assets at March 31, 2017, were $48.5 billion, an increase of $1.8 billion (3.8%) over last year, driven by a $1.2 billion (33.0%) increase in the interest rate management portfolio and a $498 million (1.2%) increase in performing loans. ATB continues to experience strong growth despite challenging economic conditions in the province.

Cash and Liquid Securities

Like other financial institutions, ATB maintains a portfolio of cash and short-term investments as part of its liquidity management strategy and to assist in managing the company's interest rate risk profile.

($ in thousands)	2017	2017 vs 2016 increase (decrease)		2016
Cash	**$ 314,300**	$ 3,456	1.1%	$ 310,844
Interest-bearing deposits with financial institutions	**647,549**	(56,768)	(8.1)%	704,317
Liquid securities	**5,429,067**	2,122,647	64.2%	3,306,420
Cash and liquid securities	**$ 6,390,916**	$ 2,069,335	47.9%	$ 4,321,581
As a percentage of total assets	**13.2%**	4.0%	43.5%	9.2%

Cash varies due to changes in customer product preferences and the timing of certain interbank activities such as foreign-currency clearing, cheque clearing, and other transit items. Securities measured at fair value through net income increased over last year due to our interest rate management portfolio used to manage ATB's liquidity position. (Refer to the Risk Management section of this report for further details.)

To support our participation in Canadian clearing and payment systems, we are required to pledge collateral to the Bank of Canada and other clearing networks. We use a variety of collateral sources, including, from time to time, liquid assets such as cash or treasury bills. (Refer to notes 6 and 22 to the statements for further details.)

During the year, the asset-backed commercial paper held by ATB was fully repaid.

Loans

($ in thousands)	2017	2017 vs 2016 increase (decrease)		2016
Gross loans	**$ 41,320,910**	$ 497,897	1.2%	$ 40,823,013
Less: individual allowances	**(281,100)**	(15,380)	5.8%	(265,720)
Loans, net of individual allowances	**41,039,810**	482,517	1.2%	40,557,293
Less: collective allowance	**(228,588)**	(21,452)	10.4%	(207,136)
Net loans	**$ 40,811,222**	$ 461,066	1.1%	$ 40,350,157

Net loans increased over the same time last year. The growth in net loans was driven by a $629 million (4.4%) increase in residential mortgages, a $322 million (7.1%) increase in independent business loans primarily due to the real estate rental, hotel and restaurant, and manufacturing sectors, and a $244 million (8.8%) increase in agricultural loans from farmland and capital asset financing and revolving loans. This growth was negatively impacted by the commercial loan portfolio, which decreased $718 million (6.0%) from last year.

The allowance for loan losses increased by $37 million. Both increases in the collective and individual allowances were driven primarily by higher delinquency and impairments in the business and agriculture portfolios. These elevated allowances were offset by recoveries in our exploration and production portfolio resulting from rising oil prices. Our loan portfolio and the related allowances for loan losses are discussed in greater detail in the Risk Management section.

ATB's performing loan growth of 1.2% in fiscal 2016–17 fell short of our targeted growth range of 4.0% to 7.0%.

Fiscal 2017–18 Outlook for Performing Loan Growth

We are targeting our performing loan balance to grow 5.0% to 7.0% in fiscal 2017–18, based primarily on continued business loan and residential mortgage growth.

Remaining Assets

($ in thousands)		2017		2017 vs 2016 increase (decrease)			2016
Derivative financial instruments	$	**450,847**	$	(314,806)	(41.1)%	$	765,653
Property and equipment		**362,750**		(15,582)	(4.1)%		378,332
Software and other intangibles		**274,616**		3,644	1.3%		270,972
Prepaid expenses and other receivables		**179,874**		29,124	19.3%		150,750
Accrued interest receivable		**49,835**		(7,565)	(13.2)%		57,400
Other		**20,954**		(394)	(1.8)%		21,348
Total remaining assets	$	**1,338,876**	$	(305,579)	(18.6)%	$	1,644,455

ATB's remaining assets are composed primarily of derivative financial instruments, property and equipment, software and other intangibles, and other assets. (Refer to notes 10, 11, 12, and 13 to the statements for further details.)

Derivative financial instruments decreased due to a combined $186 million decrease in the fair value of commodity forward contracts, and a $126 million decrease in our corporate and client interest rate swap portfolio, resulting from an increase in long-term rates unfavourably impacting our receive fixed swaps held in both portfolios. This decrease is offset by the decrease on our derivative liabilities this year.

The decrease in property and equipment is the result of the additional depreciation from new additions this year and from new investments last year.

Prepaid expenses and other receivables increased by $29 million compared to fiscal 2015–16. The increase is a combination of amounts owed by customers for investment transactions due to increased trading activity and CMHC prepayments.

Accrued interest receivable has decreased as a result of lower interest rates on loans.

Fiscal 2017–18 Outlook for Capital Expenditures

Our major capital expenditure for 2017–18 is the $72 million investment in application development and upgrades for our customer experience, digital, data, and innovation platforms, with an additional $30 million invested in innovative and new ways of working. In particular, the move to the Google platform is significant, not just because of the agile technology and new tools it provides, but also its ability to transform how we do our work as it allows us to simplify our processes and to better tap into the ideas and talents of team members across the company.

We also expect to invest $10 million in sustaining ATB's retail and corporate presence across the province. This includes opening the Calgary Mahogany branch seven new agency locations in Edmonton and Calgary, reducing our carbon footprint, and implementing the first wave of branch refresh in urban centres.

Other investments include $30 million in IT infrastructure and $3 million for regulatory requirement projects.

Total Liabilities

Total liabilities ended the year at $45.4 billion. The $1.8 billion (4.0%) increase over last year was primarily driven by increases in business deposits and collateralized borrowings, offset by a decrease in wholesale borrowings.

Deposits

($ in thousands)	Payable on demand	Payable on fixed date	Total	Percentage of total
2017				
Personal	**$ 8,466,127**	**$ 4,850,590**	**$ 13,316,717**	**39.3%**
Business and other	**15,470,885**	**5,140,158**	**20,611,043**	**60.7%**
Total deposits	**$ 23,937,012**	**$ 9,990,748**	**$ 33,927,760**	**100.0%**
Percentage of total	**70.6%**	**29.4%**	**100.0%**	
2016				
Personal	$ 8,078,398	$ 5,009,747	$ 13,088,145	42.4%
Business and other	12,777,102	4,997,042	17,774,144	57.6%
Total deposits	$ 20,855,500	$ 10,006,789	$ 30,862,289	100.0%
Percentage of total	67.6%	32.4%	100.0%	

ATB's principal source of funding is customer deposits, which consist of personal and business deposits.

Deposits grew $3.0 billion (9.9%) from last year. This growth resulted primarily from an increase of $2.5 billion in business notice demand accounts and $327 million in business demand deposits, offset by a $268 million decrease in high-interest savings accounts throughout the areas of expertise.

ATB exceeded its targeted deposit growth of 3.0% to 6.0%.

Fiscal 2017–18 Outlook for Deposit Growth

We are targeting a deposit growth rate of -2.0% to 2.0% in fiscal 2017–18. We will strategically drive down higher-cost deposits, which will offset a lot of the increase from lower-cost deposits. Our strategic initiatives focus on business deposit growth through cash management solutions, which are expected to attract new business for ATB. Competition for available deposits continues to be significant.

Remaining Liabilities

($ in thousands)	2017	2017 vs 2016 increase (decrease)		2016
Collateralized borrowings	**$ 6,812,660**	$ 1,314,892	23.9%	$ 5,497,768
Wholesale borrowings	**2,892,336**	(2,155,408)	(42.7)%	5,047,744
Accounts payable and accrued liabilities	**667,804**	(239,474)	(26.4)%	907,278
Subordinated debentures	**344,441**	(27,000)	(7.3)%	371,441
Derivative financial instruments	**339,092**	(233,992)	(40.8)%	573,084
Accrued interest payable	**103,627**	6,113	6.3%	97,514
Accrued pension-benefit liability	**89,286**	(3,548)	(3.8)%	92,834
Due to clients, brokers, and dealers	**75,773**	17,440	29.9%	58,333
Achievement notes	**54,555**	(4,667)	(7.9)%	59,222
Deposit guarantee fee payable	**47,628**	(25)	(0.05)%	47,653
Payment in lieu of tax payable	**45,038**	12,740	39.4%	32,298
Total remaining liabilities	**$ 11,472,240**	$ (1,312,929)	(10.3)%	$ 12,785,169

ATB's remaining liabilities are made up primarily of wholesale borrowings, collateralized borrowings, derivative financial instruments, accounts payable and accrued liabilities, accrued pension-benefit liability, and subordinated debentures. (Refer to notes 10, 15, 16, 17, and 19 to the statements for further details.)

Wholesale borrowings are used as a source of funds to supplement customer deposits in supporting our lending activities. These consist primarily of bearer deposit notes, floating-rate notes, and mid-term notes issued on ATB's behalf by the Government of Alberta. The balance outstanding can swing significantly over each year to compensate for fluctuations in our customer deposit balances. Wholesale borrowings decreased from the prior fiscal year due to the significant increase in deposits this year. The agreement with the Government of Alberta currently limits the total volume of such borrowings to $7.0 billion, which was previously $5.5 billion.

Collateralized borrowings increased due to the ability to securitize more of our mortgage portfolio, which also grew from last year.

Derivative financial instruments decreased over last year due to a combination of a $189 million decrease in commodity forwards, a $42 million decrease in foreign-exchange forwards, and a $40 million decrease in the fair value of our non-hedge portfolio, due to the favourable impact from the increase in long-term rates on the pay fixed interest rate swaps held in this portfolio. These decreases were partially offset by a $37 million increase in the fair value of corporate hedge swaps. The overall decrease is offset by the decrease in our derivative assets this year.

Accounts payable and accrued liabilities decreased due to a $271 million decrease in collateral owing for the derivative contracts. This was partially offset by a $23 million increase in the amount due to clients as a result of increased trading activity towards the end of the year.

The decrease in subordinated debentures is a result of the repayment of the $59 million issued in 2011, offset by the conversion of last year's $32 million liability for payment in lieu of tax to a five-year subordinated debenture with the Province.

Accumulated Other Comprehensive (Loss) Income

Accumulated other comprehensive income decreased by $113 million (139.3%) from last year. This was due to the volatility experienced from the effective portion recorded to other comprehensive income for our interest rate management products designated for hedge accounting. This was partially offset by an unrealized actuarial gain on our pension obligation resulting from an increase in bond rates used to value the obligation.

Regulatory Capital

ATB measures and reports capital to ensure that it meets the minimum levels set out by its regulator, the Alberta Superintendent of Financial Institutions, while supporting the continued growth of its business and building value for its owner.

As a Crown corporation, ATB and its subsidiaries operate under a regulatory framework established pursuant to the *Alberta Treasury Branches Act* and associated regulation and guidelines. The capital adequacy requirements for ATB are defined in a guideline authorized by the Government of Alberta's President of Treasury Board and Minister of Finance, which was modelled after guidelines governing other Canadian deposit-taking institutions. ATB's minimum Tier 1 capital requirement is 7.0%, and the total capital requirement is the greater of 10.0% of risk-weighted assets or 5.0% of total assets.

As set out in the following table, our regulatory capital consists of retained earnings, subordinated debentures, wholesale borrowings, eligible portions of the collective allowance for loan losses, and notional (or deemed) capital (which reduces quarterly by 25% of net income). Following the December 2015 amendment to the *Capital Requirements* guideline, wholesale borrowings became eligible as Tier 2 capital.

($ in thousands)	2017	2017 vs 2016 increase (decrease)		2016
Tier 1 capital				
Retained earnings	**$ 3,179,285**	$ 150,780	5.0%	$ 3,028,505
Tier 2 capital				
Eligible portions of:				
Subordinated debentures	**132,395**	(36,590)	(21.7)%	168,985
Wholesale borrowings	**1,300,000**	320,000	32.7%	980,000
Collective allowance for loan losses	**228,588**	21,452	10.4%	207,136
Notional capital	**217,617**	(37,695)	(14.8)%	255,312
Total Tier 2 capital	**1,878,600**	267,167	16.6%	1,611,433
Total capital	**$ 5,057,885**	$ 417,947	9.0%	$ 4,639,938
Total risk-weighted assets	**$ 32,985,934**	$ (941,114)	(2.8)%	$ 33,927,048
Risk-weighted capital ratios				
Tier 1 capital ratio	**9.6%**	0.7%	7.9%	8.9%
Total capital ratio	**15.3%**	1.6%	11.7%	13.7%
Assets-to-capital multiple	**9.6**	(0.5)	(5.0)%	10.1

Our Tier 1 capital ratio was 9.6%, and our total regulatory capital ratio was 15.3% of risk-weighted assets as at March 31, 2017.

Total risk-weighted assets are determined by applying risk weightings defined in the *Capital Adequacy* guideline to ATB's on- and off-balance-sheet assets, as follows:

Risk-Weighted Assets

($ in thousands)	Risk-weighted percentage	2017 On- or off-balance-sheet value	2017 Risk-weighted value	2017 vs 2016 Risk-weighted value increase (decrease)		2016 On- or off-balance-sheet value	2016 Risk-weighted value
Balance sheet amounts							
Cash resources	0–20	$ 961,849	$ 132,988	$ (11,983)	(8.3)%	$ 1,015,161	$ 144,971
Securities	0–100	5,435,339	6,272	(438,798)	(98.6)%	3,747,505	445,070
Residential mortgages	0–100	14,927,019	3,289,101	(286,086)	(8.0)%	14,308,272	3,575,187
Other loans	0–100	25,884,203	24,240,901	(211,940)	(0.87)%	26,041,885	24,452,841
Other assets	20–100	1,338,876	1,325,769	(301,312)	(18.5)%	1,644,455	1,627,081
Total balance sheet amounts		$ 48,547,286	$ 28,995,031	$ (1,250,119)	(4.1)%	$ 46,757,278	$ 30,245,150
Off-balance-sheet amounts							
Guarantees and letters of credit[1]	0–100	19,257,281	3,735,905	398,291	11.9%	19,294,280	3,337,614
Derivative financial instruments	0–50	17,065,618	254,998	(89,286)	(25.9)%	25,837,061	344,284
Total off-balance-sheet amounts		$ 36,322,899	$ 3,990,903	$ 309,005	8.4%	$ 45,131,341	$ 3,681,898
Total risk-weighted assets		$ 84,870,185	$ 32,985,934	$ (941,114)	(2.8)%	$ 91,888,619	$ 33,927,048

[1] Guarantees and letters of credit include undertakings by ATB to make credit available in the form of loans or other financing for specific amounts and maturities, subject to certain conditions, and include recently authorized credit not yet dawn down and credit facilities available on a revolving basis. ATB does not expect all facilities to be drawn, and some may lapse before drawdown.

Return on Risk-Weighted Assets

ATB achieved a 0.45% return on risk-weighted assets during the year, an increase from last year. This was the result of higher net income driven primarily by lower loan loss provisions outpacing the slight growth in risk-weighted assets.

Fiscal 2017–18 Outlook for Return on Average Risk-Weighted Assets

We are targeting a return on average risk-weighted assets in fiscal 2017–18 between 0.4% and 0.6%.

Fiscal 2017–18 Outlook for Regulatory Capital

Over fiscal 2017–18, we expect our capital levels to continue to exceed both our regulatory and economic capital requirements for prudent and responsible management of our business as a financial institution.

Off-Balance-Sheet Arrangements

As a financial institution, ATB participates in a variety of financial transactions that, under International Financial Reporting Standards, are either not recorded on the Consolidated Statement of Financial Position or recorded at amounts different from the full notional or contract amount. These transactions include:

Assets Under Administration

Assets under administration consist of client investments managed and administered by ATB's subsidiary entities, commonly known as ATB Investor Services. Client accounts under administration increased from $14.7 billion to $16.7 billion during the year. (Refer to the Investor Services section of this MD&A on page 67.)

Derivative Financial Instruments

ATB enters into various over-the-counter and exchange-traded derivative contracts in the normal course of business, including interest rate swaps, options and futures, equity- and commodity-linked options, and foreign-exchange and commodity instruments. These contracts are used either for ATB's own risk management purposes to manage exposure to fluctuations in interest rates, equity and commodity markets, and foreign-exchange rates, or to facilitate our clients' risk management programs.

All derivative financial instruments, including embedded derivatives and those qualifying for hedge accounting, are measured at fair value on the Consolidated Statement of Financial Position. Although transactions in derivative financial instruments are expressed as notional values, the fair value and not the notional amount is recorded on the Consolidated Statement of Financial Position. Notional amounts serve as points of reference only for calculating payments and do not truly reflect the credit risk associated with the financial instrument. (Refer to note 10 to the statements for further details.)

Credit Instruments

In the normal course of lending activities, ATB enters into various commitments to provide customers with sources of credit. These typically include credit commitments for loans and related credit facilities, including revolving facilities, lines of credit, overdrafts, and authorized credit card limits. To the extent that a customer's authorized limit on a facility exceeds the outstanding balance drawn as at March 31, 2017, we consider the undrawn portion to represent a credit commitment.

For demand facilities, we still consider the undrawn portion to represent a commitment to our customer; however, the terms of the commitment are such that ATB could adjust the credit exposure if circumstances warranted doing so. Accordingly, from a risk management perspective, these demand facilities are considered to represent a lesser exposure than facilities with extended commitment terms. (Refer to note 22 to the statements for further details.)

Contractual Obligations

During its normal daily operations, ATB enters into various contractual obligations to make future payments for certain purchase transactions and operating leases. (Refer to note 22 to the statements for details.) We are also obligated to make future interest payments on our collateralized borrowings, subordinated debentures, and wholesale borrowings. (Refer to notes 15, 17, and 21 to the statements for further details.)

Guarantees

In the normal course of operations, ATB enters into guarantee arrangements that satisfy the definition of guarantees established by IAS 39 *Financial Instruments: Recognition and Measurement*. The principal types of guarantees are standby letters of credit and performance guarantees. (Refer to note 22 to the statements for further details.)

Securitization

ATB participates in the Canada Mortgage Bonds Program. Under this program, ATB pledges qualifying mortgages to Canada Housing Trust (CHT), a special-purpose entity set up by Canada Mortgage and Housing Corporation in return for funding. Part of the program is a swap agreement between ATB and CHT. This swap establishes the required cash payments between ATB and CHT. Due to the nature of the program and the fact that ATB substantially retains the risks and rewards related to the qualifying mortgages, the mortgages and the funding are both recognized on ATB's Consolidated Statement of Financial Position, while the swap is not.

Critical Accounting Policies and Estimates

Significant Accounting Policies

ATB's significant accounting policies are outlined in note 2 to the consolidated financial statements. These policies are essential to understanding and interpreting the financial results presented in this MD&A and in the statements. (Refer to the notes to the statements, beginning on page 116 of this report, for significant accounting policies.)

Critical Accounting Estimates

Certain accounting estimates made by management while preparing the statements are considered critical in that management is required to make significant estimates and judgments that are subjective or complex about matters that are inherently uncertain. Significantly different amounts could have been reported if different estimates or judgments had been made. The following accounting policies require such estimates and judgments.

Allowance for Loan Losses

The allowance for loan losses adjusts the net carrying value of loan assets to reflect evidence of impairment from one or more events (a "loss event") that occurred after the initial recognition of the asset and that have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The allowance for loan losses consists of individually assessed allowances for impaired loans and collectively assessed allowances for loan losses.

In assessing allowances for loan losses, management must rely on estimates and exercise judgment regarding matters for which the ultimate outcome is unknown. These include economic factors, developments affecting companies in particular industries, and specific issues with respect to individual borrowers, such as financial difficulty, breach of contract, and probability of bankruptcy.

Changes in circumstances may cause future assessments of credit risk to be materially different from current assessments and may require an increase or decrease in the allowance for loan losses. (Refer to the Risk Management section of this MD&A and note 9 to the statements for further details.)

Depreciation of Premises and Equipment and Amortization of Software

The expense recognized for the depreciation of premises and equipment and amortization of software depends on the estimated useful life and salvage value of such assets. Management has derived estimates for these values based on past experience and its judgment regarding future expectations. If actual experience differs from management's estimates, depreciation and amortization expense could increase or decrease in future years. (Refer to notes 11 and 12 to the statements for further details.)

Assumptions Underlying the Accounting for Employee Future Benefits

ATB engages actuarial consultants in valuing pension-benefit obligations for our defined benefit pension plans and Public Service Pension Plan based on assumptions determined by management. The most significant of these assumptions include the rate of future compensation increases, discount rates for pension obligations, and the inflation rate. If actual experience differs from the assumptions made by management, our pension-benefit expense could increase or decrease in future years. (Refer to note 19 to the statements for further details.)

Fair Value of Financial Instruments

The fair value of a financial instrument is the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between market participants at the measurement date. For those instruments with an available market price, fair value is established by reference to the last traded price before the balance sheet date. Many of ATB's financial instruments lack such an available trading market, and the associated fair values represent management's best estimates of the current value of the instruments, taking into account changes in market rates or credit risk that have occurred since their origination. The most significant fair-value estimate this year relates to ATB's derivative financial instruments. (Refer to note 10 to the statements for further details.)

Future Changes in Accounting Policies

A number of standards and amendments have been issued by the International Accounting Standards Board, which may have an impact on ATB's financial statements in the future. (Refer to note 3 to the statements for a detailed explanation of future accounting changes and their expected impact on the statements.)

Risk Management

The shaded areas presented on pages 86–93 represent a discussion of risk management policies and procedures relating to credit, market, and liquidity risks as required by IFRS 7 *Financial Instruments: Disclosures*, which permits these specific disclosures to be included in the MD&A. They therefore form an integral part of the audited financial statements for the year ended March 31, 2017.

ATB provides comprehensive financial services to individuals, independent businesses, agriculture producers, and corporate borrowers, as well as wealth management solutions. As a result, we face exposure to a broad range of financial, business, and regulatory risks, many of which are beyond ATB's direct control. ATB operates in a dynamic and increasingly competitive environment with substantial regulatory requirements and growing client and market expectations. Our mandated focus on the Alberta market implies an increased level of geographic and concentration risk, especially in the current economic conditions.

We define risk as the potential for loss or undesirable outcome in earnings, liquidity, capital, and/or reputation. ATB continues to have a strong commitment to managing risk with the objective of protecting and managing owner value. We manage risks by ensuring that our business strategies provide an appropriate return for the risks we take, while staying within our board-approved appetite. Our board-approved risk appetite statement addresses our major risk categories, which include credit, operational, liquidity, market, regulatory compliance, strategic/execution, and reputational risks.

As we support our areas of expertise in facilitating Albertan economic recovery and diversification, our primary objectives include:

- Identifying and assessing risks in our business activities and ensure that risk taking is maintained within appetite
- Providing independent and effective challenge to risk-taking activity across ATB
- Adopting a continuous improvement mindset with a focus on enhancing talent and evolving our methodologies, policies, processes, limits, tools, and practices
- Continuously monitoring our environment for external and internal threats to our business plans and reputation

Top and Emerging Risks That May Affect ATB Financial and Future Results

As part of ATB's enterprise risk management program, management is required to regularly review and assess its operating environment and identify top and emerging risks. These risks, if they materialize, may significantly impact the achievement of our objectives. Many of these risks are beyond ATB's control, their effects may be difficult to predict, and they could cause our financial results to differ significantly from our plans and objectives.

Unless managed properly, a top risk is an existing significant risk that could affect the achievement of our strategic objectives. An emerging risk is a risk that has not fully materialized but is being monitored for its potential impact on our ability to achieve our objectives.

Below is a detailed discussion of the significant top and emerging risks we are facing.

Prolonged Low Energy Prices

The energy industry has experienced a severe downturn, stemming from sustained low energy prices. As Alberta is Canada's largest oil-producing province, the contraction of the Alberta economy in 2015 continued through 2016. Most 2017 price predictions by major organizations and investment firms are in the US$50 to $60 range, above the 2016 average. However, an increase in U.S. shale production, a stronger U.S. dollar in the wake of expected interest rate hikes by the U.S. Federal Reserve, the easing of geopolitical tensions, and/or producers reneging on promised cuts could limit major oil price gains in 2017.

Cyber Security

As we increasingly rely on digital and Internet-based technologies, cyber risk has become a top risk to financial institutions. Events such as unauthorized access to systems for the purpose of stealing assets, accessing sensitive information, corrupting data, or causing operational disruption are becoming more prevalent. The increasing sophistication and continual evolution of the technologies and methods of attack exacerbate this risk.

The consequences of such an event to ATB could be very significant in terms of loss of confidential customer information, significant remediation costs, loss of revenue, and legal and reputational damage. The costs and resources needed to manage these risks continue to increase as the attacks broaden and intensify.

ATB has put in place an information security framework to ensure enforced enterprise measures protect information assets and implement technologies, policies, and practices to protect our systems and data.

Innovation Risk

The financial services industry continues to evolve with rapid adoption of both mobile and online digital channels and new business models that threaten the traditional financial institution. Barriers to entry are lowering, allowing new entrants with a single-product focus to enter and disrupt the traditional banking services model. Successful new entrants are building their business models by:

- Being acquired by bigger players seeking to expand
- Partnering with bigger players
- Growing the business by offering one product first and then expanding to offer more

The newly created Transformation Team was formed with the key strategic goal of transforming how we serve our customers. Management is focusing on providing innovative solutions that ensure a superior customer experience in all our channels, including emphasizing access to anywhere/anytime banking and building strong relationships with our customers. ATB continues its strong commitment to managing risk strategically in order to protect and manage owner value. Effective governance mitigates risk and provides opportunities to create value, supporting ATB's goals while ensuring that it remains a safe and sound financial institution.

Approach to Risk Management

ATB seeks to create and protect enterprise value by enabling risk-informed decision making and by balancing risk and return in our business processes. This is achieved by managing key risks throughout the business cycle starting with strategic risk and encompassing credit risk, market risk, liquidity risk, business/execution risk, operational risk, regulatory compliance risk, and reputational risk, and by managing all forms of risk identified as top risks and emerging risks that may impact the achievement of ATB's strategic and business goals. Our ability to effectively manage risk is supported by:

- A strong risk culture
- An effective governance and organizational structure
- Application of a three-lines-of-defence model
- A well-articulated risk appetite statement
- An effective enterprise risk management program (including policies, processes, limits, tools, and practices)

Risk Culture

We have adopted the Financial Stability Board's definition of risk culture as ATB's norms, attitudes, and behaviours related to risk awareness, risk taking, and risk management. Risk management is the accountability of all ATB team members, and our culture enables us to proactively identify, assess, and respond to risks in a timely manner.

Expectations for team member behaviour and accountabilities are set out in:

- The ATBs and our Code of Conduct
- Enterprise and business area risk appetite statements
- Policies and procedures
- Performance management and compensation practices

ATB develops and fosters a risk-aware culture through the following activities:

- Establishing clear ownership and accountability for risk management activities across the organization through the three-lines-of-defence governance model
- Clear and consistent communicating of risk issues supported by processes that allow for open discussion and challenge
- Developing and implementing an enterprise risk appetite specific to the areas of expertise and specific strategic support units

Every team member is an integral part of our risk culture and is responsible for managing risk in a prudent and appropriate manner. Risk management activity is built into strategic plans and decision making and is operationalized through our enterprise risk appetite statement.

Governance

Ultimate responsibility for risk management lies with ATB's board of directors, according to the three-tier risk governance framework. The graphic below illustrates the distribution of responsibilities for risk governance and strategic direction, risk oversight and control, and risk management and reporting. It provides an overview of duties among those who take on risk, those who control risk, and those who provide assurance along the three lines of defence.

<table>
<tr><td rowspan="2">Risk governance and strategic direction</td><td colspan="30">Board of Directors</td></tr>
<tr><td colspan="15">Risk Committee</td><td colspan="15">Audit Committee</td></tr>
<tr><td rowspan="2">Risk oversight and control</td><td colspan="30">Chief Executive Officer and Corporate Management Committee</td></tr>
<tr><td colspan="6">Asset Liability Committee</td><td colspan="6">Credit Committee</td><td colspan="6">Operational Risk Committee</td><td colspan="6">Executive Risk Management Committee</td><td colspan="6">Compliance Committee</td></tr>
<tr><td rowspan="2">Risk management and reporting</td><td colspan="30">Three lines of defence</td></tr>
<tr><td colspan="10">First line:
Business Operations
• Areas of expertise
• Strategic service units
• Treasury
• Information technology</td><td colspan="10">Second line:
Risk Management
• Credit risk
• Market risk
• Enterprise risk management
• Stress-testing
• Operational risk and business continuity
• Legal
• Compliance
• Internal Controls over Financial Reporting (ICOFR)</td><td colspan="10">Third line:
Assurance
• Internal Audit
• External auditors</td></tr>
</table>

Risk Governance and Strategic Direction

Authority for risk management flows from the board to the CEO and from the CEO to the heads of the areas of expertise and strategic service units. While retaining overall responsibility for risk, the board delegates risk oversight to the board's Risk and Audit committees.

Risk Oversight and Control

Chaired by the CEO, the Corporate Management Committee comprises senior executives spanning all areas of expertise and major strategic service units. Together, they develop ATB's strategic direction, oversee the development of appropriate risk management frameworks, and review and approve policies and procedures designed to maintain risk within our risk appetite. The Corporate Management Committee delegates risk oversight to the following committees: Asset Liability, Credit, Operational Risk, Compliance, and Executive Risk Management.

Board and Management Committees

Board and management committees have the following risk governance responsibilities:

Board committees	Responsibility	Chaired by
Risk	Oversees risk management throughout ATB. Reviews and recommends for the board's approval all major risk policies, approves ATB's risk appetite statement, and regularly reviews ATB's performance in relation to approved risk tolerance levels.	A board director
Audit	Oversees financial reporting, and monitors and oversees the adequacy and effectiveness of internal controls.	A board director
Management committees	**Responsibility**	**Chaired by**
Asset Liability	Oversees the direction and management of market risk and liquidity risk, as well as ATB's funding and capital positions.	Chief financial officer
Credit	Adjudicates credit within prescribed limits, and establishes operating guidelines, business rules, and internal policies to support the management of credit risk throughout ATB.	Senior vice-president, Credit
Ethics	Monitors the tone on ethics at ATB and ensures ATB's practices meet or exceed ethical standards. Reviews the Code of Conduct and Ethics and for the anonymous safe disclosure program. Reviews allegations of wrongdoing and reports to the board of directors.	Chief executive officer
Operational Risk	Oversees and gives direction on operational risks from an enterprise-wide perspective.	Chief risk officer
Executive Risk Management	Sets overall direction and makes key decisions relating to enterprise risk management activities across ATB and guides the design, execution, and assessment of results from ATB's enterprise risk management program.	Chief risk officer
Compliance	Oversees ATB's compliance with applicable legal and regulatory requirements and its internal compliance management program.	Chief risk officer

Risk Oversight and Control

Risk is managed through ATB's three lines of defence:

- The first line includes the areas of expertise and all strategic service units that face risks directly. These groups are accountable for taking and managing risk, within their respective areas of responsibility, in line with approved limits, policies, and authorities.
- The second line is the Risk Management group, which establishes policies, practices, limits, and authorities throughout ATB. It monitors and reports on risk management activities, as appropriate, to both senior management and the board Risk Committee.
- The third line, assurance, monitors the activities of management and provides independent assurance to the board of directors about the effectiveness of, and adherence to, risk management policies, procedures, and internal controls.

Risk Appetite Statement

ATB has a well-defined risk appetite statement, which established our overall enterprise risk appetite as conservative and balanced. We will:

- Ensure that we fully understand and effectively manage the risks in all of our business activities
- Aim to build strong company value and not "bet the bank" on any new product, service, or strategy
- Hold ourselves to the highest ethical standard possible and consider reputational risk, and impact to our brand, in all we do

ATB's geographical restrictions and business activities expose the institution to a wide variety of risks, and while incurring risk is fundamental to a financial services corporation, the level of risk taken must be understood, assessed, and monitored against a predefined level of risk appetite.

ATB's risk appetite statement is the internal document that articulates the amount of risk ATB is willing to accept in pursuit of its strategic objectives. It establishes the boundaries for risk taking, includes risk definitions and measurable qualitative and quantitative statements, and provides a platform for measuring risk management activities for key risks across the enterprise. Key risks for ATB include regulatory compliance risk, credit risk, market risk, liquidity risk, operational risk, business and execution risk, strategic risk, and reputational risk.

The level of risk appetite within ATB may change over time; therefore, the risk appetite statement is regularly revisited and formally reviewed at least annually. We report our exposures against our risk appetite to the board's Risk Committee quarterly.

The risk appetite framework lays out the processes for clearly defining responsibilities for management, oversight, and assurance over risk appetite among ATB's three lines of defence.

Risk Management Program

Our risk management program is defined through a series of policies and frameworks, processes, controls and limits, all cascading from ATB's board-approved risk appetite statement and guided by our enterprise risk management framework.

Enterprise Risk Management (ERM) Framework

ATB seeks to create and protect enterprise value by enabling risk-informed decision making and by balancing risk and return in our business processes. ERM is applied in strategy settings across the enterprise. It is designed to identify potential events that may affect ATB, manage risk within our risk appetite, and provide reasonable assurance regarding the achievement of our objectives. ERM includes coordinated activities to direct and control ATB's enterprise-wide risk for the purpose of increasing our short- and long-term value for our owner.

ATB's ERM framework:

- Aligns ERM processes with industry-leading standards
- Establishes common risk language and direction related to risk management
- Outlines how ERM processes are deployed across the enterprise
- Clearly defines responsibilities for risk management, oversight, and assurance among ATB's three lines of defence

The framework is designed to make ERM an integral part of our management practices and an essential element of our corporate governance. ERM is intended to manage losses to expected levels and to levels within ATB's enterprise risk appetite statement. Our framework recognizes that ERM is an iterative process that encourages and facilitates continuous improvement in decision making across the institution.

Stress-Testing

Stress-testing is indispensable to risk management. Through stress-testing, ATB defines and analyzes severe but plausible scenarios that could have important consequences for the company. Senior management reviews result from enterprise-wide stress tests, and where the impact of a stress test exceeds ATB's risk appetite, the company develops mitigating actions for deployment in the event of the tested stress scenarios.

Credit Risk

Credit risk is the risk of financial loss resulting from failure of a debtor, for whatever reason, to fully honour its financial or contractual obligations to ATB. Examples of typical products bearing credit risk include retail and commercial loans, guarantees, letters of credit, and derivatives. Credit risk typically poses the greatest inherent risk of financial loss to lending institutions.

The areas of expertise—which own credit risk and are accountable for credit decisions in adherence with approved policies, frameworks, and operating procedures, including delegated lending authority—form the first line of defence in ATB's three-lines-of-defence model. The Credit group, part of the Risk Management group, forms the second line of defence. It is responsible for providing policies, frameworks, and operating procedures to independently evaluate and support recommended credit decisions provided by the areas of expertise and to continually monitor the overall credit risk level inherent in ATB's credit portfolio. Monitoring of credit risk within the portfolio is performed independently from the credit decision process; it entails assessing ATB's credit risk level against defined credit risk thresholds, risk tolerances, risk appetite, and industry peer group performance. The third line of defence is ATB's Internal Audit department, which independently evaluates and reports on all stages and aspects of the credit granting and monitoring process.

Despite the challenging provincial economy and subsequent increases to our loan loss provisions during the last year, we continue to believe the three-lines-of-defence model adequately measures and mitigates credit risk exposures produced through daily lending and investment operations. This model has been used throughout the year, in addition to increased portfolio and individual borrower monitoring to ensure ATB remains aligned with the parameters of our credit risk appetite.

The amounts shown in the table below best represent ATB's exposure to credit risk:

($ in thousands)	2017	2016
Financial assets[1]	$ 47,473,344	$ 45,665,911
Other commitments and off-balance-sheet items	19,257,281	19,294,279
Total credit risk	$ 66,730,625	$ 64,960,190

1 Includes derivatives stated net of collateral held and master netting agreements.

Credit Risk Appetite

ATB has a moderate appetite for credit risk, which is adhered to by pursuing lending strategies that balance risk and return, and that maintain an overall high-quality loan portfolio by applying prudent lending limits and practices. Our credit risk appetite requires that ATB's credit-granting operations will:

- Only enter into lending activities in markets where we have the knowledge and processes in place to adequately control risk
- Manage individual client credit exposures so that anticipated losses from a given borrower are below risk appetite maximums unless there are rare and unique circumstances
- Operate within the boundaries of prudent lending policies with exceptions held to defined thresholds and provide reasonable oversight of the ongoing performance of loan assets
- Maintain total loan losses within established tolerances
- Maintain a diversified loan portfolio, which shall not expose ATB to excessive risk concentrations
- Maintain a high-quality loan portfolio, with performance monitored against risk appetite tolerances and benchmarked against our chosen peer group
- Maintain a level of portfolio quality and diversification that produces average loss estimates from approved stress scenarios that are below established targets
- Conduct conservative residential mortgage underwriting and management practices consistent with OSFI's guidelines

Although legislation largely restricts ATB's lending operations to the Alberta marketplace, we manage a diversified portfolio by way of:

- Policies and limits that ensure broad diversification across various credit borrower types, sizes, and credit quality levels
- Policies that ensure the portfolio is not overly concentrated within a particular industry sector, common risk or related group of individual borrowers, credit product or loan type, operational loan origination channel, or geographic region within Alberta
- Out-of-province syndicated loan exposures permitted under the *ATB Regulation*

2017 Industry Concentration Risk

ATB is inherently exposed to significant concentrations of credit risk, as its customers all participate in the Alberta economy, which in the past has shown strong growth and occasional sharp declines. ATB manages its credit through diversification of its credit portfolio by limiting concentrations to single borrowers, industries, and geographic regions of Alberta. As at March 31, 2017, commercial real estate is the largest single industry segment at $5.2 billion (2016: commercial real estate $4.7 billion). This represents no more than 27.1% (2016: 24.7%) of total gross business loans and 12.5% (2016: 11.6%) of the total gross loan portfolio. The outstanding principal for the single largest borrower is $70 million (2016: $88 million), which represents no more than 0.17% (2016: 0.21%) of the total gross loan portfolio.

Real-Estate-Secured Lending

Residential mortgages and home equity lines of credit (HELOCs) are secured by residential properties. The following table presents a breakdown of the amounts and percentages of insured and uninsured residential mortgages and HELOCs:

($ in thousands)			**2017**			2016	
Residential mortgages	Insured	$	**6,995,335**	**46.8%**	$	6,728,099	47.0%
	Uninsured		**7,952,416**	**53.2%**		7,590,557	53.0%
Total residential mortgages			**14,947,751**	**100.0%**		14,318,656	100.0%
Home equity lines of credit	Uninsured		**3,468,119**	**100.0%**		3,566,365	100.0%
Total home equity lines of credit			**3,468,119**	**100.0%**		3,566,365	100.0%
Total	**Insured**	**$**	**6,995,335**	**38.0%**	$	6,728,099	37.6%
	Uninsured	**$**	**11,420,535**	**62.0%**	$	11,156,922	62.4%

The following table shows the percentages of our residential mortgages portfolio that fall within various amortization period ranges:

	2017	2016
< 25 years	**75.6%**	71.6%
25–30 years	**21.5%**	23.6%
30–35 years	**2.9%**	4.8%
Total	**100.0%**	100.0%

The following table provides a summary of our average loan-to-value ratio for newly originated and acquired uninsured residential mortgages and HELOC products:

	2017	2016
Residential mortgages	**0.69**	0.65
Home equity lines of credit	**0.57**	0.49

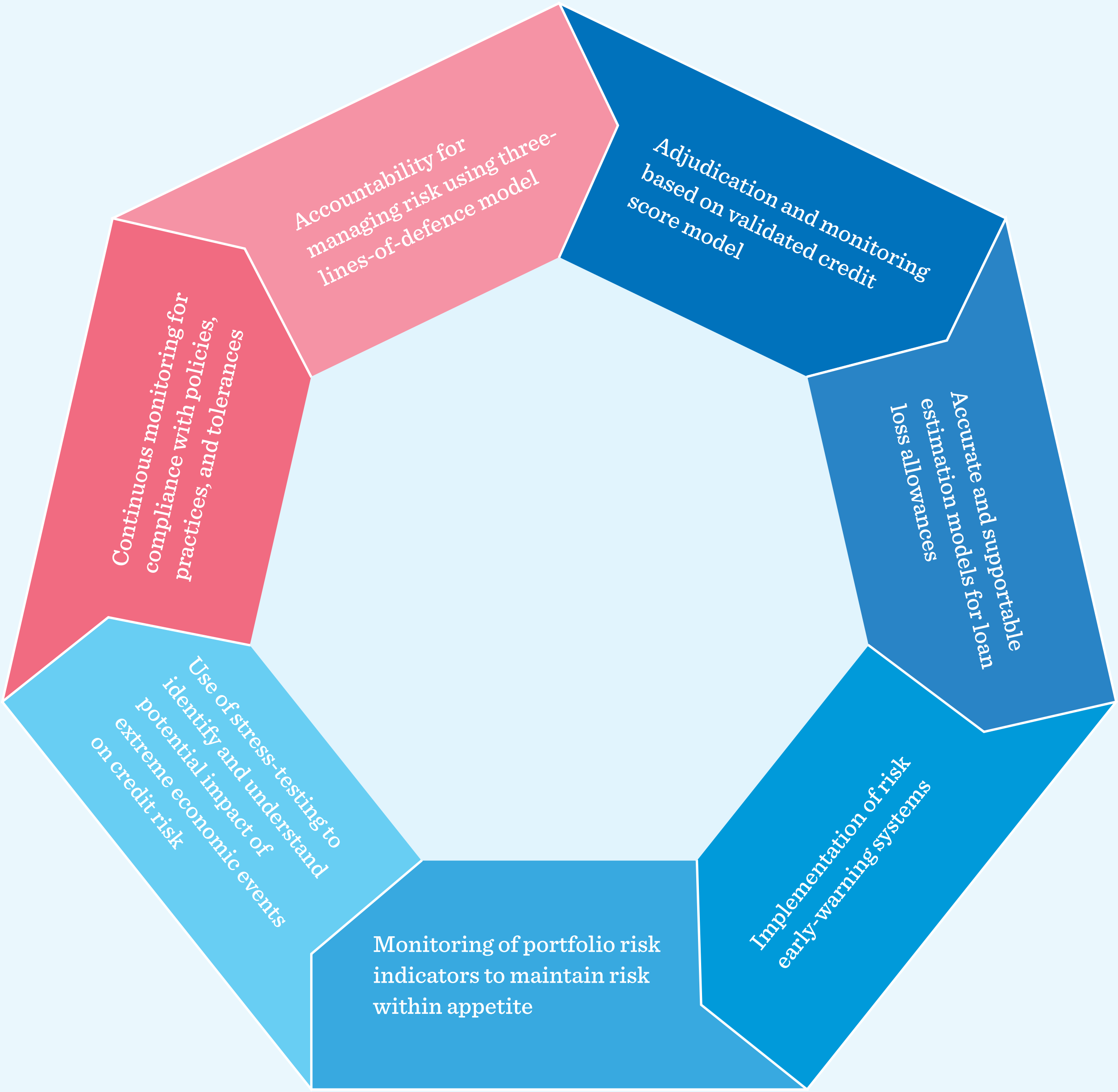
ATB performs stress-testing on its residential mortgage portfolio as part of its overall stress-testing program to assess the impact of an economic downturn. Severe changes in house prices, interest rates, and unemployment levels are among the factors considered in our testing. ATB considers potential losses in its residential mortgage portfolio under such scenarios to be manageable given the portfolio's high proportion of insured mortgages and low loan-to-value ratio.

Credit Risk Management Strategy

In striving to balance loan growth against maintaining credit risk exposures and key performance indicators within acceptable parameters, we manage the credit risk inherent in both individual transactions and the overall portfolio. ATB believes that this dual approach to credit risk management and its alignment with our corporate risk management policy are essential to our long-term success.

ATB's credit risk management strategy recognizes that ATB operates in a historically volatile economy and must manage and moderate the potential variability of credit losses over the course of a full economic cycle. Current economic conditions have increased the degree of risk management analysis and monitoring with key operational actions supporting our strategy outlined below:

- Using validated credit score models for adjudication and behavioural monitoring purposes
- Having accurate estimation processes and models for establishing credit loss allowances
- Back-test and validate actual values to established forecasts to improve the accuracy of future results
- Implementing early-warning systems to provide management with advance notification of changing risk dimensions in credit portfolio profiles and external lending environments
- Monitoring key portfolio risk indicators to actively maintain risk within the approved risk appetite levels or established management tolerances
- Using stress-testing techniques to identify and understand the potential impact of credit quality migration or loss-rate movements as a result of extreme economic events
- Continuously monitoring to ensure ongoing compliance with ATB's risk policies, practices, appetite criteria, and desired tolerances
- Ensuring accountability for managing credit risk throughout ATB in accordance with our three-lines-of-defence model (i.e., areas of expertise operations, credit risk management, and Internal Audit assurance)



Counterparty Credit Risk

Customer counterparties are scrutinized through our regular credit risk management processes, and financial institution counterparties are limited, by policy, to those having a minimum long-term public credit rating of A-low/A3/A- or better. We also use credit mitigation techniques such as netting and requiring the counterparty to collateralize obligations above agreed thresholds to limit potential exposure.

Derivative exposure for ATB's corporate clients is measured using cash flow at risk for commodities and foreign-exchange derivatives, and potential future exposure for interest rate derivatives. Both of these exposure measures are calculated and monitored daily. We are generally not exposed to credit risk for the full face value (notional amount) of derivative contracts, only to the current replacement cost if the counterparty defaults.

Market Risk

Market risk exists if ATB may incur a loss due to adverse changes in interest rates, foreign-exchange rates, and equity or commodity market prices. Financial institutions such as ATB are exposed to market risk in day-to-day operations such as investing, lending, and deposit-taking.

Interest Rate Risk

Interest rate risk is the risk of a negative impact on ATB's financial condition due to changes in market interest rates.

Asset/liability management risk exists due to differences in the timing and pricing of interest-sensitive assets and liabilities on our balance sheet and the need to invest non-interest-sensitive liabilities and equity in interest-earning assets. Risks arise from, among other factors, different timing of interest rate resets, varying use of floating interest rate reference indices, early prepayments or unexpected drawdowns of loan balances, and unanticipated changes in deposit redemption behaviour.

The impact of changes in interest rates on ATB's net interest income will depend on several factors, including the size and rate of change in interest rates, the size and maturity of the assets and liabilities, and the observed lending and deposit behaviour of our customers versus expectations. ATB uses derivative financial instruments, such as interest rate swaps, and other capital markets alternatives to manage our interest rate risk position.

Asset/liability management encompasses the following:

- Developing interest rate risk management policies and limits
- Developing methods to measure and report interest rate risk
- Managing interest rate risk versus approved limits
- Monitoring and reporting interest rate risk exposure to the Asset Liability Committee monthly and to the board Risk Committee quarterly

ATB measures interest rate risk every month through two primary metrics:

- Interest rate gap measurement, which compares the notional difference or gap in interest rate repricings between assets and liabilities, grouped according to their repricing date
- Sensitivity of net interest income to sudden increases or decreases in market interest rates, as measured over a 12-month horizon

(Refer to note 23 to the statements for more details.)

The board reviews risk limits annually for interest rate gap and sensitivity of net interest income.

Foreign-Exchange Risk

Foreign-exchange risk is the potential risk of loss resulting from fluctuations in foreign-exchange rates. This risk arises from the existence of a net asset or liability position denominated in foreign currencies and/or a difference in maturity profiles for purchases and sales of a given currency. ATB manages its foreign-currency exposure through foreign-exchange forward contracts. The board-approved foreign-exchange principal limit is $50 million. ATB is within its limit as at March 31, 2017.

Commodity Price Risks

Commodity price risk arises when ATB offers deposit or derivative products where the value of the derivative instrument or rate of return on the deposit is linked to changes in the price of the underlying commodity. We use commodity-linked derivatives to fully hedge our associated commodity risk exposure on these products. ATB does not accept any net direct commodity price risk. (Refer to the following Use of Derivatives section and to note 10 to the statements for further details.)

Use of Derivatives

ATB has traditionally used derivatives for managing our asset and liability positions and the risk associated with individual loan and deposit products offered to customers. We use several types of derivatives for this purpose, including interest rate swaps, futures, and foreign-exchange and commodity forward and futures contracts. We refer to these contracts as our corporate derivative portfolio.

All derivative transactions are reviewed and managed within board-approved policies. ATB employs appropriate segregation of duties to ensure that the market risk and counterparty exposure for the client and corporate derivative portfolios are managed and monitored daily within approved limits. Further, Market Risk monitors derivative positions daily, and the Asset Liability Committee reviews them monthly.

The use of derivatives inherently involves credit risk due to the potential for counterparty default. To control this risk, we engage in various risk mitigation strategies through master netting and collateral agreements.

ATB provides commodity, foreign-exchange, and interest rate derivatives to corporate customers, allowing them to hedge their existing exposure to commodity, foreign-exchange, and interest rate risks. The client derivative portfolio is not used to generate trading income through active assumption of market risk, but rather is used to meet the risk management requirements of ATB's corporate customers. ATB does not accept net exposure to such derivative contracts (except for related credit risk), as we either enter into offsetting contracts with other financial institution counterparties or, in the case of foreign-currency contracts only, incorporate them into our own foreign-exchange position.

The Market Risk group within Risk Management provides control oversight and reports to ATB's Asset Liability Committee and the board Risk Committee on ATB's market risk exposures against board-approved limits. The ERM framework gives the board Risk Committee a view of the market risk profile compared to the approved market risk appetite.

Liquidity Risk

Liquidity risk exists if ATB may not meet all of its financial commitments in a timely manner at reasonable prices. ATB manages this risk to ensure its timely access to cost-effective funds to meet its financial obligations as they become due, in both routine and crisis situations. We do so by monitoring cash flows, diversifying our funding sources, stress-testing, and regularly reporting our current and forecasted liquidity position.

ATB's liquidity risk management policy is a key component of the overall risk management strategy, which is managed by Treasury under supervision of the Asset Liability Committee, in accordance with the framework of approved policies and limits that are reviewed regularly.

The liquidity risk management policy and limit framework is designed to broadly comply with global liquidity standards announced by the Bank for International Settlements in December 2010, known as the Basel III framework. We measure liquidity primarily through two metrics designed to capture liquidity risks over differing time horizons:

- The intermediate-term available funding (ITAF) minimum coverage ratio compares our available, highly reliable external funding sources (primarily our wholesale borrowing agreement with the Province of Alberta) to a scenario-based measure of the maximum liquidity outflows that may occur over an intermediate-term 12-month horizon, and which is comparable to the net stable funding ratio under Basel III and the Canadian specific net cumulative cash flow measure.
- The liquidity coverage ratio (LCR) and the net cumulative cash flow as defined in the OSFI *Liquidity Adequacy Requirements* guideline replaced ATB's proprietary liquidity measurements and was phased in by April 2017.

On March 31, 2017, the LCR was 171% (2016: 105%) versus a current-year board-approved minimum of 80%, and the ITAF minimum coverage ratio was 233% (2016: 125%), versus a board-approved minimum of 70%. The increase over last year for both ratios resulted from a decrease in wholesale borrowings, and an increase in deposits and liquid assets, which favourably impact these ratios.

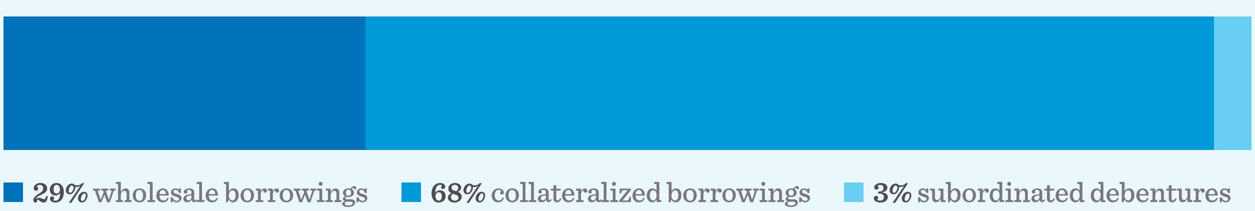
ATB determines and manages its liquidity needs using a wide range of financial products and borrowing programs to ensure stable and well-diversified sources of funding. Our activities can include:

- Using a variety of funding sources for liquidity, such as our retail deposit base
- Encouraging growth in deposits from individuals, which provide a stable source of funding over the long term
- Participating in Canadian financial markets through the Government of Alberta's consolidated borrowing program, which issues short- and medium-term notes
- Maintaining holdings of highly liquid assets in proportion to anticipated demand
- Establishing access to other sources of liquidity that can be obtained on short notice if additional funds are required
- Maintaining a securitization program to raise funds using our residential mortgages and credit card receivables as collateral

The following table describes ATB's long-term funding sources:

($ in thousands)	**2017**	2016
Wholesale borrowings	**$ 2,892,336**	$ 5,047,744
Collateralized borrowings	**6,812,660**	5,497,768
Subordinated debentures	**344,441**	371,441
Total long-term funding	**$ 10,049,437**	$ 10,916,953

Long-Term Debt – Funding Mix by Product



Contractual Maturities

Contractual maturities of certain on-balance-sheet financial liabilities as at March 31 were as follows:

($ in thousands)	Term						
On-balance-sheet financial instruments	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	Total
March 31, 2017							
Deposits	**$ 31,113,456**	**$ 1,560,911**	**$ 855,592**	**$ 173,172**	**$ 152,012**	**$ 72,617**	**$ 33,927,760**
Wholesale borrowings	**999,495**	**499,202**	**199,599**	**199,531**	**-**	**994,509**	**2,892,336**
Collateralized borrowings	**445,165**	**725,143**	**1,186,359**	**1,106,308**	**1,144,267**	**2,205,418**	**6,812,660**
Subordinated debentures	**58,280**	**73,122**	**82,564**	**98,177**	**32,298**	**-**	**344,441**
March 31, 2016							
Deposits	$ 28,954,114	$ 1,235,398	$ 370,794	$ 161,682	$ 70,053	$ 70,248	$ 30,862,289
Wholesale borrowings	2,856,048	999,064	498,574	199,428	199,390	295,240	5,047,744
Collateralized borrowings	954,937	-	725,061	1,186,274	1,104,889	1,526,607	5,497,768
Subordinated debentures	59,298	58,280	73,122	82,564	98,177	-	371,441

Contractual maturities of certain off-balance-sheet financial liabilities as at March 31 were as follows:

($ in thousands)	Term						
Off-balance-sheet financial instruments	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	Total
March 31, 2017							
Guarantees and letters of credit[(1)]	**$ 541,237**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 541,237**
Commitments to extend credit[(2)]	**18,716,044**	**-**	**-**	**-**	**-**	**-**	**18,716,044**
Purchase obligations	**52,553**	**38,270**	**30,931**	**23,178**	**17,735**	**94,608**	**257,275**
March 31, 2016							
Guarantees and letters of credit[(1)]	$ 493,231	$ -	$ -	$ -	$ -	$ -	$ 493,231
Commitments to extend credit[(2)]	18,801,048	-	-	-	-	-	18,801,048
Purchase obligations	73,432	43,245	30,228	18,255	15,089	91,153	271,402

[1] ATB is only called upon to satisfy a guarantee when the guaranteed party fails to meet its obligations. Additionally, ATB has recourse against the customer for such commitments.

[2] Commitments to extend credit represent undertakings by ATB to make credit available in the form of loans or other financing for specific amounts and maturities, subject to certain conditions, and include recently authorized credit not yet drawn down and credit facilities available on a revolving basis. ATB does not expect all facilities to be drawn, and some may lapse before drawdown.

Operational Risk

ATB is exposed to potential losses arising from a variety of operational risks, including process failure, theft and fraud, errors or misrepresentation in our products, employment practices, workplace safety, regulatory noncompliance, business disruption, information security breaches and exposure related to outsourcing, and damage to physical assets.

Operational risk is inherent in all of our business activities, including the processes and controls used to manage credit risk, market risk, and all other risks we face. It has the potential to cause monetary losses and reputational harm or result in legal action or regulatory sanctions. While operational risk can never be fully eliminated, it can be managed to reduce exposure to financial loss, reputational harm, or regulatory sanctions.

The three-lines-of-defence operating model establishes appropriate accountability for operational risk management.

Operational Risk Management (ORM) Policy and Framework

The ORM policy and framework define the processes we use to identify, measure, manage, mitigate, monitor, and report key operational risk exposures. A primary objective of the ORM policy and framework is to ensure that our operational risk profile aligns with our risk appetite. Embedding an effective and strong operational risk management program also requires awareness and understanding of operational risk through effective challenge, training, and communication.

Risk and Control Assessment (RCA)

RCA is used by our areas of expertise and strategic service units to identify the key risks associated with their businesses and the controls required to mitigate risk to a level consistent with our risk appetite. On an aggregate basis, RCA results also provide an enterprise-level view of operational risks relative to risk appetite, to ensure all key risks are adequately managed and mitigated.

New Initiative Risk Assessment Process (NIRAP)

NIRAP is used to evaluate new (or significant changes to existing) products, services, or strategies that could alter the risk profile of ATB. Consistent deployment of this structured process improves risk awareness throughout ATB and allows initiative sponsors to identify where further mitigation is necessary for alignment with ATB's risk appetite.

Loss Data Collection and Analysis

Internal loss data serves as an important means of assessing our operational risk exposure and identifying opportunities for future risk prevention measures. Significant trends or incidents are regularly reported to ensure preventative and corrective action is taken where appropriate.

Business Continuity Management (BCM)

BCM includes business continuity planning and emergency management. ATB's BCM program is designed to make sure ATB can maintain business resiliency and service to its customers and minimize financial and operational impacts in the event of a business disruption, thereby minimizing adverse effects on our customers and other stakeholders.

Insurance

ATB's corporate insurance program allows certain operational risk exposures to be transferred to an insurer. We look to industry benchmarks as well as legal, regulatory, and contractual requirements when deciding on types of coverage and limits. Coverage is placed at limits considered appropriate for our size, structure, and type of operations. We review our program annually to ensure it remains well suited to ATB and compliant with regulations and requirements.

Reporting

Regular analysis and reporting of our enterprise operational risk profile compared against the approved operational risk appetite is a key component of ORM. Timely and relevant reporting on changes in the operational risk profile, analysis of losses and incidents, and an overview of the top operational risks that ATB faces enhance risk transparency and facilitate the proactive management of material and emerging operational risk exposures.

Regulatory Compliance Risk

Regulatory compliance risk exists if ATB does not comply with applicable regulatory requirements, including those in the *Alberta Treasury Branches Act*, *Alberta Treasury Branches Regulation*, and associated guidelines, as well as other laws, rules, regulations, and prescribed practices applicable to ATB in any jurisdiction in which it operates. These include anti-money-laundering and anti-terrorist financing regulatory requirements and privacy regulatory requirements.

Failure to properly manage regulatory compliance risks may result in civil litigation, criminal or regulatory proceedings being commenced against ATB, sanctions, and potential harm to ATB's reputation. Financial penalties, judgments, and other costs associated with legal and regulatory proceedings may also adversely affect ATB's business, results, or financial condition.

ATB is exposed to regulatory compliance risks in almost everything it does and has designed controls and practices to proactively promote risk-based management of regulatory compliance risk through an enterprise-wide risk-based model.

The areas of expertise and strategic service units are responsible for managing regulatory compliance risks in their daily operations, primarily by implementing policies, processes, procedures, and controls and ensuring appropriate staffing in business operations.

Board of Directors

Code of Conduct and Ethics
Sets the "tone at the top" for a culture of integrity within ATB

Chair of the Board
Monitors compliance with the Code of Conduct and Ethics by members of the board

Compliance and Legal Services

Compliance
Identifies, assesses, and manages legal and regulatory requirements, using a risk-based approach

Legal Services
Provides legal strategies and advice on the performance of legal obligations and manages litigation that involves or impacts ATB or its subsidiaries

Areas of expertise and strategic service units
Manage legal and regulatory compliance risks

The Compliance group has established a regulatory compliance management framework to identify, assess, and manage legal and regulatory requirements, using a risk-based approach.

The Legal Services group provides enterprise-wide legal strategies and advice on interpreting legal obligations and applicable legislation. Legal Services also manages litigation that involves or impacts ATB or its subsidiaries.

ATB's Code of Conduct and Ethics outlines the principles and standards that guide the conduct of every ATB director and team member. It sets the "tone at the top" for a culture of integrity within ATB. The board chair is ultimately responsible for monitoring board members' compliance with the Code of Conduct and Ethics. The board and the Governance and Conduct Review Committee together oversee ATB team members' compliance.

Strategic and Business Execution Risks

Strategic risk is the risk of current or prospective adverse impacts to ATB's earnings, capital, reputation, or standing arising from ineffective strategic decisions, or lack of responsiveness to industry, economic, or technological changes. Business execution risk is the risk of current or prospective adverse impacts to ATB's earnings, capital, or reputation arising from poorly constructed business plans, or from implementing decisions inadequately.

Innovation Risk

Innovation risk is the strategic risk associated with failing to adapt to changing customer needs or with having others deliver creative new ways of meeting those needs. This may involve a competitor or firm from a seemingly unrelated industry providing faster, cheaper, or simpler ways for clients to get the job done and therefore seriously impacting the ATB business model. ATB has engaged our Innovation and Emerge Teams to develop new and innovative strategies and products.

Key Talent Risk

Key talent risk is the risk that ATB will not be able to attract, retain, and leverage the key talent necessary to achieve its strategic goals. In the emerging era of talent scarcity, growing competition, and increasing customer expectations, ATB continues to focus on leading people and culture programs, building on ATB's commitment to putting people first, and creating an undeniable reputation in the talent marketplace as being *the* place to work. Vibrant people and culture programs have a strong focus on recognition, learning, and leadership, which enable ATB to continue to attract, acquire, engage, develop, and retain key talent.

Reputational Risk

Reputational risk is the risk that negative stakeholder impressions about ATB's business practices, actions, or inaction, whether true or not, cause deterioration in ATB's value, brand, liquidity, customer base, or relationship with its owner.

ATB takes reputational risk seriously and strives to build and maintain a solid reputation with stakeholders. We recognize reputational risk as a foundational risk that is impacted by all other risks to which we are exposed. As a result, effectively managing all other risks within ATB is critical to our management of reputational risk.

ATB proactively manages reputational risk in a number of ways, including adopting transparent communication with our customers, maintaining high standards of governance, reinforcing ATB's Code of Conduct and Ethics, providing clear direction through board and management policies, and consistently monitoring social and traditional media to identify and respond to potential threats to ATB's reputation.

Compensation Discussion and Analysis

ATB total rewards programs are designed to attract, retain, and motivate high-calibre talent in a competitive marketplace. The programs, which include both monetary compensation and non-monetary benefits are based on the following key principles:

- Compensation plans align with the strategic goals of the enterprise both for short-term results and long-term success.
- Compensation plans align with owner expectations by creating ongoing financial value and sustainability.
- Team members are compensated in a fully transparent fashion for demonstrated performance within acceptable risk practices and tolerances.
- Total rewards programs are internally equitable and externally competitive.

ATB has both unionized and non-unionized team members. Compensation for unionized team members is set out in the collective agreement with the Alberta Union of Provincial Employees.

Role of the Human Resources Committee

The Human Resources (HR) Committee assists the board of directors in their oversight of:

- Appointment, performance evaluation, and compensation of the chief executive officer and other designated executive officers
- Executive succession and development
- Philosophy and principles for enterprise-wide compensation programs
- Human resources policies and procedures
- Pension plan funding, administration and governance and major design changes

The committee is also responsible for:

- Overseeing the continued development and implementation of key human resource strategies in relation to total compensation, team member engagement, recruitment and retention, development and training, diversity and labour relations, and the adequacy of resources to deliver the corporate human resource objectives
- Reviewing and recommending to the board for approval any new enterprise-wide incentive compensation plans, as well as ensuring that the corporate objectives that form the basis for such plans are presented to the board

The HR Committee meets at least once each quarter and reports its activities to the board of directors. Management brings forward items for HR Committee information, review, and approval. External consultants and experts also present materials to the committee. At each meeting, the committee has the opportunity to hold an in camera session without management present. The committee has unrestricted access to management and team members of ATB along with the authority to retain external advisors to assist in fulfilling its responsibilities.

Components of Total Rewards

The overall total rewards program includes cash compensation (base salary and short- and long-term incentives for executive and other identified roles) together with a pension and flexible health and wellness benefit plan. Non-monetary benefits include career opportunities, learning and development, recognition, and programs promoting a healthy and balanced lifestyle.

Cash compensation is benchmarked regularly against peer organizations. The board-approved comparator markets for compensation represent the organizations that we compete with for talent and for business. ATB has several comparator markets to recognize the breadth of our business. Corporate roles are compared to all industries in Western Canada. RFS and B&Ag sales and customer service positions are compared primarily to Alberta incumbents in schedule 1 banks. Western Canadian incumbents of farm/agricultural credit organizations and credit unions are also reviewed. CFS sales roles are compared to financial institutions in Western Canada as well as nationally. ATBIS sales and industry-specific roles are compared to wealth management organizations. Executive compensation is assessed against a peer group of Canadian banks, credit unions, investment management and services firms, and financial Crown corporations.

Base salary is designed to pay at the middle of the market. For non-executives, our total cash position, which includes base pay and short-term incentives, is designed to pay slightly above the middle of the market for fully competent performance. For executives, our compensation philosophy is to pay total cash at mid-market rates.

Base Salary

Base salary is designed to ensure that individual pay reflects the value and accountabilities of the position. Positions are placed into pay grade levels based on the relative value as determined through application of the Korn Ferry Hay Group job evaluation methodology. The compensable factors are knowledge, problem-solving, and accountability. Salary ranges for pay grades for non-unionized roles consist of a minimum, market-reference, and maximum rate. The market reference point for each salary grade is set at a competitive rate, based on median annual survey data for benchmark roles from within our approved comparator markets.

The annual salary review process has two elements: reviewing our salary range (pay grade) structure and determining an overall budget for the aggregate of base salary increases for team members. Salary range review is based on approved comparator markets using salary market data from reputable third-party consultants such as Korn Ferry Hay Group, Mercer, and McLagan. The process for determining the overall budget for base salary increases to team members balances the need for market competitiveness, maintaining internal equity, recognizing team members for increasing skills and performance, and affordability. As an alternative to base salary, we have a small number of commission-based positions.

Short-Term Incentive Pay (STIP)

STIP is the component of overall compensation that rewards team members for performance relative to pre-determined goals over a one-year period. The target award for each team member is based on a percentage of salary. Generally, the target percentage is greater for customer-facing roles than for corporate positions and increases with level of role. The actual payout for any given year is determined by the results of a combination of financial and operational metrics. Each position has a scorecard with specific metrics appropriate for the nature of the role, together with the weighting and target performance for each metric. Types of metrics include income, revenue, growth, customer advocacy, and team member engagement. Corporate net income is a key metric for determining STIP payout and is a control mechanism to ensure affordability of STIP payments. The scorecards, with weightings, targets, and thresholds, are set annually based on the approved business plan.

Payouts begin when a specific level of result has been achieved. Payments increase on a sliding scale to a maximum of 150% of the target percentage for non-executive customer service and corporate support positions and 200% of target STIP for sales roles and executives.

Executive STIP is based on the achievement of quantitative financial and operational metrics, similar to non-executive plans, with an individual performance multiplier applied within the context of results.

Long-Term Incentive Pay (LTIP)

LTIP plans recognize success in execution of strategic performance and risk objectives that create value and long-term sustainability for the organization. LTIP participants are primarily executives, together with specific senior revenue-generating positions. LTIP targets are expressed as a percentage of base salary, set at 75% to 100% for senior executives and 25% to 55% for other executive roles. LTIP grants are awarded annually, and will range from 0% to 150% of the target based on individual success in achieving pre-determined strategic goals. For executives, the resulting grant can be adjusted up and down by a discretionary component of no more than 20%, as determined by the CEO for any extraordinary or unforeseen situations. This creates an overall maximum of 180% of the target.

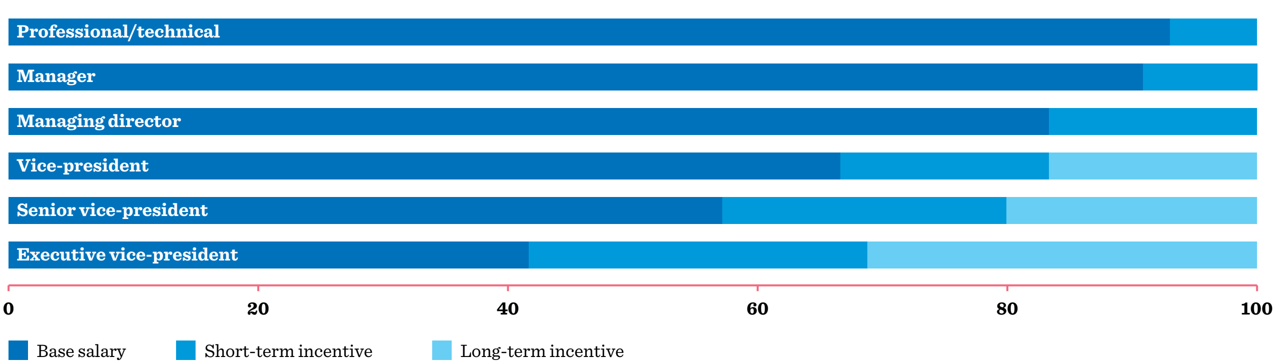
LTIP grants vest over a three-year term and appreciate or depreciate annually based on actual long-term risk-adjusted return on capital (RAROC) performance measured against a long-term RAROC target and an appropriate hurdle rate, which is set by the board in advance. Where actual long-term RAROC meets or exceeds the long-term RAROC target, previously awarded grants will appreciate by an amount equal to the actual long-term RAROC attainment less the hurdle rate to a maximum of 20% appreciation per year. Grants can depreciate by up to 30% each year, when actual long-term RAROC is 50% of target or less. Mature grants, together with appreciation/depreciation, are paid out as lump-sum payments.

The LTIP program includes forfeiture and claw-back provisions to adjust or recover previously awarded grants in cases of termination of employment for cause and/or an adjustment to grants or appreciation/depreciation as a result of an accounting restatement.

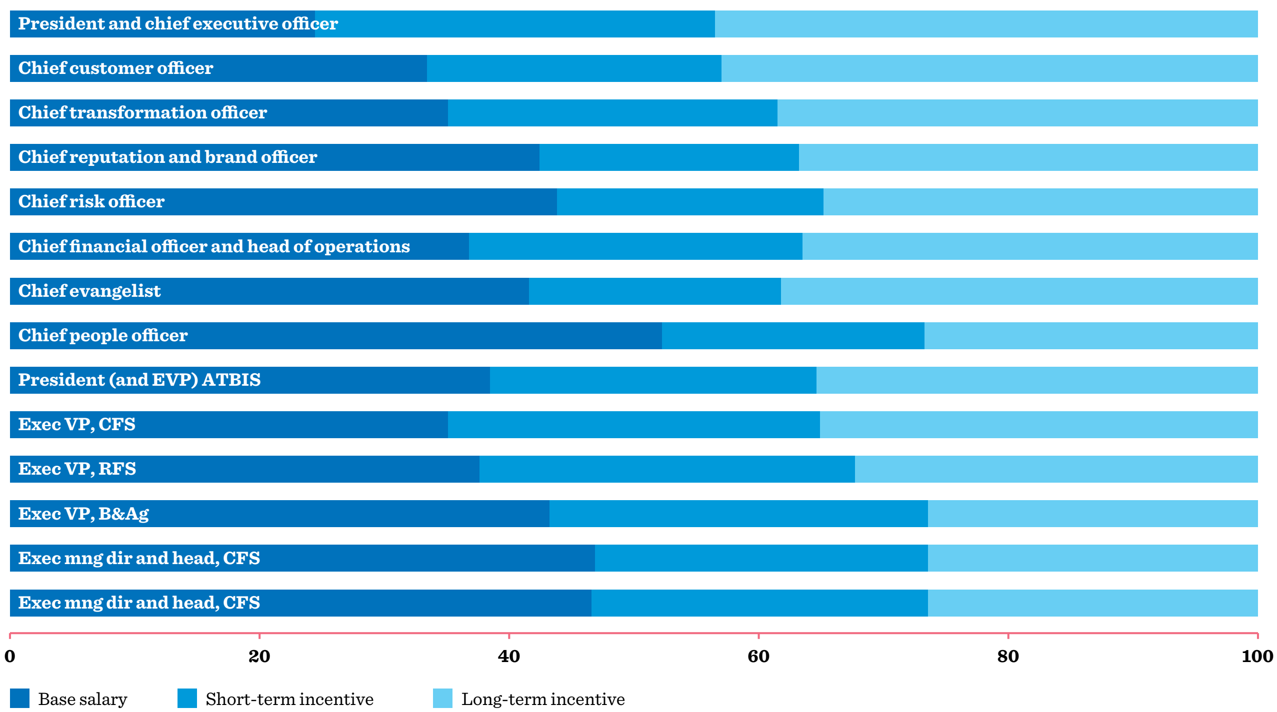
Total Cash Compensation

The combination of base pay plus incentive pay varies depending on the level of accountability. The graphs below represent the targeted combinations for various levels. Overall compensation for non-executives is more stable due to a heavier weighting on base salary. As seniority increases from front-line through to executive, the weighting of incentive pay as a portion of overall cash compensation also increases. A significant portion of executive compensation is "at risk" in order to motivate and reward executives for creating value for the shareholder. In general terms, the more senior an executive, the greater portion of their pay is at risk in the form of STIP and LTIP. The first graph below represents the combination at target for various levels of accountability. The second graph represents the combination at target for the senior executives disclosed in this report.

Target Compensation Mix – Various Levels Throughout ATB



Actual Compensation Mix – Senior Executives



Flexible Pension Plan

In 2015, ATB introduced the Flexible Pension Plan (FPP) for management and executive team members. FPP is an innovative design focused on total wealth and financial management. It has a core employer contribution to a defined contribution (DC) plan with a flexible contribution that is directed by team members based on their personal circumstances into (a) retirement savings (DC pension plan or RRSP), (b) debt reduction through mortgage repayment or (c) a Registered Education Savings Plan. Team members also make an annual election for voluntary contributions of up to 6% of their pensionable earnings to the DC plan. ATB matches voluntary team member contributions of up to 4% of their pensionable earnings.

Where annual contributions exceed allowable maximums under the *Income Tax Act*, excess amounts are allocated to the Notional Supplemental Plan (NSP), a non-registered plan that provides notional DC benefits that cannot be provided within the FPP due to limitations on contributions.

Public Service Pension Plan

Professional and unionized team members participate in the Public Service Pension Plan (PSPP), a defined benefit pension plan managed by the PSPP board, with the Government of Alberta and a number of other broader public-service organizations as plan participants.

Benefits

ATB's team members and their families participate in market-competitive benefit programs that provide security and contribute to their quality of life. Core benefits provided to all team members include automatic basic life insurance, short- and long-term disability insurance, critical illness, casual illness, catastrophic drug coverage, out-of-province emergency medical coverage, and access to an employee and family assistance program (EFAP). Team members have considerable flexibility in determining their benefit coverage. ATB-provided flexible benefits credits can be used by team members to "purchase" from a variety of levels of health, dental, vision, and prescription drug coverage, based on their family status and need. Team members can also purchase additional life, critical illness, and accident insurance for themselves and their dependants. Team members have options to use flex credits to increase their health care spending account or to contribute additional funds to their wellness account, a program that allows them to use credits and payroll deductions to pay for equipment and activities to improve their physical and mental well-being. Team members can also purchase additional vacation time through the flexible benefit program. All these benefits are measured and benchmarked in line with the total rewards programs to ensure that ATB remains competitive with comparable organizations.

Wellness

ATB's corporate wellness strategy puts people first with a focus on "big-picture wellness," which encompasses physical, mental, spiritual, and financial wellness. Our efforts are inclusive and accessible to all team members. We have an internal network of wellness champions across the enterprise who model and encourage participation.

A dynamic online wellness platform provides over 3,000 registered team members with a one-stop interface for information and tracking of wellness initiatives. In 2016, nine wellness challenges were hosted to address areas identified by team members, including sleep health, nutrition, and physical activity.

Annual mental health awareness campaigns include the Not Myself Today campaign with the Partners for Mental Health and the National Depression Screening Day. In support of overall well-being, rejuvenation rooms are available in every ATB facility to accommodate diverse needs for private moments (e.g., prayer, meditation).

ATB has also fostered strong partnerships with the Heart and Stroke Foundation to deliver an ATB-wide health risk assessment and with the Prostate Cancer Centre to deliver mobile prostate cancer screening clinics, Man Vans, to team members and customers in the rural branch network.

Learning

We invest in our people and encourage team members to increase their skills and knowledge through the 70-20-10 model. In this model, 70% of learning and development is through on-the-job experience; 20% through interactions with mentors, coaching networks, and other team members; and 10% through structured programs and courses.

Banking Products and Services

As a financial institution, we expect team members to use ATB products by offering preferred interest rates and fees for everyday banking, mortgages, loans, and lines of credit. ATB has a team of experts that specialize in team member banking benefits, offering personalized service to help reach financial goals. The more that team members experience ATB from a banking and investment perspective, the more expert connections they will have, the more knowledgeable they will be about our offerings, and the better advocates they can be with existing and prospective customers. Team members experience how ATB is reimagining banking and creating happiness on our way to becoming *the* place to bank.

Use of External Consultants

ATB's management and the HR Committee engage with external consultants for specialized expertise, specific total rewards projects and the regular review of executive compensation. This independent advice supports the review of market competitiveness, rewards design, and awareness of market trends. At the start of fiscal 2017, Korn Ferry Hay Group was engaged to provide an opinion to management on changes to STIP and LTIP, which were subsequently reviewed by the HR Committee. ATB made these changes to regulate the impact that uncertain and volatile economic times have on loan loss provisions as a metric for STIP, to improve the methodology used to reduce or eliminate incentive payouts based on affordability, and to adopt a risk-adjusted return metric for changing the value of LTIP grants during vesting. ATB also obtained the services of Gallagher McDowall Associates throughout fiscal 2017 for an in-depth review of the competitiveness of ATBIS compensation levels by position and design of ATBIS STIP. Korn Ferry Hay is undertaking the regular review of executive job evaluations and compensation structure, with outcomes projected to be adopted in early fiscal 2018. Mercer provides pension actuarial services as well as professional consulting in the areas of benefits and pension investment.

Supplementary Financial Information

Five-Year Statistical Review

Summarized Consolidated Statement of Financial Position

($ in thousands)	2017	2016	2015	2014	2013
Assets					
Cash resources and securities	$ **6,397,188**	$ 4,762,666	$ 3,831,310	$ 2,504,374	$ 2,341,992
Loans, net of allowances for loan losses:					
Business	**19,046,406**	19,199,157	17,530,954	15,167,687	12,732,228
Residential mortgages	**14,947,751**	14,318,656	12,947,624	12,012,454	10,705,908
Personal	**6,622,936**	6,614,996	6,700,854	6,184,463	5,744,958
Credit card	**703,817**	690,204	673,857	651,931	598,256
Allowance for loan losses	**(509,688)**	(472,856)	(168,397)	(131,391)	(122,889)
	40,811,222	40,350,157	37,684,892	33,885,144	29,658,461
Other assets	**1,338,876**	1,644,455	1,558,721	1,314,957	1,140,345
Total assets	$ **48,547,286**	$ 46,757,278	$ 43,074,923	$ 37,704,475	$ 33,140,798
Liabilities and equity					
Deposits					
Personal	$ **13,316,717**	$ 13,088,145	$ 12,645,311	$ 11,840,449	$ 11,100,357
Business and other	**20,611,043**	17,774,144	17,944,044	15,475,989	12,631,014
	33,927,760	30,862,289	30,589,355	27,316,438	23,731,371
Other liabilities	**11,127,799**	12,413,728	9,166,042	7,324,820	6,753,696
Subordinated debentures	**344,441**	371,441	311,339	228,775	155,653
Capital investment notes	**-**	-	-	250,508	244,617
Equity	**3,147,286**	3,109,820	3,008,187	2,583,934	2,255,461
Total liabilities and equity	$ **48,547,286**	$ 46,757,278	$ 43,074,923	$ 37,704,475	$ 33,140,798

Summarized Consolidated Statement of Income

($ in thousands)	2017	2016	2015	2014	2013
Interest income	$ **1,612,772**	$ 1,578,322	$ 1,505,918	$ 1,383,939	$ 1,275,604
Interest expense	**528,457**	485,513	477,627	417,927	397,452
Net interest income	**1,084,315**	1,092,809	1,028,291	966,012	878,152
Other income	**390,896**	434,100	423,249	384,447	351,585
Operating revenue	**1,475,211**	1,526,909	1,451,540	1,350,459	1,229,737
Provision for loan losses	**234,989**	387,559	72,584	42,395	45,923
Non-interest expenses	**1,044,404**	998,922	952,098	949,091	869,392
Net income before payment in lieu of tax	**195,818**	140,428	426,858	358,973	314,422
Payment in lieu of tax	**45,038**	32,298	98,177	82,564	73,122
Net income	$ **150,780**	$ 108,130	$ 328,681	$ 276,409	$ 241,300

Summarized Key Performance Indicators

(%)	2017	2016	2015	2014	2013
Return on average assets	**0.32**	0.24	0.82	0.78	0.75
Return on average risk-weighted assets	**0.45**	0.33	1.1	1.1	1.0
Operating revenue growth	**(3.4)**	5.8	8.8	9.8	9.8
Efficiency ratio	**70.8**	65.4	65.6	70.3	70.7
Performing loan growth	**1.2**	7.0	11.1	14.4	11.1
Deposit growth	**9.9**	0.89	12.0	15.1	6.8
Growth in assets under administration	**14.2**	7.0	24.1	28.1	20.8

Quarterly Summarized Financial Results

Summarized Consolidated Statement of Financial Position

($ in thousands)	2017 Q4 Mar 31/17	2017 Q3 Dec 31/16	2017 Q2 Sep 30/16	2017 Q1 Jun 30/16	2016 Q4 Mar 31/16	2016 Q3 Dec 31/15	2016 Q2 Sep 30/15	2016 Q1 Jun 30/15
Assets								
Cash resources and securities	$ 6,397,188	$ 6,586,690	$ 5,822,329	$ 5,735,086	$ 4,762,666	$ 4,447,188	$ 4,789,139	$ 3,823,861
Loans, net of allowances for loan losses:								
Business	19,046,406	18,969,665	19,031,975	19,049,433	19,199,157	18,799,156	18,056,823	17,677,569
Residential mortgages	14,947,751	14,870,350	14,683,083	14,485,374	14,318,656	14,159,084	13,829,819	13,362,059
Personal	6,622,936	6,632,710	6,686,586	6,651,970	6,614,996	6,656,065	6,727,710	6,722,580
Credit card	703,817	730,486	727,402	712,828	690,204	713,872	708,897	698,019
Allowance for loan losses	(509,688)	(576,572)	(580,358)	(518,504)	(472,856)	(311,659)	(237,183)	(220,551)
	40,811,222	40,626,639	40,548,688	40,381,101	40,350,157	40,016,518	39,086,066	38,239,676
Other assets	1,338,876	1,443,329	1,521,854	1,557,141	1,644,455	1,604,246	1,653,755	1,447,040
Total assets	$ 48,547,286	$ 48,656,658	$ 47,892,871	$ 47,673,328	$ 46,757,278	$ 46,067,952	$ 45,528,960	$ 43,510,577
Liabilities and equity								
Deposits								
Personal	$ 13,316,717	$ 13,267,943	$ 13,207,593	$ 13,197,491	$ 13,088,145	$ 12,949,941	$ 12,710,329	$ 12,660,239
Business and other	20,611,043	20,527,410	20,186,190	19,452,518	17,774,144	18,719,897	19,624,195	18,386,342
	33,927,760	33,795,353	33,393,783	32,650,009	30,862,289	31,669,838	32,334,524	31,046,581
Other liabilities	11,127,799	11,379,083	11,011,083	11,556,129	12,413,728	10,852,408	9,681,955	8,988,938
Subordinated debentures	344,441	344,441	344,441	344,441	371,441	371,441	371,441	409,516
Equity	3,147,286	3,137,781	3,143,564	3,122,749	3,109,820	3,174,265	3,141,040	3,065,542
Total liabilities and equity	$ 48,547,286	$ 48,656,658	$ 47,892,871	$ 47,673,328	$ 46,757,278	$ 46,067,952	$ 45,528,960	$ 43,510,577

Consolidated Statement of Changes in Equity

For the three months ended ($ in thousands)	2017 Q4 Mar 31/17	2017 Q3 Dec 31/16	2017 Q2 Sep 30/16	2017 Q1 Jun 30/16	2016 Q4 Mar 31/16	2016 Q3 Dec 31/15	2016 Q2 Sep 30/15	2016 Q1 Jun 30/15
Retained earnings								
Balance at beginning of the period	$ 3,153,735	$ 3,088,688	$ 3,053,499	$ 3,028,505	$ 3,075,831	$ 3,043,356	$ 2,986,205	$ 2,920,375
Net income (loss)	25,550	65,047	35,189	24,994	(47,326)	32,475	57,151	65,830
Balance at end of the period	$ 3,179,285	$ 3,153,735	$ 3,088,688	$ 3,053,499	$ 3,028,505	$ 3,075,831	$ 3,043,356	$ 2,986,205
Accumulated other comprehensive (loss) income								
Balance at beginning of the period	(15,954)	54,876	69,250	81,315	98,434	97,684	79,337	87,812
Other comprehensive (loss) income	(16,045)	(70,830)	(14,374)	(12,065)	(17,119)	750	18,347	(8,475)
Balance at end of the period	$ (31,999)	$ (15,954)	$ 54,876	$ 69,250	$ 81,315	$ 98,434	$ 97,684	$ 79,337
Equity as at end of the period	$ 3,147,286	$ 3,137,781	$ 3,143,564	$ 3,122,749	$ 3,109,820	$ 3,174,265	$ 3,141,040	$ 3,065,542

Consolidated Statement of Cash Flows

For the three months ended *($ in thousands)*	2017 Q4 Mar 31/17	 Q3 Dec 31/16	 Q2 Sep 30/16	 Q1 Jun 30/16	2016 Q4 Mar 31/16	 Q3 Dec 31/15	 Q2 Sep 30/15	 Q1 Jun 30/15
Cash flows from operating activities:								
Net income (loss)	$ 25,550	$ 65,047	$ 35,189	$ 24,994	$ (47,326)	$ 32,475	$ 57,151	$ 65,830
Adjustments for non-cash items and others:								
Provision for loan losses	45,979	16,948	78,517	93,545	190,759	91,260	48,084	57,456
Depreciation and amortization	30,329	31,678	29,814	29,241	27,627	27,108	26,280	24,789
Net gains on financial instruments at fair value through net income	1,829	(2,157)	(4,450)	(6,658)	(10,392)	(16,570)	(2,280)	(29,179)
Adjustments for net change in operating assets and liabilities:								
Loans	(215,956)	(78,644)	(229,367)	(106,228)	(498,937)	(1,064,687)	(845,675)	(565,608)
Deposits	132,613	400,766	742,971	1,787,720	(807,406)	(664,339)	1,288,369	457,702
Derivative financial instruments	6,019	6,448	(18,657)	(34,859)	12,848	898	(15,447)	5,762
Prepayments and other receivables	(30,046)	8,226	(2,362)	(4,942)	8,897	(7,719)	(3,400)	(13,252)
Due to clients, brokers, and dealers	16,282	(36,934)	25,112	12,980	6,554	(22,430)	1,291	38,822
Deposit guarantee fee payable	10,696	12,191	12,222	(35,134)	12,113	11,767	13,004	(32,015)
Accounts payable and accrued liabilities	108,479	(130,895)	(184,970)	(36,755)	(63)	(9,449)	208,429	(229,362)
Liability for payment in lieu of tax	7,632	19,429	10,511	(24,832)	(14,137)	9,700	17,071	(78,513)
Net interest receivable and payable	22,376	(24,278)	34,399	(18,819)	19,808	(21,454)	17,605	(3,812)
Change in accrued pension-benefit liability	23,328	(59,940)	8,547	24,517	40,350	(19,024)	5,314	(20,737)
Others, net	(34,313)	66,363	(27,215)	(27,589)	(46,389)	143,508	(88,860)	(965)
Net cash provided by (used in) operating activities	150,797	294,248	510,261	1,677,181	(1,105,694)	(1,508,956)	726,936	(323,082)
Cash flows from investing activities:								
Change in securities measured at fair value through net income	339,264	(791,612)	(12,152)	(793,998)	(7,997)	191,704	(1,285,743)	(550,116)
Change in securities purchased under reverse repurchase agreements	(84,898)	(37,866)	73,992	(401,889)	-	-	-	500,094
Change in interest-bearing deposits with financial institutions	41,080	(105,961)	(230,001)	351,650	(232,262)	116,987	211,488	11,723
Purchases and disposals of property and equipment, and software and other intangibles	(32,886)	(43,759)	(15,011)	(17,468)	(27,929)	(22,385)	(16,276)	(38,743)
Net cash provided by (used in) investing activities	262,560	(979,198)	(183,172)	(861,705)	(268,188)	286,306	(1,090,531)	(77,042)
Cash flows from financing activities:								
Change in wholesale borrowings	(667,583)	263,874	(965,858)	(785,841)	1,085,605	1,033,699	(66,254)	(49,436)
Change in collateralized borrowings	363,103	254,693	562,663	134,433	378,501	370,805	367,989	106,293
Change in securities sold under repurchase agreements	-	-	-	-	-	(204,122)	4,023	200,099
Net of (repayment) issuance of subordinated debentures	-	-	-	(27,000)	-	-	(38,075)	98,177
Net cash (used in) provided by financing activities	(304,480)	518,567	(403,195)	(678,408)	1,464,106	1,200,382	267,683	355,133
Net increase (decrease) in cash	108,877	(166,383)	(76,106)	137,068	90,224	(22,268)	(95,912)	(44,991)
Cash at beginning of period	205,423	371,806	447,912	310,844	220,620	242,888	338,800	383,791
Cash at end of period	$ 314,300	$ 205,423	$ 371,806	$ 447,912	$ 310,844	$ 220,620	$ 242,888	$ 338,800
Net cash (used in) provided by operating activities includes:								
Interest paid	$ (114,853)	$ (170,192)	$ (95,490)	$ (141,812)	$ (104,676)	$ (158,208)	$ (95,059)	$ (129,988)
Interest received	$ 407,555	$ 413,505	$ 400,827	$ 398,453	$ 402,069	$ 411,785	$ 383,572	$ 395,462

Quarterly Segmented Results

Consolidated Statement of Income

For the three months ended ($ in thousands)	Net interest income (loss)	Other income (loss)	Operating revenue (loss)	Provision for (recovery of) loan losses	Non-interest expenses	Net income (loss) before payment in lieu of tax	Payment in lieu of tax	Net income (loss)	Total assets	Total liabilities
March 31, 2017										
Retail Financial Services	$ 103,870	$ 23,200	$ 127,070	$ 15,956	$ 122,678	$ (11,564)	$ -	$ (11,564)	$21,899,833	$12,844,828
Business and Agriculture	69,211	15,794	85,005	43,430	52,337	(10,762)	-	(10,762)	7,809,084	9,396,929
Corporate Financial Services	69,659	18,958	88,617	(13,407)	29,199	72,825	-	72,825	11,076,094	11,015,842
Investor Services	125	44,242	44,367	-	33,862	10,505	2,417	8,088	157,954	115,509
Strategic service units	27,463	(490)	26,973	-	54,796	(27,823)	5,214	(33,037)	7,604,321	12,026,892
Total	$ 270,328	$101,704	$ 372,032	$ 45,979	$ 292,872	$ 33,181	$ 7,631	$ 25,550	$48,547,286	$45,400,000
December 31, 2016										
Retail Financial Services	$ 111,955	$ 21,916	$ 133,871	$ 24,877	$ 113,296	$ (4,302)	$ -	$ (4,302)	$21,835,942	$12,710,709
Business and Agriculture	75,024	16,336	91,360	6,798	51,402	33,160	-	33,160	7,808,903	9,670,770
Corporate Financial Services	82,798	18,781	101,579	(14,727)	26,466	89,840	-	89,840	10,915,190	10,743,135
Investor Services	120	43,346	43,466	-	30,347	13,119	3,018	10,101	141,868	95,512
Strategic service units	(2,307)	(17,785)	(20,092)	-	27,248	(47,340)	16,412	(63,752)	7,954,755	12,298,751
Total	$ 267,590	$ 82,594	$ 350,184	$ 16,948	$ 248,759	$ 84,477	$ 19,430	$ 65,047	$48,656,658	$45,518,877
September 30, 2016										
Retail Financial Services	$ 112,813	$ 18,693	$ 131,506	$ 34,855	$ 111,692	$ (15,041)	$ -	$ (15,041)	$21,698,513	$12,664,711
Business and Agriculture	72,348	16,914	89,262	22,073	51,843	15,346	-	15,346	7,674,522	9,791,068
Corporate Financial Services	81,930	17,863	99,793	21,589	26,536	51,668	-	51,668	11,100,611	10,255,221
Investor Services	109	42,179	42,288	-	29,737	12,551	2,886	9,665	171,629	127,373
Strategic service units	3,738	6,083	9,821	-	28,645	(18,824)	7,625	(26,449)	7,247,596	11,910,934
Total	$ 270,938	$101,732	$ 372,670	$ 78,517	$ 248,453	$ 45,700	$ 10,511	$ 35,189	$47,892,871	$44,749,307
June 30, 2016										
Retail Financial Services	$ 112,342	$ 19,473	$ 131,815	$ 19,770	$ 118,395	$ (6,350)	$ -	$ (6,350)	$21,454,412	$12,664,861
Business and Agriculture	70,615	15,307	85,922	5,132	52,052	28,738	-	28,738	7,507,938	9,430,849
Corporate Financial Services	81,718	20,595	102,313	68,643	26,151	7,519	-	7,519	11,313,482	9,892,855
Investor Services	105	40,082	40,187	-	29,655	10,532	2,422	8,110	143,005	103,414
Strategic service units	10,679	9,409	20,088	-	28,067	(7,979)	5,044	(13,023)	7,254,491	12,458,600
Total	$ 275,459	$104,866	$ 380,325	$ 93,545	$ 254,320	$ 32,460	$ 7,466	$ 24,994	$47,673,328	$44,550,579
Year ended March 31, 2017	$1,084,315	$390,896	$1,475,211	$ 234,989	$1,044,404	$195,818	$ 45,038	$150,780	$48,547,286	$45,400,000

Consolidated Statement of Income (continued)

For the three months ended ($ in thousands)	Net interest income (loss)	Other income (loss)	Operating revenue (loss)	Provision for (recovery of) loan losses	Non-interest expenses	Net income (loss) before payment in lieu of tax	Payment in lieu of tax	Net income (loss)	Total assets	Total liabilities
March 31, 2016										
Retail Financial Services	$ 113,976	$ 23,093	$ 137,069	$ 21,866	$ 110,608	$ 4,595	$ -	$ 4,595	$ 21,244,658	$ 12,701,875
Business and Agriculture	74,182	14,773	88,955	20,341	50,791	17,823	-	17,823	7,384,520	9,097,122
Corporate Financial Services	83,802	14,607	98,409	148,552	23,581	(73,724)	-	(73,724)	11,881,375	8,418,943
Investor Services	106	38,419	38,525	-	28,529	9,996	2,297	7,699	131,093	94,612
Strategic service units	5,519	17,195	22,714	-	42,867	(20,153)	(16,434)	(3,719)	6,115,632	13,334,906
Total	$ 277,585	$ 108,087	$ 385,672	$ 190,759	$ 256,376	$ (61,463)	$ (14,137)	$ (47,326)	$ 46,757,278	$ 43,647,458
December 31, 2015										
Retail Financial Services	$ 115,492	$ 20,886	$ 136,378	$ 27,454	$ 109,695	$ (771)	$ -	$ (771)	$ 21,152,270	$ 12,507,776
Business and Agriculture	75,558	15,206	90,764	6,578	51,365	32,821	-	32,821	7,352,338	9,429,942
Corporate Financial Services	80,662	14,620	95,282	57,228	23,134	14,920	-	14,920	11,526,394	9,125,120
Investor Services	109	38,686	38,795	-	27,456	11,339	2,607	8,732	128,008	91,216
Strategic service units	3,210	15,280	18,490	-	34,624	(16,134)	7,093	(23,227)	5,908,942	11,739,633
Total	$ 275,031	$ 104,678	$ 379,709	$ 91,260	$ 246,274	$ 42,175	$ 9,700	$ 32,475	$ 46,067,952	$ 42,893,687
September 30, 2015										
Retail Financial Services	$ 113,744	$ 21,341	$ 135,085	$ 18,934	$ 115,876	$ 275	$ -	$ 275	$ 20,894,737	$ 12,257,546
Business and Agriculture	74,405	15,590	89,995	8,760	49,820	31,415	-	31,415	7,015,841	9,546,478
Corporate Financial Services	82,137	17,559	99,696	20,390	25,175	54,131	-	54,131	11,161,301	9,892,471
Investor Services	107	38,429	38,536	-	27,993	10,543	2,427	8,116	146,674	110,624
Strategic service units	515	5,069	5,584	-	27,726	(22,142)	14,644	(36,786)	6,310,407	10,580,801
Total	$ 270,908	$ 97,988	$ 368,896	$ 48,084	$ 246,590	$ 74,222	$ 17,071	$ 57,151	$ 45,528,960	$ 42,387,920
June 30, 2015										
Retail Financial Services	$ 111,980	$ 21,178	$ 133,158	$ 19,407	$ 115,729	$ (1,978)	$ -	$ (1,978)	$ 20,416,287	$ 12,119,509
Business and Agriculture	71,739	15,098	86,837	5,341	52,786	28,710	-	28,710	6,854,531	9,478,177
Corporate Financial Services	79,141	15,272	94,413	32,708	25,817	35,888	-	35,888	10,952,227	8,778,881
Investor Services	112	37,621	37,733	-	28,833	8,900	2,048	6,852	143,382	110,447
Strategic service units	6,313	34,178	40,491	-	26,517	13,974	17,616	(3,642)	5,144,150	9,958,021
Total	$ 269,285	$ 123,347	$ 392,632	$ 57,456	$ 249,682	$ 85,494	$ 19,664	$ 65,830	$ 43,510,577	$ 40,445,035
Year ended March 31, 2016	$ 1,092,809	$ 434,100	$ 1,526,909	$ 387,559	$ 998,922	$ 140,428	$ 32,298	$ 108,130	$ 46,757,278	$ 43,647,458

Consolidated Financial Statements

For the year ended March 31, 2017 ($ in thousands)

Statement of Responsibility for Financial Reporting

The consolidated financial statements of Alberta Treasury Branches (ATB Financial or ATB) and all other information contained in the annual report, including Management's Discussion and Analysis (MD&A) of ATB's operating results and financial position, have been prepared and presented by management, who are responsible for the integrity and fair presentation of the information therein. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

Other financial information presented in this annual report is consistent with that in the consolidated financial statements. The consolidated financial statements, the MD&A, and related financial information presented in this annual report reflect amounts determined by management based on informed judgments and estimates as to the expected future effects of current events and transactions with appropriate consideration to materiality.

Management is responsible for the design and maintenance of an accounting and financial reporting system, along with supporting systems of internal controls designed to provide reasonable assurance that financial information is reliable, that transactions are properly authorized and recorded and liabilities are recognized, and that ATB's assets are appropriately safeguarded. These controls include written policies and procedures, the careful selection and training of qualified staff, a corporate code of conduct, and the establishment of organizational structures with well-defined delegations of authority that provide appropriately defined divisions of responsibilities and accountabilities for performances. This process includes a compliance team that independently supports management in its evaluation of the design and effectiveness of its internal controls over financial reporting.

The vice-president of Internal Audit and his team of internal auditors periodically review and evaluate all aspects of ATB's operations and, in particular, its systems of internal controls. The vice-president of Internal Audit has full and unrestricted access to, and meets regularly with, the Audit Committee to discuss the results of his team's work.

The board of directors, acting through the Audit Committee, oversees management's responsibilities for ATB's financial reporting and systems of internal controls. The Audit Committee reviews the consolidated financial statements and other financial information presented in the quarterly and annual reports, as well as any issues related to them, with both management and the external auditors before recommending the consolidated financial statements for approval to the board. Their review of the consolidated financial statements includes an assessment of key management estimates and judgments material to the financial results. The Audit Committee also assesses the effectiveness of internal controls over the accounting and financial reporting systems.

The Auditor General of Alberta has been engaged to perform an independent, external audit of these consolidated financial statements in accordance with Canadian generally accepted auditing standards and has expressed his opinion in the report following. The Auditor General has full and unrestricted access to the Audit Committee and meets with them periodically, both in the presence and absence of management, to discuss his audit, including any findings as to the integrity of ATB's financial reporting processes and the adequacy of our systems of internal controls.

Brian Hesje
Chair of the Board
Edmonton, Alberta
May 25, 2017

Dave Mowat
President and Chief Executive Officer
Edmonton, Alberta
May 25, 2017

Bob McGee
Chief Financial Officer and Head of Operations
Edmonton, Alberta
May 25, 2017

Independent Auditor's Report

To the President of Treasury Board and Minister of Finance

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of ATB Financial, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ATB Financial as at March 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General

May 25, 2017

Edmonton, Alberta

Consolidated Statement of Financial Position

As at March 31 *($ in thousands)*	Note		2017		2016
Assets					
Cash resources	6				
Cash		$	314,300	$	310,844
Interest-bearing deposits with financial institutions			647,549		704,317
			961,849		1,015,161
Securities	7				
Securities measured at fair value through net income			4,984,678		3,747,323
Securities available for sale			-		182
			4,984,678		3,747,505
Securities purchased under reverse repurchase agreements			450,661		-
Loans	8				
Business			19,046,406		19,199,157
Residential mortgages			14,947,751		14,318,656
Personal			6,622,936		6,614,996
Credit card			703,817		690,204
			41,320,910		40,823,013
Allowance for loan losses	9		(509,688)		(472,856)
			40,811,222		40,350,157
Other assets					
Derivative financial instruments	10		450,847		765,653
Property and equipment	11		362,750		378,332
Software and other intangibles	12		274,616		270,972
Other assets	13		250,663		229,498
			1,338,876		1,644,455
Total assets		$	48,547,286	$	46,757,278
Liabilities and equity					
Liabilities					
Deposits	14				
Personal		$	13,316,717	$	13,088,145
Business and other			20,611,043		17,774,144
			33,927,760		30,862,289
Other liabilities					
Wholesale borrowings	21		2,892,336		5,047,744
Collateralized borrowings	15		6,812,660		5,497,768
Derivative financial instruments	10		339,092		573,084
Other liabilities	16		1,083,711		1,295,132
			11,127,799		12,413,728
Subordinated debentures	17		344,441		371,441
Total liabilities			45,400,000		43,647,458
Equity					
Retained earnings			3,179,285		3,028,505
Accumulated other comprehensive (loss) income			(31,999)		81,315
Total equity			3,147,286		3,109,820
Total liabilities and equity		$	48,547,286	$	46,757,278

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the board:

Brian Hesje
Chair of the Board

Barry James
Chair of the Audit Committee

Consolidated Statement of Income

For the year ended March 31 *($ in thousands)*	Note	2017	2016
Interest income			
Loans		$ **1,566,007**	$ 1,546,676
Interest-bearing deposits with financial institutions		**4,436**	4,657
Securities measured at fair value through net income		**42,329**	26,989
		1,612,772	1,578,322
Interest expense			
Deposits		**339,768**	316,521
Wholesale borrowings		**64,537**	59,519
Collateralized borrowings		**113,466**	98,120
Subordinated debentures		**10,686**	11,353
		528,457	485,513
Net interest income		**1,084,315**	1,092,809
Other income			
Investor Services		**161,402**	144,938
Service charges		**68,114**	67,723
Card fees		**56,627**	52,995
Credit fees		**40,485**	44,824
Insurance		**18,887**	20,404
Foreign exchange		**8,919**	8,927
Net gains on derivative financial instruments		**18,311**	32,047
Net gains on financial instruments at fair value through net income		**11,436**	58,421
Sundry		**6,715**	3,821
		390,896	434,100
Operating revenue		**1,475,211**	1,526,909
Provision for loan losses	9	**234,989**	387,559
Non-interest expenses			
Salaries and employee benefits	18,19	**542,290**	515,878
Data processing		**94,711**	92,230
Premises and occupancy, including depreciation		**93,841**	92,895
Professional and consulting costs		**58,933**	54,441
Deposit guarantee fee	14	**42,778**	39,217
Equipment, including depreciation		**26,197**	25,178
Software and other intangibles amortization	12	**58,167**	48,278
General and administrative		**69,847**	71,137
ATB agencies		**11,011**	10,863
Other		**46,629**	48,805
		1,044,404	998,922
Net income before payment in lieu of tax		**195,818**	140,428
Payment in lieu of tax	20	**45,038**	32,298
Net income		$ **150,780**	$ 108,130

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended March 31 *($ in thousands)*	2017	2016
Net income	**$ 150,780**	$ 108,130
Other comprehensive (loss) income		
Items that may be reclassified subsequently to profit or loss:		
Unrealized net gains on available-for-sale financial assets:		
Unrealized net gains arising during the period	**-**	151
Net gains reclassified to net income	**-**	(18)
Unrealized net gains on derivative financial instruments designated as cash flow hedges:		
Unrealized net (losses) gains arising during the period	**(58,766)**	69,339
Net gains reclassified to net income	**(63,099)**	(68,536)
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plan liabilities	**8,551**	(7,433)
Other comprehensive (loss) income	**(113,314)**	(6,497)
Comprehensive income	**$ 37,466**	$ 101,633

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended March 31 *($ in thousands)*	2017	2016
Retained earnings		
Balance at beginning of the year	**$ 3,028,505**	$ 2,920,375
Net income	**150,780**	108,130
Balance at end of the year	**3,179,285**	3,028,505
Accumulated other comprehensive (loss) income		
Available-for-sale financial assets		
Balance at beginning of the year	**-**	(133)
Other comprehensive income	**-**	133
Balance at end of the year	**-**	-
Derivative financial instruments designated as cash flow hedges		
Balance at beginning of the year	**161,886**	161,083
Other comprehensive (loss) income	**(121,865)**	803
Balance at end of the year	**40,021**	161,886
Defined benefit plan liabilities		
Balance at beginning of the year	**(80,571)**	(73,138)
Other comprehensive income (loss)	**8,551**	(7,433)
Balance at end of the year	**(72,020)**	(80,571)
Accumulated other comprehensive (loss) income	**(31,999)**	81,315
Equity	**$ 3,147,286**	$ 3,109,820

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended March 31 *($ in thousands)*		2017		2016
Cash flows from operating activities:				
Net income	**$**	**150,780**	$	108,130
Adjustments for non-cash items and others:				
Provision for loan losses		**234,989**		387,559
Depreciation and amortization		**121,062**		105,804
Net gains on financial instruments at fair value through net income		**(11,436)**		(58,421)
Adjustments for net changes in operating assets and liabilities:				
Loans		**(630,195)**		(2,974,907)
Deposits		**3,064,070**		274,326
Derivative financial instruments		**(41,049)**		4,061
Prepayments and other receivables		**(29,124)**		(15,474)
Due to clients, brokers, and dealers		**17,440**		24,237
Deposit guarantee fee payable		**(25)**		4,869
Accounts payable and accrued liabilities		**(244,141)**		(30,445)
Liability for payment in lieu of tax		**12,740**		(65,879)
Net interest receivable and payable		**13,678**		12,147
Change in accrued pension-benefit liability		**(3,548)**		5,903
Others, net		**(22,754)**		7,294
Net cash provided by (used in) operating activities		**2,632,487**		(2,210,796)
Cash flows from investing activities:				
Change in securities measured at fair value through net income		**(1,258,498)**		(1,652,152)
Change in securities purchased under reverse repurchase agreements		**(450,661)**		500,094
Change in interest-bearing deposits with financial institutions		**56,768**		107,936
Purchases and disposals of property and equipment, software, and other intangibles		**(109,124)**		(105,333)
Net cash used in investing activities		**(1,761,515)**		(1,149,455)
Cash flows from financing activities:				
Change in wholesale borrowings		**(2,155,408)**		2,003,614
Change in collateralized borrowings		**1,314,892**		1,223,588
Net of (repayment) issuance of subordinated debentures		**(27,000)**		60,102
Net cash (used in) provided by financing activities		**(867,516)**		3,287,304
Net increase (decrease) in cash		**3,456**		(72,947)
Cash at beginning of the year		**310,844**		383,791
Cash at end of the year	**$**	**314,300**	$	310,844
Net cash (used in) provided by operating activities includes:				
Interest paid	**$**	**(522,347)**	$	(487,931)
Interest received	**$**	**1,620,340**	$	1,592,888

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2017 ($ in thousands)

1. Nature of Operations

ATB Financial is an Alberta-based financial services provider engaged in retail and commercial banking, credit card, digital banking, wealth management, and investment management services. Alberta Treasury Branches (ATB) is an agent of the Crown in right of Alberta and operates under the authority of the *Alberta Treasury Branches Act* (the *ATB Act*), Revised Statutes of Alberta, 2000, chapter A-37. Under the *ATB Act*, ATB was established as a provincial Crown corporation governed by a board of directors appointed by the Lieutenant-Governor in Council. The address of the head office is 2100, 10020-100 Street, Edmonton, Alberta, Canada, T5J 0N3.

ATB is exempt from Canadian federal and Alberta provincial income taxes but pays an amount to the provincial government designed to be in lieu of such a charge. (Refer to note 20.)

2. Significant Accounting Policies

a. General Information

Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the accounting requirements of the Alberta Superintendent of Financial Institutions (ASFI). These consolidated financial statements were approved by the board of directors on May 25, 2017.

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale investments, derivative financial instruments, other financial assets and liabilities held for trading, financial assets and liabilities designated at fair value through net income, and liabilities for cash-settled share-based payments, which have been measured at fair value.

The consolidated financial statements are presented in Canadian dollars, and all values are rounded to the nearest thousand dollars, except when otherwise indicated.

Consolidation – Subsidiaries

Subsidiaries are entities controlled by ATB. Control exists when ATB is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. The financial statements of the subsidiaries have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

These consolidated financial statements include the assets, liabilities, and results of operations and cash flows of ATB and its subsidiaries. All intercompany transactions and balances have been eliminated from the consolidated results.

The following wholly owned subsidiaries, created for the purpose of offering investor services, were established by Order in Council and incorporated under the *Business Corporations Act* (Alberta):

- ATB Investment Management Inc., incorporated August 21, 2002
- ATB Securities Inc., incorporated February 6, 2003
- ATB Insurance Advisors Inc., incorporated July 21, 2006

Significant Accounting Judgments, Estimates, and Assumptions

In the process of applying ATB's accounting policies, management has exercised judgment and has made estimates in determining amounts recognized in the consolidated financial statements. The most significant judgments and estimates made include the allowance for loan losses; the fair value of financial instruments; the depreciation of premises, equipment, and amortization of software; and assumptions underlying the accounting for employee benefit obligations. Actual results could differ significantly from these estimates, and the impact of any such differences will be recorded in future periods.

The consolidated financial statements for the year ended March 31, 2017, provide additional information in the following notes:

- Note 2(c): Financial instruments – fair-value
- Note 2(d): Impairment of financial assets – for the establishment of allowance for loan losses
- Note 7: Securities – for establishing fair value of investments made to a broad range of private Alberta companies
- Note 11: Property and equipment – for establishing the depreciation expense for premises and equipment
- Note 12: Software and other intangibles – for establishing the amortization expense for software
- Note 19: Employee benefits – for establishing the assumptions used

Translation of Foreign Currencies

Financial assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect as at the balance sheet date. Operating revenues and expenses related to foreign-currency transactions are translated using the exchange rate at the date of the transaction. Realized and unrealized gains and losses arising from these translations are included in foreign exchange in the Consolidated Statement of Income.

b. Financial Instruments – Recognition and Measurement

Financial assets and liabilities are classified based on their characteristics and the intention of management upon their acquisition. ATB classifies financial assets as either financial assets at fair value through net income, loans and receivables, or held-to-maturity or available-for-sale financial assets. Financial liabilities are classified as either financial liabilities at fair value through net income or financial liabilities at amortized cost.

All financial assets and liabilities are initially recognized on the trade date. This is the date that ATB becomes a party to the contractual provisions of the instrument.

ATB derecognizes a financial asset when the contractual right to receive cash flows from the asset has expired or when it transfers the rights to receive the contractual cash flows on a financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. For funding transactions, all financial assets that cannot be derecognized continue to be held on ATB's Consolidated Statement of Financial Position, and a secured liability is recognized for the proceeds received. ATB derecognizes a financial liability when its contractual obligations are discharged or cancelled or they expire.

Financial Assets

Financial Assets at Fair Value Through Net Income

This category comprises two subcategories: financial assets held for trading and financial assets designated by ATB at fair value through net income upon initial recognition.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are classified as financial assets held for trading unless they are designated and effective as hedging instruments. Gains and losses arising from changes in fair value are included directly in the Consolidated Statement of Income and are reported as net gains on derivative financial instruments.

Financial instruments included in this category are recognized initially at fair value with transaction costs taken directly to the Consolidated Statement of Income. Gains and losses arising from changes in fair value are included directly in the Consolidated Statement of Income and are reported as net gains on financial instruments at fair value through net income. Interest income and expense on financial assets held for trading are included in net interest income. Interest accruals are recorded separately from fair-value measurements. Changes in fair value are determined on a clean-price basis.

ATB designates certain financial assets upon initial recognition as financial assets at fair value through net income (fair-value option). This designation cannot subsequently be changed. The fair-value option is only applied when one of the following conditions is met:

- The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.
- The financial assets are part of a portfolio of financial instruments that is used for managing risk and is reported to senior management on a fair-value basis.
- The financial asset contains one or more embedded derivatives that must be separated.

The fair-value option is applied to certain interest-bearing deposits and securities that are part of a portfolio managed on a fair-value basis. The fair-value option is also applied to structured instruments that include embedded derivatives. Fair-value changes relating to financial assets designated at fair value through net income are recognized in net gains on financial instruments at fair value through net income.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that ATB intends to sell immediately or in the short term, classifies as held for trading, or upon initial recognition designates as fair value through net income or available for sale
- Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration

Loans and receivables are initially recognized at fair value—which is the cash consideration to originate or purchase the loan including any transaction costs—and measured subsequently at amortized cost using the effective interest rate method. Loans and receivables are reported in the Consolidated Statement of Financial Position as loans or securities purchased under reverse repurchase agreements. Interest on items classified as loans and receivables is included in the Consolidated Statement of Income and is reported as part of net interest income. Loan impairments are reported as a deduction from the carrying value of the loan and recognized in the Consolidated Statement of Income as provision for loan losses.

Available-for-Sale Financial Assets

Available-for-sale financial assets are financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates, or equity prices, or that are not classified as loans and receivables, held-to-maturity investments, or financial assets at fair value through net income.

Available-for-sale financial assets are initially recognized at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognized in other comprehensive income (OCI), except for impairment losses and foreign-exchange gains and losses, until the financial asset is derecognized.

If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is recognized in the Consolidated Statement of Income. However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available for sale are recognized in the Consolidated Statement of Income.

Available-for-sale financial assets are reported in the Consolidated Statement of Financial Position as securities available for sale.

Held-to-Maturity Financial Assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that ATB's management has the intention and ability to hold to maturity.

These are initially recognized at fair value, including direct and incremental transaction costs and measured subsequently at amortized cost, using the effective interest method. Interest on held-to-maturity investments is included in the Consolidated Statement of Income as net interest income. In the case of an impairment, the impairment loss would be reported as a deduction from the carrying value of the investment and recognized in the Consolidated Statement of Income. ATB did not hold any instruments in this category at the reporting date.

Financial Liabilities

Financial Liabilities at Fair Value Through Net Income

This category comprises two subcategories: financial liabilities held for trading and financial liabilities designated by ATB as fair value through net income upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. These instruments are included in derivative financial instruments in the Consolidated Statement of Financial Position. Gains and losses arising from changes in fair value are included directly in the Consolidated Statement of Income and are reported as net gains on derivative financial instruments.

Financial liabilities classified as fair value through net income have been designated as such by ATB upon initial recognition, on an instrument-by-instrument basis. Management may designate a financial instrument as fair value through net income upon initial recognition when one of the following conditions is met:

- The designation eliminates or significantly reduces a measurement or recognition inconsistency.
- The liabilities are part of a group of financial liabilities or financial assets and liabilities that is managed and whose performance is evaluated on a fair-value basis.
- The financial instrument contains one or more embedded derivatives that significantly modify the cash flows and that would otherwise be separated from their host contract.

Gains and losses arising from changes in the fair value of financial liabilities classified as fair value through net income are included in the Consolidated Statement of Income and are reported as net gains on financial instruments at fair value through net income. Interest expenses on financial liabilities held for trading are included in net interest income. As at March 31, 2017, ATB had no financial liabilities classified as fair value through net income.

Other Liabilities Measured at Amortized Cost

Financial liabilities not classified as fair value through net income fall into this category and are measured at amortized cost. Interest expense is recognized using the effective interest method in net interest expense. Financial liabilities measured at amortized cost include deposits, wholesale borrowings, subordinated debentures, collateralized borrowings, and other liabilities.

c. Financial Instruments – Fair Value

Financial assets and financial liabilities can be measured at fair value or amortized cost, depending on their classification.

Estimated Fair Value

The fair value of a financial instrument is the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between market participants at the measurement date. The best evidence of the fair value of a financial instrument at initial recognition is the fair value of the consideration received or paid.

When financial instruments are subsequently remeasured, quoted market prices in an active market provide the best evidence of fair value, and when such prices are available, ATB uses them to measure financial instruments. A financial instrument is considered to be quoted in an active market when quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, or pricing service and those prices reflect actual and regularly occurring market transactions on an arm's-length basis. The fair value of a financial asset traded in an active market generally reflects the bid price, and that of a financial liability traded in an active market generally reflects the ask price. If the market for a financial instrument is not active, ATB establishes fair value using a valuation technique that primarily makes use of observable market inputs. Such valuation techniques include the use of available information concerning recent market transactions, reference to the current fair value of a comparable financial instrument, discounted cash flow analysis, option pricing models, and all other valuation techniques commonly used by market participants that provide reliable estimates.

In cases where the fair value is established using valuation models, ATB makes assumptions about the amount, the timing of estimated future cash flows, and the discount rates used. These assumptions are based primarily on observable market inputs such as interest rate yield curves, foreign-exchange rates, credit curves, and price and rate volatility factors. When one or more significant inputs are not observable in the markets, fair value is established primarily on the basis of internal estimates and data, taking into account the valuation policies in effect at ATB, the economic environment, the specific characteristics of the financial asset or liability, and other relevant factors.

The fair values are estimated at the balance sheet date using the valuation methods and assumptions described below.

Financial Instruments Whose Carrying Value Equals Fair Value

The estimated fair value of items that are short term in nature is considered to be equal to their carrying value. These items include cash, securities purchased under reverse repurchase agreements, other assets, and other liabilities.

Securities and Interest-Bearing Deposits With Financial Institutions

The fair values of securities and interest-bearing deposits with financial institutions are based on quoted market prices, if available. Where an active market does not exist, the fair value is estimated using a valuation technique that makes maximum use of observable market data.

Derivative Instruments

Fair value of over-the-counter and embedded derivative financial instruments is estimated using pricing models that take into account current market and contractual prices of the underlying instruments, and time value and yield curve or volatility factors underlying the positions.

Loans and Deposits

For floating-rate financial instruments, fair value is equal to carrying value as the interest rates reprice to market when market rates change. For fixed-rate loans, fair value is estimated by discounting the expected future cash flows at market rates. For fixed-rate deposits, fair value is estimated by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms. Due to the use of subjective assumptions and measurement uncertainty, the fair-value amounts should not be interpreted as being realizable in an immediate settlement of these instruments.

Wholesale Borrowings, Collateralized Borrowings, and Subordinated Debentures

The fair values of wholesale borrowings, collateralized borrowings, and subordinated debentures are estimated by discounting contractual cash flows using market reference rates currently offered for debt instruments with similar terms and credit risk ratings.

d. Impairment of Financial Assets

Financial Assets Carried at Amortized Cost

ATB assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events (a loss event) that occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that ATB uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor
- A breach of contract, such as a default or significant delinquency in interest or principal payments
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider
- An assessed probability that the borrower will enter bankruptcy or other financial reorganization
- The disappearance of an active market for that financial asset because of financial difficulties

- Observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - Adverse changes in the payment status of borrowers in the portfolio
  - National or local economic conditions that correlate with defaults on the assets in the portfolio

For purposes of impairment assessments, two groups of assets are formed: individually significant and individually insignificant. For individually significant assets, ATB determines whether objective evidence of impairment exists, and if the asset is found to be impaired, an individual assessment of impairment loss is made. For all other assets, a collective assessment of impairment loss is made, which includes individually significant assets that are not impaired as well as all individually insignificant assets, whether impaired or not. As soon as objective evidence of impairment loss becomes available for individually significant assets, those assets are removed from the collective assessment group.

For loans and receivables, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognized using an allowance account, and the amount of the loss is included in the Consolidated Statement of Income as a provision for loan losses. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For a collective evaluation of impairment (including individually significant assets for which no objective evidence of impairment exists, and individually insignificant assets), financial assets are grouped by similar risk characteristics. These characteristics are relevant to the estimation of future cash flows for groups of such assets by indicating the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated by the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted by current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Following impairment, interest income is recognized using the original effective rate of interest used to discount the future cash flows for measuring the impairment loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the Consolidated Statement of Income.

When a loan has been subjected to an individually assessed provision and there is no likelihood of recovery, the loan is written off against the related allowance. Subsequent recoveries of written-off amounts are recorded in the Consolidated Statement of Income as a reduction to the provision.

Assets Classified as Available for Sale

ATB assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If such evidence exists for available-for-sale financial assets, the cumulative loss—the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss—is removed from equity and recognized in the Consolidated Statement of Income. If the fair value of a debt instrument classified as available for sale subsequently increases, and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the Consolidated Statement of Income.

e. Securities Purchased Under Reverse Repurchase Agreements and Securities Sold Under Repurchase Agreements

Securities purchased under reverse repurchase agreements represent a purchase of Government of Canada securities by ATB with a simultaneous agreement to sell them back at a specified price on a future date. The difference between the cost of the purchase and the predetermined proceeds to be received based on the repurchase agreement is recorded as securities interest income. Securities purchased under reverse repurchase agreements are fully collateralized, minimizing credit risk, and have been classified and measured at amortized cost.

Securities sold under repurchase agreements represent a sale of Government of Canada securities by ATB with a simultaneous agreement to buy them back at a specified price on a future date. The difference between the proceeds of the sale and the predetermined cost to be paid based on the repurchase agreement is recorded as deposit interest expense. No securities sold under repurchase agreements exist at the reporting date.

f. Derivative Financial Instruments

Derivative financial instruments are financial contracts whose value is derived from an underlying reference rate such as an interest rate, a currency exchange rate, the price of an equity or debt security, or an equity or commodity index.

ATB enters into various over-the-counter and exchange-traded derivatives in the normal course of business, including interest rate swaps, futures, and foreign-exchange and commodity forwards and futures. ATB uses such instruments for two purposes: for its risk management program and to meet the needs of ATB customers.

ATB's corporate derivative portfolio is not intended for speculative income generation but for asset/liability management purposes—that is, to manage ATB's interest-rate, foreign-exchange, and equity- and commodity-related exposures arising from its portfolio of investments and loan assets and deposit obligations.

ATB's client derivative portfolio is not used to generate trading income through active assumption of market risk, but rather is used to meet the risk management requirements of ATB customers. ATB accepts no net exposure to such derivative contracts (except for credit risk), as it either enters into offsetting contracts with other financial institution counterparties or incorporates them into its own risk management programs.

All derivative financial instruments, including embedded derivatives, are classified as held for trading and measured at fair value in the Consolidated Statement of Financial Position. Derivatives with positive fair value are presented as derivative assets, and those with negative fair value are presented as derivative liabilities. Changes in the fair value of derivative financial instruments are recorded in net income, unless the derivative qualifies for hedge accounting as a cash flow hedge, in which case the changes in fair value are reflected in OCI.

Hedge Accounting

For a derivative instrument to qualify for hedge accounting, the hedging relationship between the derivative (hedging) instrument and the hedged item(s) must be designated and formally documented at inception. ATB must also document an assessment of the effectiveness of the derivative instrument in offsetting changes in cash flows or fair value of the hedged item, both at inception of the hedging relationship and on an ongoing basis. When ATB designates a derivative as a hedge, it is classified as either a cash flow hedge or a fair-value hedge.

ATB discontinues hedge accounting when one of the following occurs:

- It is determined that a derivative is not, or has ceased to be, highly effective as a hedge.
- The derivative expires, or is sold, terminated, or exercised.
- The hedged item matures or is sold or repaid.
- A forecast transaction is no longer deemed highly probable.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the hedged item is ultimately recognized in the Consolidated Statement of Income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss recognized in equity is immediately transferred to the Consolidated Statement of Income.

Cash Flow Hedge

ATB's derivative instruments in cash flow hedges are intended to generate cash flows that offset the variability in expected and/or anticipated cash flows from the hedged item. ATB uses various interest rate derivatives to manage risk relating to the variability of cash flows from certain loans and deposits. In a qualifying cash flow hedge relationship, the effective portion of the change in fair value of the hedging derivative instrument is recognized in OCI, and the ineffective portion in net income. Any such amounts recognized in OCI are reclassified from OCI into net income in the same period that the underlying hedged item affects net income.

Fair-Value Hedge

Changes in fair value of derivatives that qualify and are designated as fair-value hedges are recorded in the Consolidated Statement of Income, together with changes in the fair value of the hedged asset or liability attributable to the hedged risk. If the hedge relationship no longer meets the criteria for hedge accounting, it is discontinued. For fair-value hedges of interest rate risk, the fair-value adjustment to the hedged item is amortized to the Consolidated Statement of Income over the period to maturity of the previously designated hedge relationship using the effective interest method. If the hedged item is sold or repaid, the unamortized fair-value adjustment is recognized immediately in the Consolidated Statement of Income. No fair-value hedges exist at the reporting date.

Embedded Derivatives

Embedded derivatives are components within a financial instrument or other contract with features similar to a derivative. Embedded derivatives with economic characteristics and risks considered not closely related to the characteristics and risks of the host contract may need to be accounted for separately if a separate instrument with the same terms would qualify as a derivative and if the host contract is not already measured at fair value. ATB has identified embedded derivatives within certain extendible loan contracts and within all equity-linked and commodity-linked deposit contracts. Any such embedded derivatives are not considered closely related to the host contract and have been accounted for separately as derivative assets or liabilities.

g. Property and Equipment

Property and equipment are carried at cost less accumulated depreciation, except for land, which is carried at cost. Buildings, computer equipment, other equipment, and leasehold improvements are depreciated on a straight-line basis over their estimated useful lives consistent with the expected economic benefits obtained from the asset. Additions and subsequent expenditures are capitalized only to the extent that they enhance the future economic benefits expected to be derived from the assets considering expected usage as well as expected physical wear and tear. The depreciable amount is the gross carrying amount, less the estimated residual value at the end of the assets' useful economic life. Property and equipment acquired under a finance lease are capitalized, and the depreciation period for a finance lease corresponds to the lesser of the useful life or lease term plus the first renewal option, if applicable. No depreciation is calculated on property and equipment under construction or development until the assets are available for use. The estimated useful life for each asset class is as follows:

- Buildings – Up to 20 years
- Buildings under finance lease – Up to 15 years, with certain leases having a useful life of 20 years
- Computer equipment – Up to 4 years
- Other equipment – 5 years
- Leasehold improvements – Lease term plus first renewal period, if applicable

Depreciation rates, calculation methods, and the residual values underlying the calculation of depreciation of items of property and equipment are kept under review to account for any change in circumstances. Gains and losses on the disposal of property and equipment are recorded in the Consolidated Statement of Income in the year of disposal.

h. Software and Other Intangibles

Software and other intangibles are carried at cost less accumulated amortization and are amortized on a straight-line basis over their estimated useful lives consistent with the expected economic benefits obtained from the asset. No amortization is calculated on software under construction or development until the assets are available for use. The estimated useful life for software and other intangibles is 3 to 5 years, with certain software having a useful life of 15 years.

Costs related to software developed or obtained for internal use are capitalized if it is probable that future economic benefits will flow to ATB and that the cost can be measured reliably. Eligible costs include external direct costs for materials and services, as well as payroll and payroll-related costs for employees directly associated with an internally developed software project.

i. Impairment of Property and Equipment and Software and Other Intangibles

The carrying amount of non-financial assets, which include property and equipment and software and other intangibles, are reviewed for impairment whenever events, changes in circumstances, or technical or commercial obsolescence indicate that the carrying amount may not be recoverable. Software under development is tested annually for impairment. For the purposes of assessing impairment, assets are grouped at the lowest level where there are separately identifiable cash inflows (cash-generating units).

If there is any indication of impairment, the asset's recoverable amount is estimated. The recoverable amount is the greater of an asset's fair value less cost to sell and its value in use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Impairment losses are recognized in the Consolidated Statement of Income.

Impairment losses may be reversed if the circumstances leading to impairment are no longer present. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount net of depreciation or amortization that would have been determined if no impairment loss had been recognized. Impairment loss reversals are recognized in the Consolidated Statement of Income.

j. Finance and Operating Leases

Leases of assets where ATB has substantially all the risks and rewards incidental to ownership are classified as finance leases. Assets held under finance leases are initially recognized in the Consolidated Statement of Financial Position at an amount equal to the lower of the fair value of the leased property or the present value of the minimum lease payments. The corresponding liability to the lessor is included in other liabilities in the Consolidated Statement of Financial Position. The discount rate used in calculating the present value of the minimum lease payments is either the interest rate implicit in the lease, if it is practicable to determine, or the incremental borrowing rate. Contingent rentals are recognized as an expense in the periods in which they are incurred.

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Operating lease rentals payable are recognized as an expense on a straight-line basis over the lease term, which commences when the lessee controls the physical use of the property. Lease incentives are treated as a reduction of rental expense and are also recognized over the lease term on a straight-line basis. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

k. Employee Benefits

ATB provides benefits to current and past employees through a combination of defined benefit (DB) and defined contribution (DC) plans.

ATB's current non-management employees participate in the Public Service Pension Plan (PSPP) with other Alberta public-sector employees. The PSPP is a DB pension plan that provides benefits based on members' years of service and earnings. ATB provides its management employees with a registered pension plan (the ATB Plan) with either DB or DC provisions. ATB also provides a non-registered DB supplemental retirement plan (SRP) and other post-employment benefits (OPEB) for designated management employees. For employees where their annual contributions exceed the allowed maximum under the *Income Tax Act*, ATB provides these employees with a Notional Supplemental Plan (NSP), where excess amounts are allocated. This non-registered plan provides employees with notional DC benefits that cannot be provided with the ATB Plan due to contribution limitations.

All expenses related to employee benefits are recorded in the Consolidated Statement of Income as salaries and employee benefits in non-interest expenses.

The cost of the DB plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates, and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The DB Plan was a contributory DB pension plan for the management employees of ATB. Services for the DB Plan were operational from April 1 to July 7, 2016. Effective July 8, 2016, the DB Plan was closed for future service. Although service is closed, assets held in the DB plan for current members will increase for cost-of-living adjustments as well as for their highest five years' average earnings and service for early retirement purposes. Future benefits will be accumulated under the DC provision.

Accounting for Defined Benefit Plans – Registered, Supplemental, and Other

The PSPP and the DB portion of the ATB Plan, SRP, and OPEB obligations provide employee benefits based on members' years of service and highest average salary. The liability recognized in the Consolidated Statement of Financial Position in respect of DB pension plans is the present value of the DB obligation at the date of the Consolidated Statement of Financial Position less the fair value of plan assets. The DB obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the DB obligation is determined by discounting the estimated future cash outflows. Actuarial gains and losses are recognized in OCI. Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

Accounting for Defined Contribution Plans

Contributions are expensed as they become due and are recorded in salaries and employee benefits in the Consolidated Statement of Income.

Plan Valuations, Asset Allocation, and Funding

ATB annually measures its accrued benefit obligations and the fair values of plan assets for accounting purposes on March 31 for the PSPP, ATB Plan, SRP, and OPEB obligations. ATB makes regular funding contributions to the DB plan according to the most recent valuation for funding purposes. The SRP and OPEB obligations are not pre-funded, and such benefits are paid from ATB's assets as they become due. The most recent actuarial valuation of the DB provisions of the ATB Plan was performed on December 31, 2016. The DB plan's investment policy sets targets for an acceptable range for the allocation of plan assets between equity, debt, and other assets. (Refer to note 19.)

l. Provisions

Provisions are recognized when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation, which has arisen as a result of past events and for which a reliable estimate can be made of the amount of the obligation.

Contingent liabilities, which include certain guarantees and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of ATB, or are present obligations that have arisen from past events but are not recognized because it is not probable that settlement will require outflow of economic benefits or because the amount of the obligations cannot be reliably measured. Contingent liabilities are not recognized in the financial statements but are disclosed unless the probability of settlement is remote.

m. Financial Guarantees

Liabilities under financial guarantee contracts are initially recorded at their fair value, which is generally the fee received or receivable. Subsequently, the financial guarantee liabilities are measured at the higher of the initial fair value, less cumulative amortization, and the best estimate of the expenditure required to settle the obligations.

n. Securitization

Securitization of residential mortgage loans guaranteed by the Canada Mortgage and Housing Corporation through the Canada Mortgage Bonds Program, or to third-party investors, and securitization of credit card receivables provide ATB with additional sources of liquidity. As ATB retains substantially all the risks and rewards related to the assets, the credit card receivables and mortgage loans are not derecognized and remain in the Consolidated Statement of Financial Position, and are carried at amortized cost. The risks associated with credit card receivables and residential mortgage loans are credit and interest rate risks, with prepayment risks also impacting residential mortgage loans. ATB recognizes a liability for cash proceeds received from securitization. This liability is presented under collateralized borrowings in the Consolidated Statement of Financial Position.

o. Segmented Information

An area of expertise is a distinguishable component of ATB engaged in providing products or services that is subject to risks and returns that are different from those of other areas. The Corporate Management Committee regularly reviews operating activity by area. All transactions between areas are conducted on an arm's-length basis, with intra-segment revenue and costs being eliminated in strategic service units. Income and expenses directly associated with each area are included in determining that area's performance.

p. Revenue Recognition

Interest Income and Expenses

Interest income and expenses for all interest-bearing financial instruments are recognized in the Consolidated Statement of Income using the effective interest method. The effective interest method calculates the amortized cost of a financial asset or a financial liability and allocates the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, ATB estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future loan losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Fees and Commission Income and Expenses

Fees and commission income and expenses integral to the effective interest rate on a financial asset or liability are included when calculating the effective interest rate. Other fees and commission income, including account servicing fees, investment management fees, card fees, commitment fees, and placement fees, are recognized as the related services are performed. Where ATB is the lead in a syndication, loan syndication fees are recognized in fees and commission income, unless the yield on any loans retained is less than that of the other lenders involved in the financing, in which case an appropriate portion of the syndication fee is recorded as interest income over the term of the loan. Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

3. Summary of Accounting Policy Changes

Changes in Accounting Policies and Disclosures

IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortization*

On April 1, 2016, ATB adopted the amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*. The amendments provide additional guidance on how the depreciation or amortization of property, plant, equipment, and intangible assets should be calculated. There was no impact to ATB's depreciation and amortization rates, calculation methods, or financial results.

Future Accounting Policy Changes

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*, which will replace the guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes guidance on the classification and measurement of financial assets and liabilities, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

Classification and Measurement

IFRS 9 classifies financial assets based on the contractual cash flow characteristics and the business model for managing the financial assets. There are three main categories that determine how financial assets are measured after initial recognition: amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit and loss. The classification and measurement for financial liabilities remain largely unchanged from the IAS 39 requirements, except for when the fair-value option is elected.

Impairment

IFRS 9 introduces a new impairment model based on expected credit losses (ECL). The model will apply to all financial assets, which includes amortized cost financial assets, debt securities classified as FVOCI, and off-balance-sheet loan commitments and financial guarantees, with the most significant impact to loans. Financial assets classified or designated at fair value through profit and loss will be excluded from the new impairment model.

The expected credit losses will be measured at each reporting date based on a three-stage impairment model and will consider whether there has been a significant increase in credit risk since initial recognition of the financial asset. If there has not been a significant increase in credit risk at the reporting date, the ECL will be measured at and recognized at 12-month expected credit losses and remain at stage one. A financial asset will move to stage two if a significant increase in credit risk has occurred since initial recognition and a loss allowance equal to the full lifetime expected credit losses is recognized. A financial asset will move to stage three when it is credit impaired. In stage three, interest income is recognized on the carrying amount of the asset, net of the impairment allowance. A financial asset can move between the stages, both forwards and backwards, depending on the improvement or deterioration in credit risk.

Hedge Accounting

IFRS 9 also introduces a new model that aims to simplify hedge accounting, expands on the scope of eligible hedged items and risks eligible for hedge accounting and more closely aligns the accounting for hedge relationships with ATB's risk management activities. The model also revises the effectiveness testing to consider the economic relationship and does not allow for voluntary hedge de-designation. In addition, amendments to IFRS 7 *Financial Instruments: Disclosures* introduce new hedge accounting disclosure requirements that are required for the annual period beginning April 1, 2018.

Transition

IFRS 9 will be effective for ATB's fiscal year beginning on April 1, 2018. ATB has established the conditions of and approach to the IFRS 9 compliance project. As part of the overall project governance structure, the IFRS 9 Steering Committee monitors the project progress and reviews and approves approaches for significant issues and decisions.

The IFRS 9 compliance project focuses on the three main areas of the new IFRS 9 standard: classification and measurement, impairment, and hedge accounting. The impact on transition to IFRS 9 on the financial statements has not yet been determined.

IFRS 15 *Revenue From Contracts With Customers*

In September 2015, the IASB published *Effective Date of IFRS 15*, which deferred the effective date of IFRS 15 *Revenue From Contracts With Customers*, which replaces all existing IFRS revenue requirements. The standard clarifies the principles for recognizing revenue and cash flows arising from contracts with customers.

The amendment must be applied retrospectively for annual periods beginning on or after January 1, 2018, with the impact to ATB on on- and off-book GIC commission revenue earned by ATBIS.

IFRS 16 *Leases*

In January 2016, the IASB published a new standard, IFRS 16 *Leases,* bringing leases for lessees under a single model and eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged.

ATB is currently assessing the impact of adopting this amendment, which is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 *Revenue From Contracts With Customers* has also been applied.

IAS 7 *Statement of Cash Flows*

In January 2016, IASB published amendments to IAS 7 *Statement of Cash Flows*, which are intended to improve information about an entity's financing activities by providing additional disclosure about the changes in liabilities arising from financing activities.

ATB has assessed the impact of adopting this amendment, which is effective for annual periods beginning on or after January 1, 2017, with earlier application being permitted. ATB will be required to separately disclose issuances and repayments of its financing activities on the Consolidated Statement of Cash Flows.

IAS 28 *Investments in Associates and Joint Ventures*

In December 2016, the IASB issued the *Annual Improvements 2014-2016 Cycle* that amends IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 12 *Disclosure of Interests in Other Entities*, and IAS 28 *Investments in Associates and Joint Ventures*. The amendment to IAS 28 *Investments in Associates and Joint Ventures* is the only standard applicable to ATB. The amendment clarifies and permits the option at initial recognition to measure an associate at fair value through profit or loss on an investment-by-investment basis.

ATB is currently assessing the impact of adopting the amendment, which must be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

In December 2016, the IASB issued IFRIC 22 *Foreign Currency Transactions and Advance Consideration* that clarifies IAS 21 *The Effects of Changes in Foreign Exchange Rates*. The interpretation states the exchange rate on the date the transaction occurs is used when initially recognizing the related asset, expense, or income.

ATB is currently assessing the impact of adopting the interpretation, which can be applied either retrospectively in accordance with IAS 8 *Accounting Policies and Accounting Estimates*, or prospectively to all applicable transactions, and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

4. Financial Instruments

Classification and Carrying Value

The following tables summarize ATB's financial instrument classifications and provide their carrying value as at March 31:

As at March 31, 2017
($ in thousands)

	Carrying value						
	Held-for-trading assets and liabilities measured at fair value	Designated at fair value through net income	Available-for-sale instruments measured at fair value	Loans and receivables measured at amortized cost	Financial liabilities measured at amortized cost	Derivatives designated for hedge accounting	Total carrying value
Financial assets							
Cash	$ -	$ -	$ -	$ 314,300	$ -	$ -	$ 314,300[(1)]
Interest-bearing deposits with financial institutions	-	647,549	-	-	-	-	647,549[(1)]
Securities	-	4,984,678	-	-	-	-	4,984,678[(1)]
Securities purchased under reverse repurchase agreements	-	-	-	450,661	-	-	450,661[(1)]
Loans	-	-	-	-	-	-	-
Business	-	-	-	19,046,406	-	-	19,046,406
Residential mortgages	-	-	-	14,947,751	-	-	14,947,751
Personal	-	-	-	6,622,936	-	-	6,622,936
Credit card	-	-	-	703,817	-	-	703,817
Allowance for loan losses	-	-	-	(509,688)	-	-	(509,688)
	-	-	-	40,811,222	-	-	40,811,222[(2)]
Other	-	-	-	-	-	-	-
Derivative financial instruments	294,609	-	-	-	-	156,238	450,847
Other assets	-	-	-	70,789	-	-	70,789
	294,609	-	-	70,789	-	156,238	521,636[(1)]
Financial liabilities	-	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-
Personal	-	-	-	-	13,316,717	-	13,316,717
Business and other	-	-	-	-	20,611,043	-	20,611,043
	-	-	-	-	33,927,760	-	33,927,760[(3)]
Other	-	-	-	-	-	-	-
Wholesale borrowings	-	-	-	-	2,892,336	-	2,892,336[(4)]
Collateralized borrowings	-	-	-	-	6,812,660	-	6,812,660[(5)]
Derivative financial instruments	245,806	-	-	-	-	93,286	339,092[(1)]
Other liabilities	-	-	-	-	968,446	-	968,446[(1)]
	245,806	-	-	-	10,673,442	93,286	11,012,534
Subordinated debentures	-	-	-	-	344,441	-	344,441[(6)]

1 Fair value estimated to equal carrying value.
2 Fair value of loans estimated to be $42,532,355.
3 Fair value of deposits estimated to be $33,809,451.
4 Fair value of wholesale borrowings estimated to be $2,939,481.
5 Fair value of collateralized borrowings estimated to be $6,816,598.
6 Fair value of subordinated debentures estimated to be $357,211.

As at March 31, 2016
($ in thousands)

	Carrying value						
	Held-for-trading assets and liabilities measured at fair value	Designated at fair value through net income	Available-for-sale instruments measured at fair value	Loans and receivables measured at amortized cost	Financial liabilities measured at amortized cost	Derivatives designated for hedge accounting	Total carrying value
Financial assets							
Cash	$ -	$ -	$ -	$ 310,844	$ -	$ -	$ 310,844[(1)]
Interest-bearing deposits with financial institutions	-	704,317	-	-	-	-	704,317[(1)]
Securities	-	3,747,323	182	-	-	-	3,747,505[(1)]
Securities purchased under reverse repurchase agreements	-	-	-	-	-	-	-[(1)]
Loans							
Business	-	-	-	19,199,157	-	-	19,199,157
Residential mortgages	-	-	-	14,318,656	-	-	14,318,656
Personal	-	-	-	6,614,996	-	-	6,614,996
Credit card	-	-	-	690,204	-	-	690,204
Allowance for loan losses	-	-	-	(472,856)	-	-	(472,856)
	-	-	-	40,350,157	-	-	40,350,157[(2)]
Other							
Derivative financial instruments	518,859	-	-	-	-	246,794	765,653
Other assets	-	-	-	78,023	-	-	78,023
	518,859	-	-	78,023	-	246,794	843,676[(1)]
Financial liabilities							
Deposits							
Personal	-	-	-	-	13,088,145	-	13,088,145
Business and other	-	-	-	-	17,774,144	-	17,774,144
	-	-	-	-	30,862,289	-	30,862,289[(3)]
Other							
Wholesale borrowings	-	-	-	-	5,047,744	-	5,047,744[(4)]
Collateralized borrowings	-	-	-	-	5,497,768	-	5,497,768[(5)]
Derivative financial instruments	517,433	-	-	-	-	55,651	573,084[(1)]
Other liabilities	-	-	-	-	1,174,823	-	1,174,823[(1)]
	517,433	-	-	-	11,720,335	55,651	12,293,419
Subordinated debentures	-	-	-	-	371,441	-	371,441[(6)]

1 Fair value estimated to equal carrying value.
2 Fair value of loans estimated to be $42,251,070.
3 Fair value of deposits estimated to be $30,835,288.
4 Fair value of wholesale borrowings estimated to be $5,102,899.
5 Fair value of collateralized borrowings estimated to be $5,671,595.
6 Fair value of subordinated debentures estimated to be $378,845.

Fair-Value Hierarchy

Financial instruments recorded at fair value in the Consolidated Statement of Financial Position are classified using a fair-value hierarchy based on the quality and reliability of the information used to estimate the fair value. The fair-value hierarchy has the following levels:

- Level 1 – Fair value based on quoted prices in active markets
- Level 2 – Fair value estimated using valuation techniques that use market-observable inputs other than quoted market prices
- Level 3 – Fair value estimated using inputs not based on observable market data

The fair-value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified at the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The categories of financial instruments whose fair values are classified as Level 3 consist of investments made to a broad range of private Alberta companies. Valuation techniques are disclosed in note 7.

The following tables present the level within the fair-value hierarchy of ATB's financial assets and liabilities measured at fair value:

As at March 31, 2017 *($ in thousands)*	Level 1	Level 2	Level 3	Total
Financial assets				
Interest-bearing deposits with financial institutions				
Designated at fair value through net income	$ -	$ 647,549	$ -	$ 647,549
Securities				
Designated at fair value through net income	4,978,406	-	6,272	4,984,678
Available for sale	-	-	-	-
Other assets				
Derivative financial instruments	-	450,847	-	450,847
Total financial assets	$ 4,978,406	$ 1,098,396	$ 6,272	$ 6,083,074
Financial liabilities				
Other liabilities				
Derivative financial instruments	212	338,880	-	339,092
Total financial liabilities	$ 212	$ 338,880	$ -	$ 339,092

As at March 31, 2016 *($ in thousands)*	Level 1	Level 2	Level 3	Total
Financial assets				
Interest-bearing deposits with financial institutions				
Designated at fair value through net income	$ -	$ 704,317	$ -	$ 704,317
Securities				
Designated at fair value through net income	3,306,234	-	441,089	3,747,323
Available for sale	-	-	182	182
Other assets				
Derivative financial instruments	-	765,653	-	765,653
Total financial assets	$ 3,306,234	$ 1,469,970	$ 441,271	$ 5,217,475
Financial liabilities				
Other liabilities				
Derivative financial instruments	-	573,084	-	573,084
Total financial liabilities	$ -	$ 573,084	$ -	$ 573,084

ATB performs a sensitivity analysis for fair-value measurements classified as Level 3, substituting one or more reasonably possible alternative assumptions for the unobservable inputs. These sensitivity analyses are detailed in note 7 for the other securities designated at fair value through net income.

The following tables present the changes in fair value of Level 3 financial instruments:

($ in thousands)		Securities available for sale		Securities designated at fair value through net income
Fair value as at March 31, 2016	$	182	$	441,089
Total realized and unrealized losses included in net income		(171)		(2,051)
Total realized and unrealized gains included in other comprehensive income		-		-
Purchases and issuances		-		6,272
Sales and settlements		(11)		(439,038)
Fair value as at March 31, 2017		-		6,272
Change in unrealized losses included in income with respect to financial instruments held as at March 31, 2017	$	(155)	$	(1,893)

($ in thousands)		Securities available for sale		Securities designated at fair value through net income
Fair value as at March 31, 2015	$	272	$	739,902
Total realized and unrealized gains included in net income		18		74,520
Total realized and unrealized gains included in other comprehensive income		115		-
Purchases and issuances		-		-
Sales and settlements		(223)		(373,333)
Fair value as at March 31, 2016	$	182	$	441,089
Change in unrealized gains included in income with respect to financial instruments held as at March 31, 2016	$	-	$	59,982

The Consolidated Statement of Income line item for net gains on financial instruments at fair value through net income includes realized and unrealized fair-value movements on all financial instruments designated at fair value and realized gains on securities available for sale.

Offsetting Financial Assets and Financial Liabilities

A financial asset or liability must be offset in the Consolidated Statement of Financial Position when, and only when, there is a legally enforceable right to set off the amounts and an intention to settle on a net basis or realize the asset and settle the liability simultaneously. A legally enforceable right exists when the right is enforceable in the normal course of business or in the event of default, insolvency, or bankruptcy.

Related amounts not offset in the Consolidated Statement of Financial Position include transactions where the following conditions apply:

- The counterparty has an offsetting exposure with ATB and a master netting or similar arrangement in place.
- Financial collateral has been received or pledged against the transactions described below.

Securities purchased under reverse repurchase agreements subject to master netting arrangements or similar arrangements and derivative assets and liabilities subject to the master netting agreements of the International Swaps and Derivatives Association (ISDA) do not meet the criteria for offsetting in the Consolidated Statement of Financial Position, as the ability to offset is only enforceable in the event of default, insolvency, or bankruptcy.

ATB receives and pledges collateral in the form of cash and marketable securities relating to its derivative assets and liabilities to manage credit risk in accordance with the terms and conditions of the ISDA credit support annex.

The following tables present information about financial assets and liabilities that are set off and not set off in the Consolidated Statement of Financial Position and are subject to a master netting agreement or similar arrangement:

As at March 31, 2017 *($ in thousands)*	Gross recognized amounts	Set-off amounts	Net amounts recognized in the Consolidated Statement of Financial Position	Related amounts not offset in the Consolidated Statement of Financial Position: Financial instruments[1]	Related amounts not offset in the Consolidated Statement of Financial Position: Financial collateral received/pledged	Net amount
Financial assets						
Securities borrowed or purchased under reverse repurchase agreements	**$ 450,661**	**$ -**	**$ 450,661**	**$ -**	**$ -**	**$ 450,661**
Derivative financial instruments	**450,847**	**-**	**450,847**	**245,607**	**126,776**	**78,464**
Amounts receivable from clients and financial institutions	**25,779**	**-**	**25,779**	**13,332**	**-**	**12,447**
	$ 927,287	**$ -**	**$ 927,287**	**$ 258,939**	**$ 126,776**	**$ 541,572**
Financial liabilities						
Derivative financial instruments	**$ 339,092**	**$ -**	**$ 339,092**	**$ 245,607**	**$ -**	**$ 93,485**
Amounts payable to clients and financial institutions	**19,016**	**-**	**19,016**	**13,332**	**-**	**5,684**
	$ 358,108	**$ -**	**$ 358,108**	**$ 258,939**	**$ -**	**$ 99,169**

As at March 31, 2016 *($ in thousands)*	Gross recognized amounts	Set-off amounts	Net amounts recognized in the Consolidated Statement of Financial Position	Related amounts not offset in the Consolidated Statement of Financial Position: Financial instruments[1]	Related amounts not offset in the Consolidated Statement of Financial Position: Financial collateral received/pledged	Net amount
Financial assets						
Securities borrowed or purchased under reverse repurchase agreements	$ -	$ -	$ -	$ -	$ -	$ -
Derivative financial instruments	765,653	-	765,653	281,768	408,470	75,415
Amounts receivable from clients and financial institutions	37,048	-	37,048	10,259	-	26,789
	$ 802,701	$ -	$ 802,701	$ 292,027	$ 408,470	$ 102,204
Financial liabilities						
Derivative financial instruments	$ 573,084	$ -	$ 573,084	$ 281,768	$ -	$ 291,316
Amounts payable to clients and financial institutions	36,217	-	36,217	10,259	-	25,958
	$ 609,301	$ -	$ 609,301	$ 292,027	$ -	$ 317,274

[1] Carrying amount of financial assets and liabilities that are subject to a master netting agreement or similar arrangement but do not meet the offsetting criteria.

5. Financial Instruments – Risk Management

ATB has included certain disclosures required by IFRS 7 in shaded sections of the Management's Discussion and Analysis (MD&A). These shaded sections of the Risk Management section of the MD&A relating to credit, market, and liquidity risks are an integral part of the 2017 consolidated financial statements.

6. Cash Resources

Cash consists of cash on hand, bank notes and coins, non-interest-bearing deposits, and cash held at the Bank of Canada through the Large Value Transfer System. Interest-bearing deposits with other financial institutions have been classified as designated at fair value through net income, and are recorded at fair value. Interest income on interest-bearing deposits is recorded on an accrual basis. Cash has been classified as loans and receivables for financial instruments purposes as disclosed in note 4.

As at March 31, 2017, the carrying value of interest-bearing deposits with financial institutions consists of $647,549 (2016: $704,317) classified as designated at fair value through net income.

ATB has restricted cash that represents deposits held in trust in connection with ATB's securitization activities. These deposits include cash accounts that hold principal and interest payments collected from mortgages securitized through the mortgage-backed security program awaiting payment to their respective investors and deposits held in interest reinvestment accounts in connection with ATB's participation in the Canada Mortgage Bonds program. As at March 31, 2017, the amount of restricted cash is $103,260 (2016: $101,009).

7. Securities

The carrying value of securities by remaining term to maturity and net of valuation provisions is as follows:

As at March 31, 2017 *($ in thousands)*	Within 1 year	1–5 years	Over 5 years	Total carrying value
Securities available for sale				
Commercial paper				
Third-party-sponsored ABCP	$ -	$ -	$ -	$ -
Total securities available for sale	-	-	-	-
Securities measured at fair value through net income				
Issued or guaranteed by the Canadian federal or provincial governments	**2,531,366**	**2,447,040**	-	**4,978,406**
Other securities	-	**6,272**	-	**6,272**
Commercial paper				
Third-party-sponsored ABCP	-	-	-	-
Bank-sponsored ABCP	-	-	-	-
Total securities measured at fair value through net income	**2,531,366**	**2,453,312**	-	**4,984,678**
Total securities	**$ 2,531,366**	**$ 2,453,312**	**$ -**	**$ 4,984,678**

As at March 31, 2016 *($ in thousands)*	Within 1 year	1–5 years	Over 5 years	Total carrying value
Securities available for sale				
Commercial paper				
Third-party-sponsored ABCP	$ 182	$ -	$ -	$ 182
Total securities available for sale	182	-	-	182
Securities measured at fair value through net income				
Issued or guaranteed by the Canadian federal or provincial governments	1,383,124	1,803,701	100,414	3,287,239
Other securities	18,995	-	-	18,995
Commercial paper				
Third-party-sponsored ABCP	412,018	-	-	412,018
Bank-sponsored ABCP	29,071	-	-	29,071
Total securities measured at fair value through net income	1,843,208	1,803,701	100,414	3,747,323
Total securities	$ 1,843,390	$ 1,803,701	$ 100,414	$ 3,747,505

Other Securities

These securities in the current year relate to investments made to a broad range of private Alberta companies. There is no observable market price for these investments as at the balance sheet date; accordingly, ATB estimated the fair value using a combination of discounted cash flows and market multiples derived from quoted prices of comparative companies, specifically the expected earnings before interest, income tax, depreciation, and amortization (EBITDA). The key assumptions in this model are the exit multiple of 4.0, the weighted average cost of capital of 30.0%, and the EBITDA multiple of 4.2 to 5.1. A 0.5 increase of the exit multiple, 1.0% decrease in the weighted average cost of capital, and 0.5 increase in the EBITDA multiple would increase the fair value by $680 (2016: nil). The estimate is also adjusted for the effect of the non-marketability of these investments.

Asset-Backed Commercial Paper (ABCP)

As at March 31, 2017, the carrying value of ABCP is nil (2016: $441,761). During the year, ATB received principal payments of $439,049 (2016: $373,556) and interest payments of $11,209 (2016: $5,554) on these investments.

8. Loans

Credit Quality

ATB's loan portfolio consists of the following:

As at March 31, 2017 *($ in thousands)*		Allowances assessed		
	Gross loans	**Individually**	**Collectively**	**Net carrying value**
Business	$ **19,046,406**	$ **237,938**	$ **127,031**	$ **18,681,437**
Residential mortgages	**14,947,751**	**6,226**	**14,507**	**14,927,018**
Personal	**6,622,936**	**36,936**	**58,258**	**6,527,742**
Credit card	**703,817**	**-**	**28,792**	**675,025**
Total	$ **41,320,910**	$ **281,100**	$ **228,588**	$ **40,811,222**

As at March 31, 2016 *($ in thousands)*		Allowances assessed		
	Gross loans	Individually	Collectively	Net carrying value
Business	$ 19,199,157	$ 230,218	$ 132,835	$ 18,836,104
Residential mortgages	14,318,656	3,382	7,000	14,308,274
Personal	6,614,996	32,120	41,071	6,541,805
Credit card	690,204	-	26,230	663,974
Total	$ 40,823,013	$ 265,720	$ 207,136	$ 40,350,157

The total net carrying value of the above loans includes loans denominated in U.S. funds, totalling $766,619 as at March 31, 2017 (2016: $908,076). As at March 31, 2017, the amount of foreclosed assets held for resale is $8,948 (2016: $6,087).

Loans Past Due

The following are loans past due but not impaired because they are less than 90 days past due or because it is otherwise reasonable to expect timely collection of principal and interest:

As at March 31, 2017 *($ in thousands)*	**Residential mortgages**	**Business**	**Personal**	**Credit card[1]**	**Total**
Up to 1 month	$ **96,929**	$ **315,414**	$ **52,355**	$ **32,975**	$ **497,673**
Over 1 month up to 2 months	**108,176**	**85,822**	**45,627**	**10,441**	**250,066**
Over 2 months up to 3 months	**16,766**	**22,832**	**21,061**	**4,422**	**65,081**
Over 3 months	**3,013**	**21,192**	**3,050**	**8,540**	**35,795**
Total past due but not impaired	$ **224,884**	$ **445,260**	$ **122,093**	$ **56,378**	$ **848,615**

As at March 31, 2016 *($ in thousands)*	Residential mortgages	Business	Personal	Credit card[1]	Total
Up to 1 month	$ 115,165	$ 420,167	$ 59,796	$ 30,412	$ 625,540
Over 1 month up to 2 months	77,507	86,758	43,986	9,178	217,429
Over 2 months up to 3 months	24,954	23,752	17,677	4,155	70,538
Over 3 months	4,752	10,060	4,524	6,342	25,678
Total past due but not impaired	$ 222,378	$ 540,737	$ 125,983	$ 50,087	$ 939,185

[1] Consumer credit card loans are classified as impaired and written off when payments become 180 days past due. Business and agricultural credit card loans that become due for three consecutive billing cycles (approximately 90 days) are removed from the credit card portfolio and transferred into the applicable impaired loan category.

As at March 31, 2017, $282.5 million (2016: $352.5 million) of the total loans past due up to one month are one day overdue; of this total, $145.6 million (2016: $115.9 million) were paid the next business day.

Impaired Loans

Impaired loans, including the related allowances, are as follows:

As at March 31, 2017 *($ in thousands)*	Gross impaired loans	Allowances individually assessed	Net carrying value
Business	$ 424,295	$ 237,938	$ 186,357
Residential mortgages	81,165	6,226	74,939
Personal	82,789	36,936	45,853
Total	**$ 588,249**	**$ 281,100**	**$ 307,149**

As at March 31, 2016 *($ in thousands)*	Gross impaired loans	Allowances individually assessed	Net carrying value
Business	$ 469,051	$ 230,218	$ 238,833
Residential mortgages	51,005	3,382	47,623
Personal	72,316	32,120	40,196
Total	$ 592,372	$ 265,720	$ 326,652

9. Allowance for Loan Losses

The allowance for loan losses recorded in the Consolidated Statement of Financial Position is maintained at a level management considers adequate to absorb loan-related losses for all items in the loan portfolio.

The continuity of the allowance for loan losses is as follows:

As at March 31 *($ in thousands)*	2017	2016
Collectively assessed		
Balance at beginning of the year	$ 207,136	$ 77,829
Provision for loan losses	21,452	129,307
Balance at end of the year	228,588	207,136
Individually assessed		
Balance at beginning of the year	$ 265,720	$ 90,568
Write-offs and recoveries	(186,961)	(75,826)
Discount of cash flows on impaired loans	(11,196)	(7,274)
Provision for loan losses	213,537	258,252
Balance at end of the year	281,100	265,720
Total	**$ 509,688**	$ 472,856

10. Derivative Financial Instruments

Most of ATB's derivative contracts are over-the-counter (OTC) transactions that are privately negotiated between ATB and the counterparty to the contract. The remainder are exchange-traded contracts transacted through organized and regulated exchanges and consist primarily of options and futures. ATB uses the following derivative financial instruments:

Swaps

Swaps are transactions in which two parties agree to exchange defined cash flows. ATB uses the following types of swap contracts:

- Interest rate swaps are OTC contracts in which ATB exchanges fixed- and floating-rate interest payments with a counterparty based on an agreed notional principal amount denominated in a single currency. These are used in the corporate derivative portfolio to manage exposure to interest rate fluctuations, primarily arising from the investment, loan, and deposit portfolios. Interest rate swaps are also used in the client derivative portfolio to help our corporate customers in managing risks associated with interest rate fluctuations.
- Cross-currency swaps are foreign-exchange transactions in which ATB exchanges interest and principal payments in different currencies. These are used in both the corporate and client portfolio to manage ATB's and its corporate customers' foreign-exchange risk.

Forwards and Futures

Foreign-exchange or commodity forwards are OTC transactions in which two parties agree to either buy or sell a specified amount of a currency or commodity at a specific price and on a predetermined future date. ATB uses foreign-exchange forward contracts in both its corporate and client derivative portfolios to manage currency exposure, either arising from its own foreign-currency-denominated loans and deposits, or for its customers. Commodity forward contracts are used only in the client derivative portfolio.

Futures are contractual obligations to buy or sell an interest-rate-sensitive financial instrument on a predetermined future date at a specified price. Futures contracts are transacted in standardized amounts on regulated exchanges that are subject to daily cash margining used only in the corporate derivative portfolio.

The fair value of derivative financial instruments, segregated between contracts in a favourable position (i.e., having positive fair value) and contracts in an unfavourable position (i.e., having negative fair value) consists of the following:

As at March 31 ($ in thousands)	2017 Favourable position	 Unfavourable position	2016 Favourable position	 Unfavourable position
Contracts ineligible for hedge accounting				
Interest rate contracts				
Swaps	$ 18,256	$ (23,875)	$ 53,803	$ (63,645)
Futures	-	(212)	-	-
Other	36,102	(28,770)	49,064	(35,015)
	54,358	(52,857)	102,867	(98,660)
Embedded derivatives				
Market-linked deposits	-	(1,835)	-	-
	-	(1,835)	-	-
Foreign-exchange contracts				
Forwards	11,582	(10,582)	35,952	(52,828)
Cross-currency swaps	65,221	(32,302)	30,819	(29,406)
Forward contracts				
Commodities	163,448	(148,230)	349,221	(336,539)
Total fair-value-ineligible contracts	240,251	(191,114)	415,992	(418,773)
Contracts eligible for hedge accounting				
Interest rate contracts				
Swaps	156,238	(93,286)	246,794	(55,651)
Total fair-value-eligible contracts	156,238	(93,286)	246,794	(55,651)
Total fair value	$ 450,847	$ (339,092)	$ 765,653	$ (573,084)
Less impact of master netting agreements	(245,607)	245,607	(281,768)	281,768
Less impact of financial institution counterparty collateral held/posted	(126,776)	-	(408,470)	-
Residual credit exposure on derivatives to ATB	$ 78,464	$ (93,485)	$ 75,415	$ (291,316)

The residual credit exposure presented above includes contracts with financial institution and client counterparties. For the residual amounts above, $78,464 (2016: $75,415) of the derivative asset and $57,133 (2016: $251,638) of the derivative liability exposure relates to client counterparties.

The amount of other comprehensive income expected to be reclassified to the Consolidated Statement of Income over the next 12 months on de-designated hedges is $1,648 (2016: $570). ATB has recognized an unrealized loss of $4,474 in profit and loss during the year (2016: unrealized gain of $7,067) relating to the fact that we had to account for ineffectiveness arising from its cash flow hedges.

The following table shows when hedged cash flows will be recognized in the Consolidated Statement of Income:

As at March 31, 2017 ($ in thousands)	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	Total
Cash inflows	$ 288,333	$ 223,559	$ 183,622	$ 152,565	$ 106,334	$ 189,441	$ 1,143,854
Cash outflows	(337,109)	(282,564)	(245,794)	(209,403)	(150,068)	(371,572)	(1,596,510)
Net cash flows	$ (48,776)	$ (59,005)	$ (62,172)	$ (56,838)	$ (43,734)	$ (182,131)	$ (452,656)

As at March 31, 2016 ($ in thousands)	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	Total
Cash inflows	$ 227,654	$ 190,410	$ 138,310	$ 108,797	$ 78,989	$ 160,708	$ 904,868
Cash outflows	(260,296)	(195,648)	(148,357)	(119,754)	(84,451)	(241,337)	(1,049,843)
Net cash flows	$ (32,642)	$ (5,238)	$ (10,047)	$ (10,957)	$ (5,462)	$ (80,629)	$ (144,975)

The non-trading interest rate risk, which is hedged with interest rate swaps, has a maximum maturity of 10 years as at March 31, 2017 (March 31, 2016: 10 years).

Term to Maturity

The notional amounts of derivative instruments represent the underlying principal amount to which the specified rate or price is applied in order to calculate the amount of cash flows to be exchanged and have varying maturity dates. Notional amounts do not represent assets or liabilities and are not recorded in the Consolidated Statement of Financial Position. The remaining contractual terms to maturity for the notional amounts of all derivative instruments are as follows:

			Residual term of contract				
As at March 31, 2017 *($ in thousands)*	Ineligible for hedge accounting	Eligible for hedge accounting	Within 3 months	3–12 months	1–5 years	Over 5 years	Total
Over-the-counter contracts							
Interest rate contracts							
Swaps	$ 3,881,306	$ 16,155,975	$ 1,685,000	$ 2,690,000	$ 11,741,881	$ 3,920,400	$ 20,037,281
Other	1,214,642	-	33,510	85,994	744,750	350,388	1,214,642
Embedded derivatives							
Market-linked deposits	422,857	-	-	-	422,857	-	422,857
Foreign-exchange contracts							
Forwards	2,110,742	-	1,775,632	80,598	230,295	24,217	2,110,742
Cross-currency swaps	2,016,983	-	-	113,573	673,935	1,229,475	2,016,983
Forward contracts							
Commodities	2,338,125	-	509,200	518,935	1,305,859	4,131	2,338,125
Exchange-traded contracts							
Interest rate contracts							
Futures	20,000	-	20,000	-	-	-	20,000
Total	$ 12,004,655	$ 16,155,975	$ 4,023,342	$ 3,489,100	$ 15,119,577	$ 5,528,611	$ 28,160,630

			Residual term of contract				
As at March 31, 2016 *($ in thousands)*	Ineligible for hedge accounting	Eligible for hedge accounting	Within 3 months	3–12 months	1–5 years	Over 5 years	Total
Over-the-counter contracts							
Interest rate contracts							
Swaps	$ 8,312,364	$ 12,280,975	$ 2,336,000	$ 4,420,000	$ 10,976,339	$ 2,861,000	$ 20,593,339
Other	961,540	-	28,149	32,966	668,422	232,003	961,540
Embedded derivatives							
Market-linked deposits	-	-	-	-	-	-	-
Foreign-exchange contracts							
Forwards	2,292,874	-	1,619,569	606,234	67,071	-	2,292,874
Cross-currency swaps	353,265	-	-	-	86,217	267,048	353,265
Forward contracts							
Commodities	1,827,096	-	419,006	983,375	424,715	-	1,827,096
Exchange-traded contracts							
Interest rate contracts							
Futures	-	-	-	-	-	-	-
Total	$ 13,747,139	$ 12,280,975	$ 4,402,724	$ 6,042,575	$ 12,222,764	$ 3,360,051	$ 26,028,114

In addition to the notional amounts of derivative instruments shown above, ATB has certain foreign-exchange spot deals that settle in one day. These deals had notional amounts of $6,703 as at March 31, 2017 (2016: $433,125).

Derivative-Related Credit Risk

Derivative financial instruments traded in the OTC market are subject to credit risk of a financial loss occurring if a counterparty defaults on its contractual obligation. ATB's maximum credit risk in respect of such derivatives is the fair value of all derivatives where ATB is in a favourable position. ATB endeavours to limit its credit risk by dealing only with counterparties assessed to be creditworthy and manages the credit risk for derivatives using the same credit risk process applied to loans and other credit assets. Financial institution counterparties must have a minimum long-term public credit rating of A-low/A3/A- or better. The exposure to credit risk on derivatives is also reduced by entering into master netting agreements and collateral agreements with counterparties. To the extent that any unfavourable contracts with the counterparty are not settled, they reduce ATB's net exposure in respect of favourable contracts with the same counterparty.

The current replacement cost represents the cost of replacing, at current market rates, all contracts with a positive fair value to ATB. The credit equivalent amount is the sum of the current replacement cost and the potential future exposure, which is defined in a guideline authorized by the President of Treasury Board and Minister of Finance (the Minister), which was modelled after guidelines governing other Canadian deposit-taking institutions. The risk-weighted amount is determined by applying standard measures of counterparty credit risk to the credit equivalent amount. The derivative-related credit risks for derivative instruments are as follows:

As at March 31 *($ in thousands)*	2017 Replacement cost	2017 Credit equivalent amount	2017 Risk-adjusted balance	2016 Replacement cost	2016 Credit equivalent amount	2016 Risk-adjusted balance
Contracts ineligible for hedge accounting						
Interest rate contracts						
Swaps	$ 18,255	$ 23,396	$ 4,679	$ 53,803	$ 75,510	$ 15,102
Other	36,102	42,099	20,487	49,064	55,886	27,140
Foreign-exchange contracts						
Forwards	11,582	26,624	9,226	35,952	61,563	19,397
Cross-currency swaps	65,222	166,967	34,614	30,819	42,047	12,644
Forward contracts						
Commodities	163,297	289,429	89,741	349,221	540,425	149,070
Contracts eligible for hedge accounting						
Interest rate contracts						
Swaps	156,389	214,404	42,881	246,794	322,884	64,577
Total	$ 450,847	$ 762,919	$ 201,628	$ 765,653	$ 1,098,315	$ 287,930

11. Property and Equipment

($ in thousands)	Leasehold improvements	Computer equipment	Buildings	Other equipment	Leasehold improvements under construction	Computer and other equipment under development	Buildings under finance lease	Land	Total
Cost									
Balance as at April 1, 2015	$ 229,889	$ 61,781	$ 101,006	$ 76,429	$ 16,346	$ 24,300	$ 199,568	$ 7,372	$ 716,691
Acquisitions	21,253	24,983	1,045	7,142	9,252	14,099	30,236	-	108,010
Disposals	(17,986)	-	(2,790)	(7,903)	(17,118)	(24,186)	-	(12)	(69,995)
Balance as at March 31, 2016	$ 233,156	$ 86,764	$ 99,261	$ 75,668	$ 8,480	$ 14,213	$ 229,804	$ 7,360	$ 754,706
Balance as at April 1, 2016	**$ 233,156**	**$ 86,764**	**$ 99,261**	**$ 75,668**	**$ 8,480**	**$ 14,213**	**$ 229,804**	**$ 7,360**	**$ 754,706**
Acquisitions	**10,186**	**13,846**	**2,263**	**4,174**	**2,208**	**9,048**	**27,769**	**-**	**69,494**
Disposals	**(6,160)**	**(15,435)**	**-**	**(912)**	**(8,387)**	**(13,638)**	**(11,373)**	**(32)**	**(55,937)**
Balance as at March 31, 2017	**$ 237,182**	**$ 85,175**	**$ 101,524**	**$ 78,930**	**$ 2,301**	**$ 9,623**	**$ 246,200**	**$ 7,328**	**$ 768,263**
Depreciation									
Balance as at April 1, 2015	$ 135,684	$ 29,744	$ 68,950	$ 48,924	$ -	$ -	$ 64,038	$ -	$ 347,340
Depreciation for the period	13,031	18,441	1,985	8,707	-	-	15,362	-	57,526
Disposals	(17,986)	-	(2,666)	(7,840)	-	-	-	-	(28,492)
Balance as at March 31, 2016	$ 130,729	$ 48,185	$ 68,269	$ 49,791	$ -	$ -	$ 79,400	$ -	$ 376,374
Balance as at April 1, 2016	**$ 130,729**	**$ 48,185**	**$ 68,269**	**$ 49,791**	**$ -**	**$ -**	**$ 79,400**	**$ -**	**$ 376,374**
Depreciation for the period	**13,819**	**20,253**	**2,084**	**8,988**	**-**	**-**	**17,751**	**-**	**62,895**
Disposals	**(6,160)**	**(15,435)**	**-**	**(885)**	**-**	**-**	**(11,276)**	**-**	**(33,756)**
Balance as at March 31, 2017	**$ 138,388**	**$ 53,003**	**$ 70,353**	**$ 57,894**	**$ -**	**$ -**	**$ 85,875**	**$ -**	**$ 405,513**
Carrying amounts									
Balance as at March 31, 2016	$ 102,427	$ 38,579	$ 30,992	$ 25,877	$ 8,480	$ 14,213	$ 150,404	$ 7,360	$ 378,332
Balance as at March 31, 2017	**$ 98,794**	**$ 32,172**	**$ 31,171**	**$ 21,036**	**$ 2,301**	**$ 9,623**	**$ 160,325**	**$ 7,328**	**$ 362,750**

For the year ended March 31, 2017, depreciation expense charged to the Consolidated Statement of Income for premises and equipment was $62,895 (2016: $57,526). No impairment write-downs were recognized during the year ended March 31, 2017 (2016: nil). A loss of $46 (2016: $144) was recognized during the year for the disposal of capital assets.

12. Software and Other Intangibles

($ in thousands)	Software	Software under development	Other intangibles	Total
Cost				
Balance as at April 1, 2015	$ 373,899	$ 41,686	$ 2,125	$ 417,710
Acquisitions	41,978	30,139	-	72,117
Disposals	-	(33,363)	(2,125)	(35,488)
Balance as at March 31, 2016	$ 415,877	$ 38,462	$ -	$ 454,339
Balance as at April 1, 2016	**$ 415,877**	**$ 38,462**	**$ -**	**$ 454,339**
Acquisitions	**62,496**	**34,812**	**193**	**97,501**
Disposals	**(22,386)**	**(35,689)**	**-**	**(58,075)**
Balance as at March 31, 2017	**$ 455,987**	**$ 37,585**	**$ 193**	**$ 493,765**
Amortization				
Balance as at April 1, 2015	$ 135,161	$ -	$ 2,125	$ 137,286
Amortization for the period	48,278	-	-	48,278
Disposals	(72)	-	(2,125)	(2,197)
Balance as at March 31, 2016	$ 183,367	$ -	$ -	$ 183,367
Balance as at April 1, 2016	**$ 183,367**	**$ -**	**$ -**	**$ 183,367**
Amortization for the period	**58,149**	**-**	**18**	**58,167**
Disposals	**(22,385)**	**-**	**-**	**(22,385)**
Balance as at March 31, 2017	**$ 219,131**	**$ -**	**$ 18**	**$ 219,149**
Carrying amounts				
Balance as at March 31, 2016	$ 232,510	$ 38,462	$ -	$ 270,972
Balance as at March 31, 2017	**$ 236,856**	**$ 37,585**	**$ 175**	**$ 274,616**

For the year ended March 31, 2017, amortization expense charged to the Consolidated Statement of Income for software and intangibles was $58,167 (2016: $48,278). No impairment write-downs were recognized during the year ended March 31, 2017 (2016: nil).

13. Other Assets

Other assets consist of the following:

As at March 31 ($ in thousands)	2017	2016
Prepaid expenses and other receivables	**$ 179,874**	$ 150,750
Accrued interest receivable	**49,835**	57,400
Other	**20,954**	21,348
Total	**$ 250,663**	$ 229,498

14. Deposits

Deposit balances consist of the following:

As at March 31, 2017 ($ in thousands)	Payable on demand	Payable on a fixed date						Total
		Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	
Personal	$ 8,466,127	$ 2,662,373	$ 1,329,614	$ 630,762	$ 104,926	$ 122,376	$ 539	$ 13,316,717
Business and other	15,470,885	4,514,071	231,297	224,830	68,246	29,636	72,078	20,611,043
Total	**$ 23,937,012**	**$ 7,176,444**	**$ 1,560,911**	**$ 855,592**	**$ 173,172**	**$ 152,012**	**$ 72,617**	**$ 33,927,760**

As at March 31, 2016 ($ in thousands)	Payable on demand	Payable on a fixed date						Total
		Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	
Personal	$ 8,078,398	$ 3,486,165	$ 1,045,245	$ 306,340	$ 130,205	$ 41,781	$ 11	$ 13,088,145
Business and other	12,777,102	4,612,449	190,153	64,454	31,477	28,272	70,237	17,774,144
Total	$ 20,855,500	$ 8,098,614	$ 1,235,398	$ 370,794	$ 161,682	$ 70,053	$ 70,248	$ 30,862,289

The total deposits presented above include $1,403,736 (2016: $564,043) denominated in U.S. funds.

As at March 31, 2017, deposits by various departments and agencies of the Government of Alberta included in the preceding schedule totalled $108,863 (2016: $82,596).

The repayment of all deposits and wholesale borrowings, without limit, including accrued interest, is guaranteed by the Crown in right of Alberta in respect of which the Crown assesses an annual deposit guarantee fee payable by ATB. For the year ended March 31, 2017, the fee was $47,628 (2016: $47,653), with $42,778 (2016: $39,217) recorded to non-interest expenses for deposits and the remainder to net interest income for wholesale borrowings.

15. Collateralized Borrowings

Canada Mortgage Bonds (CMB) Program

ATB periodically securitizes insured residential mortgage loans by participating in the *National Housing Act* Mortgage-Backed Security (NHA MBS) program. Through the program, ATB bundles residential mortgage loans guaranteed by the Canada Mortgage and Housing Corporation (CMHC) into mortgage-backed securities (MBS). The MBS issued are sold to the Canada Housing Trust (CHT) as part of the Canada Mortgage Bonds (CMB) Program, or to third-party investors. CHT uses the proceeds of its bond issuance to finance the purchase of MBS issued by ATB. As an issuer of the MBS, ATB is responsible for advancing all scheduled principal and interest payments to CMHC, irrespective of whether or not the amounts have been collected on the underlying transferred mortgages. Amounts advanced but not recovered are ultimately recovered from the insurer. The sale of mortgage pools that comprise the MBS does not qualify for derecognition, as ATB retains the prepayment, credit, and interest rate risks associated with the mortgages, which represent substantially all of the risks and rewards. Also included in the collateralized borrowing liabilities are accrued interest, deferred transaction costs, and premiums and discounts, representing the difference between cash proceeds and the notional amount of the liability issued. Accrued interest on the collateralized borrowing liability is based on the CMB coupon for each respective series. At the time of the CMB coupon settlement, any excess or shortfall between the CMB coupon payment and interest accumulated with swap counterparties is received or paid by ATB.

There are no expected credit losses on the securitized mortgage assets, as the mortgages are insured against default. Further, the investors and CMHC have no recourse to other assets of ATB in the event of failure of debtors to pay when due.

As part of a CMB transaction, ATB must enter into a total return swap with highly rated counterparties, exchanging cash flows of the CMB for those of the MBS transferred to CHT. Any excess or shortfall in these cash flows is absorbed by ATB. These swaps are not recognized on ATB's Consolidated Statement of Financial Position, as the underlying cash flows of these derivatives are captured through the continued recognition of the mortgages and their associated CMB collateralized borrowing liabilities. Accordingly, these swaps are recognized on an accrual basis and are not fair-valued through ATB's Consolidated Statement of Income. The notional amount of these swaps as at March 31, 2017, is $6,374,994 (2016: $5,011,723).

Collateralized borrowing liabilities are non-amortizing liabilities with fixed maturity dates. Principal payments collected from the mortgages underlying the MBS sold to the CHT are transferred to the CHT monthly, where they are either reinvested in new MBS or invested in eligible investments. To the extent that these eligible investments are not ATB's own issued MBS, the investments are recorded on ATB's Consolidated Statement of Financial Position as securities measured at fair value through net income. The amount of investments as at March 31, 2017, is nil (2016: nil).

Credit Card Securitization

ATB entered into a program with another financial institution to securitize credit card receivables to obtain additional funding. This program allows ATB to borrow up to 85% of the amount of credit card receivables pledged. The secured credit card receivables remain on ATB's Consolidated Statement of Financial Position and have not been transferred, as they do not qualify for derecognition. Should the amount securitized not adequately support the program, ATB will be responsible for funding this shortfall.

The following table presents the carrying amount of ATB's residential mortgage loans, credit card receivables, and assets pledged as collateral for the associated liability recognized in the Consolidated Statement of Financial Position:

As at March 31 *($ in thousands)*		2017		2016
Principal value of mortgages pledged as collateral	**$**	**6,099,603**	$	4,773,222
ATB mortgage-backed securities pledged as collateral through repurchase agreements		**365,706**		232,629
Principal value of credit card receivables pledged as collateral		**606,544**		584,729
Total	**$**	**7,071,853**	$	5,590,580
Associated liabilities	**$**	**6,812,660**	$	5,497,768

16. Other Liabilities

Other liabilities consist of the following:

As at March 31 *($ in thousands)*	Note		2017		2016
Accounts payable and accrued liabilities		**$**	**667,804**	$	907,278
Accrued interest payable			**103,627**		97,514
Accrued pension-benefit liability	19		**89,286**		92,834
Due to clients, brokers, and dealers			**75,773**		58,333
Achievement notes	24		**54,555**		59,222
Deposit guarantee fee payable			**47,628**		47,653
Payment in lieu of tax payable	20		**45,038**		32,298
Total		**$**	**1,083,711**	$	1,295,132

17. Subordinated Debentures

ATB privately places debentures with the Crown in right of Alberta. These debentures are subordinated to deposits and other liabilities and are unsecured, non-convertible, non-redeemable, and non-transferable. They bear a fixed rate of interest payable semi-annually. The outstanding subordinated debentures were issued with an original term of five years.

As detailed in note 20, since March 31, 2011, ATB has issued subordinated debentures annually to settle the outstanding liability for ATB's payment in lieu of tax for each fiscal year.

Subordinated debentures consist of the following:

As at March 31 *($ in thousands)* Maturity date	Interest rate		2017		2016
June 30, 2016	3.6%	**$**	**-**	$	59,298
June 30, 2017	3.3%		**58,280**		58,280
June 30, 2018	3.4%		**73,122**		73,122
June 30, 2019	2.8%		**82,564**		82,564
June 30, 2020	3.0%		**98,177**		98,177
June 30, 2021	2.3%		**32,298**		-
Total		**$**	**344,441**	$	371,441

18. Salaries and Benefits

The following table discloses the amounts earned by board members and key senior executives in the year ended March 31, 2017:

($ in thousands)	2017 Base salary[1]	Incentive plan Short-term[2]	Incentive plan Long-term[3]	Other cash benefits[4]	Other non-cash benefits[5]	Subtotal	Retirement and other post-employment benefits[6]	Total	2016 Total
Brian Hesje Chair of the Board	$ 63	$ -	$ -	$ -	$ -	$ 63	$ -	$ 63	$ 62
Board members[7]	410	-	-	-	-	410	-	410	383
Dave Mowat[8] [9] President and Chief Executive Officer	502	660	921	22	14	2,119	(532)	1,587	3,671
Curtis Stange[10] Chief Customer Officer	336	239	447	15	11	1,048	77	1,125	1,054
Robert McGee Chief Financial Officer and Head of Operations	365	270	371	15	14	1,035	67	1,102	866
Wellington Holbrook[10] [11] Chief Transformation Officer	315	238	356	3	16	928	75	1,003	973
Robert Mann Chief Risk Officer	284	140	236	7	24	691	93	784	823
Peggy Garritty[12] Chief Reputation and Brand Officer	266	131	239	15	10	661	49	710	676
Lorne Rubis[10] [11] Chief Evangelist	286	141	273	1	16	717	60	777	789
Elizabeth Stretch[10] [13] Chief People Officer	83	42	64	-	6	195	13	208	-
Robert Bennett Executive Vice-President, RFS	276	224	247	12	22	781	45	826	807
Teresa Clouston[10] [14] Executive Vice-President, B&Ag	139	123	107	4	9	382	18	400	-
Chris Turchansky President, ATB Investor Services	276	189	259	4	21	749	65	814	733
Jonathan Horsman[15] Executive Managing Director and Head, CFS Financial Service Groups	113	80	83	5	9	290	10	300	-
Tim Gillespie[15] Executive Managing Director and Head, CFS Client Solution Groups	114	82	82	4	9	291	11	302	-
Ian Wild[16] Executive Vice-President, CFS	167	145	180	1,377	8	1,877	61	1,938	877

1 Base salary consists of all regular base pay earned.
2 Short-term incentive plan pay is accrued based on goal attainment for the fiscal year but is paid after the fiscal year-end.
3 Long-term incentive plan pay is earned in the year, though payment is deferred for up to 36 months and depends on the employee's continued employment with ATB. The actual amount each employee receives appreciates or depreciates each year from the amount reported above based on ATB's actual financial performance over the next three fiscal years.
4 Other cash benefits consist of perquisite allowances, severance, and other direct cash remuneration.
5 Other non-cash benefits consist of ATB's share of employee benefits and contributions or payments made on behalf of employees.
6 The retirement and other post-employment benefits are largely unfunded obligations and are paid from operating revenues as they come due. None of these costs represent cash payments in the period; they represent the period expense for future payments. These benefit costs represent the actuarially estimated cost incurred in the year ended March 31, 2017.
7 The board consists of 11 members plus the chair, whose remuneration is disclosed separately.
8 The incumbent has agreed to terminate the original post-employment benefit plan and instead participate in an individual registered pension plan and a supplemental retirement plan that will be retroactively implemented in 2017 for all prior employment service. This enables ATB to reduce its costs substantially.
9 The prior year total has been adjusted to reflect a correction in the calculation for the benefit in place at March 31, 2016.
10 A reorganization occurred in September 2016. A number of senior executives changed positions and four executives were added to the team.
11 The current incumbent occupied this position for seven months during the fiscal year.
12 The position of chief reputation and brand officer was established in fiscal 2017 with the position previously being senior vice-president, Reputation and Brand.
13 Two incumbents occupied this position during fiscal 2017. Amounts presented are for the current incumbent who occupied this position for four months during the fiscal year. The prior incumbent moved to the position of chief evangelist.
14 Two incumbents occupied this position during fiscal 2017. Amounts presented are for the current incumbent who occupied this position for seven months during the fiscal year. The prior incumbent moved to the position of chief transformation officer.
15 The positions of executive managing director and head, Corporate Financial Services, were established in fiscal 2017. The current incumbents occupied these positions for six months during fiscal 2017.
16 The incumbent in this role occupied this position for the first six months of fiscal 2017.

Retirement and Other Post-Employment Benefits

Retirement and other post-employment benefits presented in the Salaries and Benefits table reflect the period expense for pension and other post-employment benefit (OPEB) rights to future compensation. Executive officers may receive such benefits through participation in either the defined benefit (DB) or defined contribution provisions of ATB's registered pension plan (the ATB Plan) or the non-registered notional supplemental plan together with participation in the non-registered DB supplemental retirement plan (SRP), or through other supplemental post-retirement benefit arrangements. (Refer to note 19.)

	2017					2016
($ in thousands)	Registered plan service cost	Supplemental and other post-employment benefit service costs[1]	Notional Plan service costs	Interest and other costs[2]	Total	Total
Dave Mowat[3] [4] President and Chief Executive Officer	$ 64	$ 751	$ -	$ (1,347)	$ (532)	$ 1,776
Curtis Stange Chief Customer Officer	6	-	61	10	77	70
Robert McGee Chief Financial Officer and Head of Operations	6	-	59	2	67	27
Wellington Holbrook Chief Transformation Officer	6	-	59	10	75	71
Robert Mann Chief Risk Officer	10	19	13	51	93	144
Peggy Garritty Chief Reputation and Brand Officer	11	-	36	2	49	34
Lorne Rubis Chief Evangelist	8	-	45	7	60	56
Elizabeth Stretch Chief People Officer	8	-	2	3	13	-
Robert Bennett Executive Vice-President, Retail Financial Services	8	-	29	8	45	59
Teresa Clouston Executive Vice-President, Business and Agriculture	8	-	9	1	18	-
Chris Turchansky President, ATB Investor Services	8	-	48	9	65	60
Jonathan Horsman Executive Managing Director and Head, Corporate Financial Services Financial Service Groups	5	-	4	1	10	-
Tim Gillespie Executive Managing Director and Head, Corporate Financial Services Client Solution Groups	5	-	4	2	11	-
Ian Wild Executive Vice-President, Corporate Financial Services	9	19	10	23	61	132

1 As the SRP and the OPEB provided are unfunded obligations and are paid from operating revenues as they come due, none of the SRP and OPEB costs represent cash payments in the period; they represent the period expense for rights to future payments. These benefit costs also represent the total estimated cost incurred in the year ended March 31, 2017, to provide annual pension income over an actuarially determined post-employment period.

2 Interest and other costs include the notional return granted on the total notional plan outstanding balance. For the president and chief executive officer, this includes the cumulative impact of the change in obligation due to the change in the retirement benefit plans.

3 The incumbent has agreed to terminate the original post-employment benefit plan and instead participate in an individual registered pension plan and a supplemental retirement plan that will be retroactively implemented in 2017 for all prior employment service.

4 The prior year total has been adjusted to reflect a correction in the calculation for the benefit in place at March 31, 2016.

The accrued SRP and OPEB obligation for each executive is as follows:[1]

($ in thousands)		Accrued obligation March 31, 2016		Change in accrued obligation[2]		Accrued obligation March 31, 2017
Dave Mowat[3] [4]						
President and Chief Executive Officer	$	9,723	$	(394)	$	**9,329**
Robert Mann						
Chief Risk Officer		1,293		41		**1,334**
Ian Wild						
Executive Vice-President, Corporate Financial Services		1,079		(1,079)		**-**

1 All other disclosed executives do not participate in the SRP.
2 For the president and chief executive officer, the change in the accrued obligation is primarily a result of changing the benefit in place for other post-employment benefits to participation in an individual registered plan along with a supplemental retirement plan. For the chief risk officer, the change in the accrued obligation is primarily as a result of the service cost and a decrease in discount rates from 3.9% to 3.8%, offset by experience as a result of his retirement. The executive vice-president, Corporate Financial Services, was paid his entitled SPP pension benefits as a lump sum during the fiscal year upon his retirement.
3 The incumbent has agreed to terminate the original post-employment benefit plan and instead participate in an individual registered pension plan and a supplemental retirement plan that will be retroactively implemented in 2017 for all prior employment service.
4 The prior year total has been adjusted to reflect a correction in the calculation for the benefit in place at March 31, 2016. The accrued obligation increased from $5,155 to $9,723 and the change has been reflected in the current year's Consolidated Statement of Income.

19. Employee Benefits

Public Service Pension Plan (PSPP)

The PSPP is a multi-employer pension plan for eligible employees of the Province of Alberta, approved provincial agencies, and public bodies. The Minister is the legal trustee for the plan and, accordingly, Alberta Treasury Board and Finance is the manager of the plan. The plan is governed by the Public Service Pension Board.

The plan provides a pension of 1.4% for each year of pensionable service based on average salary of the highest five consecutive years up to the year's maximum pensionable earnings and 2.0% on the excess, subject to the maximum pension benefit limit allowed under the *Income Tax Act*.

As a participant in this plan, ATB and its participating employees are responsible for making current service contributions sufficient to provide for the accruing service of members and the amortization of any unfunded liability. ATB's share of the current service contributions (employer and employee) is based on the current pensionable earnings of active ATB participants (prorated against the total current pensionable earnings of all active PSPP members). The employer and employee share the required contributions 50/50.

Although the PSPP pools all assets and liabilities of participating employers and there is no allocation of assets and liabilities to participating employers, in order to recognize an estimate of its current liability under this plan, ATB has applied defined benefit (DB) accounting. ATB has estimated its share of the fair value of assets, the DB obligation, and the net pension liability as at March 31, 2017, based on its pro rata share of contributions into the plan, adjusted for its pro rata contribution rate (split 50/50 between employer and employee). ATB reassesses and discloses the estimated value of this liability annually.

Registered Pension Plan

ATB provides its management employees with a registered pension plan (the ATB Plan) with either DB or defined contribution (DC) provisions. The DB component provides benefits based on members' years of service and earnings. The DC component provides annual contributions based on members' earnings.

ATB has amended the ATB Plan to change the annual contributions in the DC component effective January 1, 2015, and to close the DB component to future service accruals effective July 7, 2016. Current members in the DB component will continue to accrue earnings for their highest average earnings calculations and service for early retirement subsidies, but effective July 8, 2016, will accrue future benefits under the DC component. Effective July 8, 2016, all new entrants into the ATB Plan automatically go into the DC component.

Effective July 15, 2006, ATB finalized arrangements with the Government of Alberta to assume pension obligations relating to current ATB employees who participated in the PSPP prior to joining the ATB Plan (the PSPP take-on). The arrangements formalized ATB's commitment to providing combined pensionable service (CPS) benefits for qualifying members whose CPS benefits were affected by the withdrawal of ATB from the Management Employees Pension Plan.

Following the execution of this agreement, certain assets and liabilities were transferred from the PSPP into the ATB Plan in respect of all member employees promoted to management positions between January 1, 1994, and December 31, 2005, who were active in the plan on July 15, 2006. From 2007 to 2015, there were annual transfers of obligations and assets in respect of employees promoted to management in the prior year. The Transfer Agreement was terminated June 27, 2014, with the final transfer occurring in 2015. After this period, any promotion to management positions will join the plan under the DC provision and any pension benefit earned in the PSPP will be deferred at Alberta Pension Services (APS) or if eligible the employee may choose to withdraw their pension benefit.

Non-Registered Plans

ATB also provides a non-registered DB supplemental retirement plan (SRP) and other post-employment benefits (OPEB) for designated management employees. The SRP provides benefits based on members' years of service and earnings over the Canada Revenue Agency maximum pension limits.

Plan Risks

The DB plans expose ATB to actuarial risks, such as longevity risk, currency risk, interest rate risk, and market risk. ATB, in conjunction with the Human Resources Committee and Retirement Committee, manages risk through the plan's Statement of Investment Policies and Procedures and Pension Investment Risk Management Policy, which:

- Establishes allowable and prohibited investment types
- Sets diversification requirements
- Limits portfolio mismatch risk through an asset allocation policy
- Limits market risks associated with the underlying fund assets

Breakdown of Defined Benefit Obligation

The breakdown of the DB obligations for each plan is as follows:

As at March 31 ($ in thousands)	**2017** Registered plan	Supplemental and other	ATB's share of PSPP
Active	**$ 164,693**	**$ 9,118**	**$ 144,540**
Deferred	**21,262**	**955**	**38,702**
Pensioners and beneficiaries	**225,517**	**6,180**	**118,376**
Total defined benefit obligation	**$ 411,472**	**$ 16,253**	**$ 301,618**

As at March 31 ($ in thousands)	2016 Registered plan	Supplemental and other	ATB's share of PSPP
Active	$ 227,674	$ 10,976	$ 145,927
Deferred	20,999	920	39,073
Pensioners and beneficiaries	146,299	4,908	119,511
Total defined benefit obligation	$ 394,972	$ 16,804	$ 304,511

Breakdown of Plan Assets

A breakdown of plan assets for the ATB Plan is as follows:

As at March 31 *($ in thousands)*	2017 Non-quoted on an active market	2017 Quoted on an active market	2016 Non-quoted on an active market	2016 Quoted on an active market
Bonds				
Provinces, municipal corporations, and other public administrations	$ -	$ 89	$ -	$ 86
Other issuers	-	249,467	-	253,306
Shares	-	170,600	-	150,638
Cash and money market securities	-	(442)	-	1,516
Total fair value of plan assets	**$ -**	**$ 419,714**	$ -	$ 405,546

Asset/Liability Matching Strategy

The investment policy is reviewed each year. The current policy is to match those assets in respect of inactive members with a matching fixed-income portfolio. For active members with liabilities that have other variables such as salary growth, assets are not matched but an equity-centric portfolio is held (70% benchmark in equities). A more in-depth asset/liability study is conducted every three to five years, whereby the investment policy is reviewed in more detail.

Cash Payments

For the year ended March 31, 2017, total cash paid or payable for employee benefits—cash contributed by ATB in respect of the DB and DC provisions of the ATB Plan, cash payments made directly to beneficiaries for the unfunded SRP, and cash contributed to the PSPP—was $44,236 (2016: $48,498).

Contributions expected during the upcoming year are $4,515 (2016: $4,076) for the DB portion of the ATB plan, $361 (2016: $286) for the unfunded SRP and CPS, and $14,238 (2016: $14,901) for the PSPP.

Pension Plan Obligation Maturity Profile

For 2017, the weighted-average financial duration of the main group plans was approximately 17 years (2016: 17 years).

Net Accrued Benefit Liability

The funded status and net accrued pension-benefit liability for the DB provisions of the ATB Plan and the other pension obligations, which include the PSPP, SRP, obligations recognized in respect of the CPS benefit obligation to inactive plan members, and OPEB, consist of the following:

As at March 31 *($ in thousands)*	2017	2016
Registered plan		
Fair value of plan assets	$ 419,714	$ 405,546
Projected benefit obligation	(411,472)	(394,472)
Net pension-benefit asset[1]	$ 8,242	$ 11,074
Supplemental and other		
Unfunded projected benefit obligation, representing the plan funding deficit	$ (16,253)	$ (16,804)
Net pension-benefit liability[1]	$ (16,253)	$ (16,804)
ATB's share of PSPP		
Fair value of plan assets	$ 226,682	$ 218,832
Projected benefit obligation	(301,618)	(304,511)
Net pension-benefit liability[1]	$ (74,936)	$ (85,679)
Notional supplemental plan liability	$ (6,339)	$ (1,426)
Total net pension-benefit liability[1], [2]	$ (89,286)	$ (92,834)

1 Effect of asset limitation and IAS minimum funding requirements is nil.
2 There are no unrecognized actuarial gains/losses and past-service costs.

The net accrued benefit liability is included in other liabilities in the Consolidated Statement of Financial Position as appropriate. (Refer to note 16.)

Other Comprehensive Income

As at March 31 *($ in thousands)*	Registered plan 2017	Registered plan 2016	Supplemental and other 2017	Supplemental and other 2016	ATB's share of PSPP 2017	ATB's share of PSPP 2016
Actuarial (gain) loss on plan assets	$ (13,199)	$ 20,319	$ -	$ -	$ 4,490	$ 23,671
Effect of changes in demographic assumptions	-	-	(236)	(202)	-	-
Effect of changes in financial assumptions	1,337	(17,857)	468	(346)	4,151	(8,424)
Experience loss (gain) on plan liabilities	16,422	(873)	196	452	(22,180)	(9,307)
Amount recognized in other comprehensive loss	$ 4,560	$ 1,589	$ 428	$ (96)	$ (13,539)	$ 5,940
Beginning balance, accumulated other comprehensive loss	62,617	61,028	4,250	4,346	13,704	7,764
Ending balance, accumulated other comprehensive loss	$ 67,177	$ 62,617	$ 4,678	$ 4,250	$ 165	$ 13,704

Change in Plan Assets and Benefit Obligations

Changes in the estimated financial position of the DB provisions of the ATB Plan, the PSPP, and the SRP and OPEB obligations are as follows:

As at March 31 *($ in thousands)*	Registered plan 2017	Registered plan 2016	Supplemental and other 2017	Supplemental and other 2016	ATB's share of PSPP 2017	ATB's share of PSPP 2016
Change in fair value of plan assets						
Fair value of plan assets at beginning of the year	**$ 405,546**	$ 414,975	**$ -**	$ -	**$ 218,832**	$ 229,582
Contributions from ATB	**3,083**	9,107	**2,785**	1,441	**13,756**	14,397
Contributions from employees	**262**	937	**-**	-	**-**	-
Interest income	**15,614**	15,435	**-**	-	**8,643**	8,577
Actuarial gain (loss) on plan assets	**13,892**	(19,538)	**-**	-	**(4,490)**	(23,671)
Benefits paid	**(16,870)**	(13,541)	**(2,785)**	(1,441)	**(10,059)**	(10,053)
Actual plan expenses	**(1,813)**	(1,829)	**-**	-	**-**	-
Fair value of plan assets at end of the year	**$ 419,714**	$ 405,546	**$ -**	$ -	**$ 226,682**	$ 218,832
Change in defined benefit obligation						
Projected benefit obligation at beginning of the year	**$ 394,472**	$ 406,543	**$ 16,804**	$ 16,590	**$ 304,511**	$ 308,355
Effect of changes in demographic assumptions	**-**	-	**(236)**	(202)	**-**	-
Effect of changes in financial assumptions	**1,337**	(17,857)	**468**	(346)	**4,151**	(8,424)
Experience loss (gain) on plan liabilities	**16,422**	(873)	**196**	452	**(22,180)**	(9,307)
Current-service costs	**729**	4,423	**761**	1,142	**13,501**	12,703
Expenses paid	**-**	-	**-**	-	**-**	-
Contributions from employees	**262**	937	**-**	-	**-**	-
Past-service costs	**-**	-	**395**	-	**-**	-
Interest expense	**15,120**	14,840	**650**	609	**11,694**	11,237
Benefits paid	**(16,870)**	(13,541)	**(2,785)**	(1,441)	**(10,059)**	(10,053)
Defined benefit obligation at end of the year	**$ 411,472**	$ 394,472	**$ 16,253**	$ 16,804	**$ 301,618**	$ 304,511
Net pension-benefit asset (liability)	**$ 8,242**	$ 11,074	**$ (16,253)**	$ (16,804)	**$ (74,936)**	$ (85,679)

Defined Benefit Pension Expense

Benefit expense for the DB provisions of the ATB Plan and for the PSPP, SRP, and OPEB consists of the following:

As at March 31 *($ in thousands)*	Registered plan 2017	Registered plan 2016	Supplemental and other 2017	Supplemental and other 2016	ATB's share of PSPP 2017	ATB's share of PSPP 2016
Current-service costs	**$ 729**	$ 4,423	**$ 761**	$ 1,142	**$ 13,501**	$ 12,703
Past-service costs	**-**	-	**395**	-	**-**	-
Interest expense	**15,120**	14,840	**650**	609	**11,694**	11,237
Interest income	**(15,614)**	(15,435)	**-**	-	**(8,643)**	(8,577)
Administrative expenses and taxes	**1,120**	1,200	**-**	-	**-**	-
Net pension-benefit expense recognized	**$ 1,355**	$ 5,028	**$ 1,806**	$ 1,751	**$ 16,552**	$ 15,363

Key Assumptions and Sensitivities

The significant assumptions used in the actuarial determination of projected benefit obligations and the related net benefit expense are, on a weighted-average basis, as follows:

	Registered plan		Supplemental and other		ATB's share of PSPP	
	2017	2016	2017	2016	2017	2016
Accrued benefit obligation as at March 31						
Discount rate at end of the year	3.8%	3.9%	3.8%	3.9%	3.8%	3.9%
Rate of compensation increase[1]	3.8%	3.5%	3.8%	3.5%	3.8%	3.5%
Defined benefit expense for the year ended March 31						
Discount rate at beginning of the year	3.9%	3.7%	3.9%	3.7%	3.9%	3.7%
Rate of compensation increase[1]	3.8%	3.5%	3.8%	3.5%	3.8%	3.5%
ATB's share of PSPP contributions	-	-	-	-	3.7%	4.3%

[1] The long-term weighted-average rate of compensation increase, including merit and promotion.

The following table outlines the possible impact of changes in certain key weighted-average economic assumptions used to measure the accrued pension-benefit obligations as at March 31, 2017, and the related expense for the year then ended:

		Registered plan		Supplemental and other		ATB's share of PSPP	
As at March 31, 2017 ($ in thousands)		Benefit obligation	Benefit expense	Benefit obligation	Benefit expense	Benefit obligation	Benefit expense
Discount rate							
Impact of:	1.0% increase	$ (58,864)	$ (3,070)	$ (1,131)	$ 38	$ (47,791)	$ (4,366)
	1.0% decrease	76,146	2,469	1,388	(56)	47,791	3,410
Inflation rate							
Impact of:	1.0% increase	33,893	1,414	89	2	19,795	2,052
	1.0% decrease	(30,062)	(1,252)	(109)	(6)	(19,795)	(2,052
Rate of compensation increase							
Impact of:	0.25% increase	1,754	112	4	-	8,032	1,057
	0.25% decrease	(1,704)	(110)	(13)	-	(8,032)	(1,057)
Mortality							
Impact of:	10.0% increase	(6,885)	(272)	(149)	(8)	N/A[1]	N/A[1]
	10.0% decrease	7,544	296	160	9	N/A[1]	N/A[1]

[1] Mortality sensitivity information for the PSPP is not available.

This sensitivity analysis should be used with caution as it is hypothetical and the effect of changes in each significant assumption may not be linear. Also, the sensitivities in each key variable have been calculated independently of changes in other key variables, and actual experience may result in simultaneous changes to a number of key assumptions. Changes in one factor could result in changes to another that may serve to amplify or reduce certain sensitivities.

20. Payment in Lieu of Tax

Pursuant to the *ATB Act*, the Government of Alberta may assess a charge to ATB as prescribed by the *ATB Regulation*. The *ATB Regulation* defines the charge to be an amount equal to 23% of ATB's consolidated net income as reported in its audited annual financial statements. The payment in lieu of tax is calculated as 23% of net income reported under IFRS.

As at March 31, 2017, ATB accrued a total of $45,038 (2016: $32,298) for payment in lieu of tax. The amount outstanding as at March 31, 2016, was settled on June 30, 2016, with ATB issuing a subordinated debenture to the Government of Alberta. (Refer to note 17.) The payment in lieu of tax will continue to be settled by issuing subordinated debentures until ATB's Tier 2 notional capital is eliminated. (Refer to note 25.)

21. Related-Party Transactions

In the ordinary course of business, ATB provides normal banking services to various departments and agencies of the Government of Alberta on terms similar to those offered to non-related parties. (Refer to note 14.) This year, these services also include OTC foreign-exchange forwards to manage currency exposure. (Refer to note 10.) The fair values of the asset and liability associated with these derivative contracts as at March 31, 2017, are nil (2016: $533) and $501 (2016: $392), respectively.

During the year, ATB leased certain premises from the Government of Alberta. For the year ended March 31, 2017, the total of these payments was $279 (2016: $286). ATB recognized a deposit guarantee fee payable to the Crown in right of Alberta in return for a guarantee on all customer deposits and a payment in lieu of tax. (Refer to notes 14 and 20.) ATB also has subordinated debt outstanding with the Crown in right of Alberta. (Refer to note 17.)

ATB entered into a wholesale borrowing agreement with the President of Treasury Board and Minister of Finance on November 24, 2003 (amended November 9, 2007). The agreement was amended again in December 2015 to increase the available limit of borrowings to $7.0 billion from $5.5 billion. Under this agreement, the Minister acts as fiscal agent of ATB under the *Financial Administration Act* and is involved in raising wholesale deposits in the marketplace. As at March 31, 2017, wholesale borrowings were $2.9 billion (2016: $5.0 billion) payable to the Minister.

Key management personnel are defined as those personnel having authority and responsibility for planning, directing, and controlling the activities of ATB, and are considered related parties. ATB provides loans to key management personnel, their close family members, and their related entities on market conditions, with the exception of banking products and services for key management personnel, which are subject to approved guidelines that govern all employees. As at March 31, 2017, $6,716 (2016: $3,948) in loans were outstanding. Key management personnel have deposits provided at standard market rates. As at March 31, 2017, $944 (2016: $684) in deposits were outstanding. No impairment losses were recorded against balances outstanding from key management personnel, and no specific allowances for impairment were recognized on balances with key management personnel and their close family members. Key management personnel compensation is disclosed in note 18.

Key management personnel may also purchase achievement notes based on their role within ATB. As at March 31, 2017, $2,545 (2016: $2,660) in achievement notes were outstanding to this group. $1,377 in termination payments (2016: nil) were made to key management personnel during the year.

22. Commitments, Guarantees, and Contingent Liabilities

Credit Instruments

In the normal course of business, ATB enters into various off-balance-sheet commitments to provide customers with sources of credit. These may include letters of credit, letters of guarantee and loan guarantees, and commitments to extend credit.

All of these credit arrangements are subject to ATB's normal credit standards, and collateral may be obtained where appropriate. The contract amounts represent the maximum credit risk exposure to ATB should the contracts be fully drawn and any collateral held prove to be of no value. As many of these arrangements will expire or terminate without being drawn upon, the contract amounts do not necessarily represent future cash requirements.

Letters of Credit

Standby letters of credit represent an irrevocable obligation to make payments to a third party if the customer cannot meet its financial or performance contractual obligations. In the event of a call on such commitments, ATB has recourse against the customer.

Documentary and commercial letters of credit require ATB to honour drafts presented by third parties upon completion of specific activities.

Guarantees

Guarantees also represent an irrevocable obligation to make payments to a third party in certain situations. Guarantees include contracts or indemnities that contingently require ATB to make payments (either in the form of some asset or in the form of services) to another party based on changes in an asset, liability, or equity the other party holds; failure of a third party to perform under an obligating agreement; or failure of a third party to pay its indebtedness when due. The term of these guarantees varies according to the contracts and normally does not exceed one year. In the event of a call on such commitments, ATB has recourse against the customer.

Commitments to Extend Credit

Commitments to extend credit represent undertakings by ATB to make credit available in the form of loans or other financing for specific amounts and maturities, subject to certain conditions, and include recently authorized credit not yet drawn down and credit facilities available on a revolving basis.

The amounts presented in the current and comparative year for commitments to extend credit include demand facilities of $14,631,357 (2016: $15,820,006). For demand facilities, ATB considers the undrawn portion to represent a commitment to the customer; however, the terms of the commitment allow ATB to adjust the credit exposure if circumstances warrant doing so. Accordingly, these demand facilities are considered to represent a lesser exposure than facilities with extended commitment terms. Credit facilities are contracted for a limited period of usually less than one year and may expire or terminate without being drawn upon. The contractual amounts of all such credit instruments are outlined in the table below:

As at March 31 *($ in thousands)*	2017	2016
Loan guarantees and standby letters of credit	**$ 541,237**	$ 493,231
Commitments to extend credit	**18,716,044**	18,801,048
Total	**$ 19,257,281**	$ 19,294,279

Pledged Assets

In the ordinary course of business, ATB grants a security interest in certain collateral (including securities, interest-bearing deposits with financial institutions, and loans and accounts) to the Bank of Canada in order to participate in clearing and payment systems and to have access to its facilities. ATB also pledges securities to Clearing and Depository Services Inc. in order to participate in a settlement-agent credit ring.

As at March 31 *($ in thousands)*		2017		2016
Assets pledged to:				
Bank of Canada	$	**399,419**	$	400,430
Clearing and Depository Services Inc.		**16,000**		16,000
Total	$	**415,419**	$	416,430

In addition to the amounts above, ATB has pledged assets relating to certain derivative contracts and collateralized borrowing. (Refer to notes 10 and 15.)

Indemnification Agreements

In the normal course of operations, ATB enters into various agreements that provide general indemnification to the other party. Examples of such agreements include service agreements, leasing agreements, clearing arrangements, and service contracts. These indemnifications may require ATB, in certain circumstances, to compensate the other party for costs incurred as a result of various contingencies. ATB also indemnifies directors and officers, to the extent permitted by law, against certain claims that may be made against them as a result of their services to the company. The terms of these indemnifications vary based on the contract, the nature of which prevents ATB from making a reasonable estimate of the maximum potential amount it could be required to pay to other parties. Historically, any such amounts have not been significant. No amount has been accrued in the Consolidated Statement of Financial Position in respect of such indemnifications.

Contingent Liabilities

Various actions and legal proceedings arising from the normal course of business are pending against ATB. Management does not consider the aggregate liability, if any, of these actions and proceedings to be material.

Contractual Obligations

ATB has various obligations under long-term non-cancellable contracts, which include service contracts and operating leases for buildings and equipment. The expected payments for such obligations for each of the next five fiscal years and thereafter are outlined as follows:

As at March 31 *($ in thousands)*		2017		2016
2017	$	**-**	$	73,432
2018		**52,553**		43,245
2019		**38,270**		30,228
2020		**30,931**		18,255
2021		**23,178**		15,089
2022		**17,735**		13,656
Thereafter		**94,608**		77,497
Total	$	**257,275**	$	271,402

The total expense for premises and equipment operating leases charged to the Consolidated Statement of Income for the year ended March 31, 2017, is $5,222 (2016: $6,424).

Finance Lease Commitments

The future minimum lease payments required under ATB's finance leases were as follows:

As at March 31 *($ in thousands)*	2017	2016
Future minimum lease payments:		
Not later than 1 year	$ 28,339	$ 28,265
Later than 1 year but not later than 5 years	118,254	116,552
Later than 5 years	181,624	205,617
Total future minimum lease payments	328,217	350,434
Less: finance charges not yet due	108,178	134,786
Present value of finance lease commitments	$ 220,039	$ 215,648

23. Interest Rate Risk

Interest Rate Gap Analysis

Gap analysis involves the allocation of interest-rate-sensitive assets and interest-rate-sensitive liabilities into categories according to their maturity or repricing date. Gaps can change significantly within a short period of time. The impact of changes in interest rates on net interest income will depend upon the size and rate of change in interest rates, the size and maturity of the total gap position, and management of these positions over time. ATB actively manages its interest rate gap position to protect net interest income while minimizing risk. The following table shows ATB's interest rate gap position as at March 31:

($ in thousands)	Term to maturity/repricing								
	Fixed rate within 3 months	Floating rate within 3 months	Within 3 months	3–12 months	Total within 1 year	1–5 years	Over 5 years	Non-interest-rate-sensitive	Total
As at March 31, 2017									
Assets									
Cash resources and securities	$ -	$ 6,093,682	$ 6,093,682	$ 40,000	$ 6,133,682	$ -	$ -	$ 263,506	$ 6,397,188
Loans	5,376,600	18,001,517	23,378,117	4,192,082	27,570,199	12,550,805	794,161	(103,943)	40,811,222
Other assets	-	-	-	-	-	-	-	1,338,876	1,338,876
Derivative financial instruments[1]	-	-	6,466,426	1,128,520	7,594,946	6,919,291	2,874,000	-	17,388,237
Total	5,376,600	24,095,199	35,938,225	5,360,602	41,298,827	19,470,096	3,668,161	1,498,439	65,935,523
Liabilities and equity									
Deposits	17,502,111	397,028	17,899,139	4,836,986	22,736,125	4,060,505	361	7,130,769	33,927,760
Wholesale borrowings	500,000	-	500,000	500,000	1,000,000	900,000	1,000,000	(7,664)	2,892,336
Collateralized borrowings	101,574	1,341,831	1,443,405	-	1,443,405	3,177,186	2,203,716	(11,647)	6,812,660
Other liabilities	161,539	-	161,539	-	161,539	-	-	1,261,264	1,422,803
Subordinated debentures	58,280	-	58,280	-	58,280	286,161	-	-	344,441
Equity	-	-	-	-	-	-	-	3,147,286	3,147,286
Derivative financial instruments[1]	-	-	12,018,997	818,265	12,837,262	3,810,000	740,975	-	17,388,237
Total	18,323,504	1,738,859	32,081,360	6,155,251	38,236,611	12,233,852	3,945,052	11,520,008	65,935,523
Interest-rate-sensitive gap	$ (12,946,904)	$ 22,356,340	$ 3,856,865	$ (794,649)	$ 3,062,216	$ 7,236,244	$ (276,891)	$ (10,021,569)	
As percentage of assets	(19.6%)	33.9%	5.8%	(1.2%)	4.6%	11.0%	(0.42%)	(15.2%)	

[1] Derivative financial instruments are included in these tables at the notional amount.

($ in thousands)	Term to maturity/repricing								
	Fixed rate within 3 months	Floating rate within 3 months	Within 3 months	3–12 months	Total within 1 year	1–5 years	Over 5 years	Non-interest-rate-sensitive	Total
As at March 31, 2016									
Assets									
Cash resources and securities	$ 20,000	$ 4,605,509	$ 4,625,509	$ -	$ 4,625,509	$ -	$ -	$ 137,157	$ 4,762,666
Loans	5,746,187	17,939,111	23,685,298	3,720,943	27,406,241	12,294,751	725,061	(75,896)	40,350,157
Other assets	-	-	-	-	-	-	-	1,644,455	1,644,455
Derivative financial instruments[1]	-	-	3,576,476	1,527,000	5,103,476	5,640,000	1,626,000	-	12,369,476
Total	5,766,187	22,544,620	31,887,283	5,247,943	37,135,226	17,934,751	2,351,061	1,705,716	59,126,754
Liabilities and equity									
Deposits	15,208,148	329,852	15,538,000	5,536,936	21,074,936	2,802,276	11	6,985,066	30,862,289
Wholesale borrowings	1,559,930	400,000	1,959,930	700,000	2,659,930	2,100,000	300,000	(12,186)	5,047,744
Collateralized borrowings	270,157	1,028,996	1,299,153	199,600	1,498,753	2,479,042	1,518,655	1,318	5,497,768
Other liabilities	433,041	-	433,041	-	433,041	-	-	1,435,175	1,868,216
Subordinated debentures	59,298	-	59,298	-	59,298	312,143	-	-	371,441
Equity	-	-	-	-	-	-	-	3,109,820	3,109,820
Derivative financial instruments[1]	-	-	8,577,501	622,000	9,199,501	2,405,000	764,975	-	12,369,476
Total	17,530,574	1,758,848	27,866,923	7,058,536	34,925,459	10,098,461	2,583,641	11,519,193	59,126,754
Interest-rate-sensitive gap	$ (11,764,387)	$ 20,785,772	$ 4,020,360	$ (1,810,593)	$ 2,209,767	$ 7,836,290	$ (232,580)	$ (9,813,477)	
As percentage of assets	(19.9%)	35.2%	6.8%	(3.1%)	3.7%	13.3%	(0.4%)	(16.6%)	

[1] Derivative financial instruments are included in these tables at the notional amount.

The effective yield represents the weighted-average effective yield based on the earlier of contractual repricing and maturity dates. The weighted-average effective yield for each class of financial asset and liability is shown below:

(%)	Within 3 months	3–12 months	Total within 1 year	1–5 years	Over 5 years	Total
As at March 31, 2017						
Total assets	**2.7%**	**2.8%**	**2.7%**	**2.7%**	**2.5%**	**2.7%**
Total liabilities and equity	**0.9%**	**1.1%**	**1.0%**	**1.1%**	**2.2%**	**1.1%**
Interest-rate-sensitive gap	**1.8%**	**1.7%**	**1.7%**	**1.6%**	**0.3%**	**1.6%**

(%)	Within 3 months	3–12 months	Total within 1 year	1–5 years	Over 5 years	Total
As at March 31, 2016						
Total assets	2.8%	2.7%	2.8%	2.9%	3.0%	2.9%
Total liabilities and equity	0.8%	1.4%	0.9%	1.0%	2.3%	1.0%
Interest-rate-sensitive gap	2.0%	1.3%	1.9%	1.9%	0.7%	1.9%

Interest Rate Sensitivity

The following table provides the potential impact of an immediate and sustained 100- and 200-basis-point increase and decrease, respectively, in interest rates on ATB's net income:

As at March 31 *($ in thousands)*	2017	2016
Impact on net earnings in succeeding year from:		
Increase in interest rates of:		
100 basis points	**$ 41,067**	$ 43,323
200 basis points	**79,812**	85,353
Decrease in interest rates of:		
100 basis points[1]	**(36,141)**	(64,577)
200 basis points[1]	**(33,853)**	(57,242)

[1] Certain aspects of the decrease in interest rate scenarios are constrained by interest rate floors when appropriate.

The potential impact of a 100- and 200-basis-point increase is well within our interest rate risk management policy of $77 million and $132 million, respectively.

24. Achievement Notes

ATB sells Principal at Risk Achievement Notes to certain eligible employees as an incentive for promoting the growth of the subsidiaries of ATB that provide, or will in the future provide, services under the ATB Investor Services brand name. Under this plan, eligible employees were offered an opportunity to purchase a 25-year note with a value linked to the fair market value of certain ATB subsidiaries, including ATB Investment Management Inc. Holders of these notes do not have an ownership interest in ATB or its subsidiaries, nor do they have the rights of a direct holder of an interest in ATB or its subsidiaries.

Each note holder is entitled to:

- Receive a cash payment at maturity representing the then-current value of the note
- Submit a request to sell notes during the annual transaction window [subject to a three-year vesting period and additional restrictions on ATB Investor Services (ATBIS) executives]
- Receive cash distributions, if any, based on the formula set out in the note

Upon an employee's termination, the designated affiliate of ATB has the right, but not the obligation, to acquire notes from the employee at the price applicable at the termination date.

The notes are not guaranteed under the deposit guarantee provided by the Crown in right of Alberta, and there is the risk, if the fair market value of ATBIS decreases, that the note holder will lose some or all of the original investment. There is no public market for these notes, and the ATBIS valuation is based on a model prepared by an external consultant.

During the year, ATB issued $2,684 (2016: $3,964) of these notes, which are recorded in other liabilities in the Consolidated Statement of Financial Position. During the current year, $14,846 (2016: $2,926) of the notes were redeemed. Income of $4,577 (2016: $8,963 expense) was recognized during the year to reflect the decrease in achievement notes outstanding, offset by an increase in the fair value of the notes based on their valuation as at March 31, 2017. As at March 31, 2017, the liability for these notes was $54,555 (2016: $59,222). During the year, $3,139 (2016: $3,378) in distribution payments were accrued for payment to achievement note holders.

25. Capital Management

ATB measures and reports capital adequacy to ensure it meets the minimum levels set out by its regulator, Alberta Treasury Board and Finance, while supporting the continued growth of its business.

As a Crown corporation, ATB and its subsidiaries operate under a regulatory framework established pursuant to the *Alberta Treasury Branches Act* and associated regulations and guidelines. The capital adequacy requirements for ATB are defined in a guideline authorized by the Minister, which was modelled after guidelines governing other Canadian deposit-taking institutions. ATB's minimum Tier 1 capital requirement is 7%, and the total capital requirement is the greater of 10% of risk-weighted assets or 5% of total assets. Risk weights are established for various on-balance-sheet and off-balance-sheet assets according to the degree of credit risk. Tier 1 capital consists of retained earnings, and Tier 2 capital consists of eligible portions of subordinated debentures and wholesale borrowings, the collective allowance for loan losses, and notional capital. Wholesale borrowings became eligible as Tier 2 capital as of December 2015 as a result of an amendment to the capital requirements guideline. Effective March 30, 2009, $600,000 of notional (or deemed) capital was made available to ATB. This amount reduces by 25% of net income each quarter.

As at March 31, 2017, ATB has exceeded both the total capital requirements and the Tier 1 capital requirement of the *Capital Adequacy* guideline.

As at March 31 *($ in thousands)*		2017		2016
Tier 1 capital				
Retained earnings	$	**3,179,285**	$	3,028,505
Tier 2 capital				
Eligible portions of:				
Subordinated debentures		**132,395**		168,985
Wholesale borrowings		**1,300,000**		980,000
Collective allowance for loan losses		**228,588**		207,136
Notional capital		**217,617**		255,312
Total Tier 2 capital		**1,878,600**		1,611,433
Total capital	$	**5,057,885**	$	4,639,938
Total risk-weighted assets	$	**32,985,934**	$	33,927,048
Risk-weighted capital ratios:				
Tier 1 capital ratio		**9.6%**		8.9%
Total capital ratio		**15.3%**		13.7%

26. Segmented Information

ATB has organized its operations and activities around the following four areas of expertise:

- **Retail Financial Services** comprises the branch, agency, and ABM networks and provides financial services to individuals.
- **Business and Agriculture** provides financial services to independent business and agricultural customers.
- **Corporate Financial Services** provides financial services to mid-sized and large corporate borrowers.
- **Investor Services** provides wealth management solutions, including retail brokerage, mutual funds, portfolio management, and investment advice.

The four identified segments differ in products and services offered, but are all within the same geographic region, as virtually all of ATB's operations are limited to customers within the Province of Alberta.

The strategic service units are composed of business units of a corporate nature, such as investment, risk management, and treasury operations, as well as expenses, collective allowance, and recoveries for loan losses not expressly attributed to any area of expertise.

Basis of Presentation

Results presented in the following schedule are based on ATB's internal financial reporting systems. The accounting policies used in preparing the schedules are consistent with those followed in preparing the consolidated financial statements, as is disclosed in the notes to the statements. Since these areas of expertise are based on ATB's internal management structure, they may not be directly comparable to those of other financial institutions.

Net interest income is attributed to each area of expertise according to ATB's internal funds transfer pricing (FTP) system, whereby assets earn net interest income to the extent that external revenues exceed internal FTP expense, and liabilities earn net interest income to the extent that internal FTP revenues exceed external interest expense. Individually assessed provisions for loan losses are allocated based on the individual underlying impaired loan balances, and collectively assessed provisions are calculated on the total performing loan balances based on ATB's internal credit risk model.

Direct expenses are attributed between areas of expertise as incurred. Certain indirect expenses are allocated between Investor Services and the other areas on the basis of interline service agreements. Certain other costs are allocated between the reporting segments using refined allocation methods incorporating activity-based estimates of indirect cost allocation. Indirect expenses that are not allocated and direct expenses of a corporate or support nature are reported under strategic service units.

($ in thousands)	Retail Financial Services	Business and Agriculture	Corporate Financial Services	Investor Services	Strategic service units	Total
March 31, 2017						
Net interest income	$ 440,980	$ 287,198	$ 316,105	$ 459	$ 39,573	$ 1,084,315
Other income (loss)	83,282	64,351	76,197	169,849	(2,783)	390,896
Total operating revenue	524,262	351,549	392,302	170,308	36,790	1,475,211
Provision for loan losses	95,458	77,433	62,098	-	-	234,989
Non-interest expenses	466,061	207,634	108,352	123,601	138,756	1,044,404
(Loss) income before payment in lieu of tax	(37,257)	66,482	221,852	46,707	(101,966)	195,818
Payment in lieu of tax	-	-	-	10,743	34,295	45,038
Net (loss) income	$ (37,257)	$ 66,482	$ 221,852	$ 35,964	$ (136,261)	$ 150,780
Total assets	$ 21,899,833	$ 7,809,084	$ 11,076,094	$ 157,954	$ 7,604,321	$ 48,547,286
Total liabilities	$ 12,844,828	$ 9,396,929	$ 11,015,842	$ 115,509	$ 12,026,892	$ 45,400,000
March 31, 2016						
Net interest income	$ 455,192	$ 295,884	$ 325,742	$ 434	$ 15,557	$ 1,092,809
Other income	86,498	60,667	62,058	153,155	71,722	434,100
Total operating revenue	541,690	356,551	387,800	153,589	87,279	1,526,909
Provision for loan losses	87,661	41,020	258,878	-	-	387,559
Non-interest expenses	451,908	204,762	97,707	112,811	131,734	998,922
Income (loss) before payment in lieu of tax	2,121	110,769	31,215	40,778	(44,455)	140,428
Payment in lieu of tax	-	-	-	9,379	22,919	32,298
Net income (loss)	$ 2,121	$ 110,769	$ 31,215	$ 31,399	$ (67,374)	$ 108,130
Total assets	$ 21,244,658	$ 7,384,520	$ 11,881,375	$ 131,093	$ 6,115,632	$ 46,757,278
Total liabilities	$ 12,701,875	$ 9,097,122	$ 8,418,943	$ 94,612	$ 13,334,906	$ 43,647,458

27. Comparative Amounts

Certain comparative amounts have been reclassified to conform to the current period's presentation.

Glossary

A

Achievement note
A long-term investment note whose return is directly tied to the increasing or decreasing value of ATB Investor Services. Achievement notes have benefits similar to those of equity purchase plans in place for many wealth management companies across Canada, but they also have important features that are unique to ATB.

Allowance for loan losses
A total allowance that consists of individual and collective allowances. The allowance represents management's best estimate of anticipated credit-related losses inherent in the loans portfolio.

Assets-to-capital multiple
Total assets divided by total capital.

Assets under administration
Assets that are beneficially owned by customers for which ATB provides management and custodial services. These assets are not reported on ATB's balance sheet.

Average assets
The simple average of the daily total asset balances during the year.

Average interest-earning assets
The monthly average for the year of deposits with financial institutions, securities, and loans, excluding impaired loans and loan loss provisions.

Average risk-weighted assets
The value of assets calculated by applying a predetermined risk-weight factor to on- and off-balance-sheet exposures.

B

Basis point
One one-hundredth of one percent (0.01%).

C

Carrying value
The value of an asset or liability as reported within the consolidated financial statements.

Cash flow at risk
The statistically modelled change in replacement costs, relative to a particular expectation, that could be experienced due to the impact of market risks on a specified set of financial instruments (bonds, swaps, investments, etc.), over a particular period of time and selected confidence level.

Clean price
The fair value of assets, excluding accrued interest.

Collateral
Assets pledged as security for a loan or other obligation.

Credit risk
The risk of financial loss resulting from failure of a debtor, for whatever reason, to fully honour its financial or contractual obligations to ATB.

Customer advocacy index (CAI)
The standard metric ATB uses to measure a client's willingness to continue to bank with ATB and to recommend ATB to others, allowing us to benchmark ourselves against other financial institutions in Alberta.

D

Derivative or derivative contract
A contract whose value changes by reference to a specified underlying variable such as interest rates, foreign exchange rates, or equity or commodity prices. Use of derivatives allows for the mitigation of current or expected risks relating to these variables. Derivatives typically require little or no initial net investment and are settled at a future date. The most common types of derivatives ATB uses include interest rate swaps and forward-rate agreements, foreign-exchange forward contracts, and foreign-currency, equity, and interest rate options and swap options.

E

Economic capital
ATB's own assessment of the capital it needs at a given confidence level over one year. It is used to estimate the true capital required to underpin the risks in ATB's balance sheet, and for risk-adjusted pricing for the areas of expertise. It is also used for risk budget quantification and optimizing balance sheet assets based on risk-adjusted return and risk appetite. It is calculated by aggregating a credit risk capital calculation (using internal and external data), operational risk, and other comprehensive risks as per the Internal Capital Adequacy Assessment Process.

Effective interest rate
A rate that exactly discounts estimated future cash payments or receipts over the expected life of a financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset or liability.

Efficiency ratio
Non-interest expenses for the year divided by total operating revenue for the year. May be referred to as the "productivity ratio" by other financial institutions.

Embedded derivative
A component within a financial instrument or other contract that has features similar to a derivative.

Equity- and commodity-linked options
A class of options that gives the purchaser the right but not the obligation to buy an individual share, a basket of shares, or an equity or commodity index at a predetermined price, on or before a fixed date, on a fixed date, or on a series of fixed dates.

F

Fair value
The amount for which an asset or liability could be exchanged between knowledgeable, willing parties in an arm's-length transaction.

Financial instrument
Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset/liability is the right to receive/deliver cash or another financial asset or the right to exchange financial instruments with another party under favourable or unfavourable conditions. An equity instrument is a contract that represents a residual interest in another entity's assets.

Foreign-exchange forward contract
A commitment to buy or sell a fixed amount of foreign currency on a future specified date at a set rate of exchange.

Foreign-exchange risk
The potential risk of loss resulting from fluctuations in foreign-exchange rates. This risk arises from the existence of a net asset or liability position denominated in foreign currencies and/or a difference in maturity profiles for purchases and sales of a given currency.

Forwards and futures
Commitments to buy or sell designated amounts of securities or currencies on a specified date at a predetermined price. Forwards are customized contracts transacted in the over-the-counter market. Futures are traded on recognized exchanges.

Funds transfer pricing (FTP)
An internal allocation process used to calculate the profitability of the areas of expertise and isolate them from interest rate risk.

G

Growth in assets under administration
The current year's assets under administration less the previous year's assets under administration, divided by the previous year's assets under administration.

Guarantee or letter of credit
A contractual agreement to provide assurance that if a client defaults on payment to a third party, ATB will make that payment under specified conditions. ATB has recourse against its clients for any such advanced funds.

H

Hedging
A risk management technique used to reduce uncertainty associated with current or anticipated exposure to future movements in interest rates, foreign-exchange rates, and equity or commodity prices.

High-quality liquid assets (HQLA)
Instruments that are free of any restrictions on liquidating, selling, or transferring. They are eligible for Large Value Transfer System collateral at the Bank of Canada and are low risk, so they can easily be converted into cash at little or no loss in value.

I

Impaired loan
A loan for which there is no longer reasonable assurance of the timely collection of principal or interest.

Interest rate floor
A contract whereby the buyer pays the seller a premium in exchange for the payment of any difference below a set strike interest rate and the prevailing market interest rate on predetermined dates.

Interest rate gap
A measure of net assets or liabilities by future repricing date.

Interest rate risk
The potential for financial loss arising from changes in interest rates, in the spread between two rates, in the shape of the yield curve, or in any other interest rate relationship.

L

Liquidity coverage ratio (LCR)
HQLA divided by total net cash outflows over the next 30 calendar days. LCR is designed to ensure sufficient assets are on hand to endure a short-term liquidity disruption of up to 30 calendar days. Under normal conditions, the LCR should be no lower than 100%.

Liquidity risk
The risk of being unable to meet financial commitments, under all circumstances, without having to raise funds at unreasonable prices or sell assets on a forced basis. As with other similar financial institutions, ATB's risk arises from fluctuations in cash flows from lending, deposit-taking, investing, and other activities. These commitments are generally met through cash flows supplemented by investment assets readily convertible to cash, or through our capacity to borrow.

Loan losses to average loans
The provision for loan losses to average net loans.

M

Market risk
The risk that a loss may be incurred as a result of adverse changes in interest rates, foreign-exchange rates, and equity or commodity market prices.

Mortgage-backed securities
Securities established through the securitization of residential mortgage loans.

N

Net income
Income after the removal of payment in lieu of tax.

Net interest income
The difference between interest earned on assets, such as securities and loans, and interest paid on liabilities, such as deposits and collateralized borrowings.

Net interest margin
The ratio of net interest income for the year to the value of average total assets for the year.

Net interest spread
The ratio of net interest income for the year to the value of average interest-earning assets for the year.

Net loans
Gross loans, net of the impacts of impaired loans and loan loss provisions.

Net loan growth
Net loans outstanding at year-end less net loans outstanding at the previous year-end, divided by net loans outstanding at the previous year-end.

Notional amount
The principal value used to calculate interest and other payments under derivative contracts. The amounts are termed “notional” because they are not usually exchanged, except in the case of cross-currency swaps; they serve only as the basis for calculating amounts that do change hands.

O

Off-balance-sheet instruments
Assets or liabilities that are not recorded on the balance sheet but have the potential to produce positive or negative cash flows in the future. A variety of products offered to clients can be classified as off balance sheet, and they fall into two general categories: credit-related arrangements, such as letters of credit, and the notional amount of derivatives for hedging.

Operating expense growth
The current year’s non-interest expenses less the previous year’s non-interest expenses, divided by the previous year’s non-interest expenses.

Operating leverage
The difference between operating revenue growth and operating expense growth.

Operating revenue growth
The current year’s total operating revenue less the previous year’s total operating revenue, divided by the previous year’s total operating revenue.

Operational risk
The risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. It includes legal risk, but does not include strategic or reputational risk.

Option
Contract between two parties whereby the buyer of the option has the right but not the obligation to buy (call) or sell (put) a specified financial instrument or currency at a set price or rate on or before a specified future date, on a specified date, or on a series of specified dates.

Other income to operating revenue
Other income for the year divided by operating revenue for the year.

P

Performing loans
Net loans excluding the impacts of securitization, impaired loans, and loan loss provisions.

Performing loan growth
Performing loans outstanding at year-end less performing loans outstanding at the previous year-end, divided by performing loans outstanding at the previous year-end.

Provision for loan losses
An amount charged to income, deemed by management to fully provide for impairment in existing credit loan portfolios, given the composition of the credit loan portfolios, the probability of default, the economic environment, and the allowance for credit losses already established.

R

Regulatory risk
The risk of non-compliance with applicable regulatory requirements. Applicable regulatory requirements include those in (a) the *Alberta Treasury Branches Act* and the *ATB Regulation* and guidelines, and (b) other laws, rules, regulations, and prescribed practices applicable to ATB in any jurisdiction in which it operates.

Reputational risk
The potential that negative stakeholder impressions, whether true or not, regarding ATB's business practices, actions, or inaction, will or may cause deterioration in ATB's value, brand, liquidity, customer base, or relationship with its owner.

Return on average assets
Net income for the year divided by average total assets for the year.

Return on average risk-weighted assets
Net income for the year divided by risk-weighted assets for the year.

S

Securities purchased under reverse repurchase agreements
The purchase of securities for cash and the concurrent sale of the securities for value at a later date. Normally, such transactions are not considered economic sales and consequently are treated as collateralized financing transactions.

Securities sold under repurchase agreements
The cash sale of securities and the concurrent repurchase of the securities for value at a later date. Normally, such transactions are not considered economic sales and consequently are treated as collateralized financing transactions.

Securitization
The process by which a pool of financial assets, mainly loans, are converted into asset-backed securities and transferred to a trust that normally issues a series of asset-backed securities to investors to fund the purchase of loans.

Swaps
A contractual agreement between two parties to exchange a series of cash flows. For interest rate swaps, counterparties generally exchange fixed- and floating-rate interest payments based on a notional amount in a single currency. For cross-currency swaps, counterparties generally exchange one currency for another, at a set date.

T

Tier 1 capital
An internally assessed measure of retained earnings and other disclosed reserves.

Tier 1 capital ratio
Tier 1 capital divided by risk-weighted assets.

Total capital
An internally assessed measure of Tier 1 capital consisting of eligible portions of subordinated debentures, wholesale borrowings, collective allowance for loan losses, and notional capital.

Total capital ratio
Total capital divided by risk-weighted assets.

Total operating revenue
The sum of net interest income and other income.

Total asset growth
Total assets outstanding at year-end less total assets outstanding at the previous year-end, divided by total assets outstanding at the previous year-end.

Total deposit growth
Total deposits outstanding at year-end less total deposits outstanding at the previous year-end, divided by total deposits outstanding at the previous year-end.

Y

Yield curve
A curve on a graph showing the return of a fixed-interest security against the term to maturity.

Locations

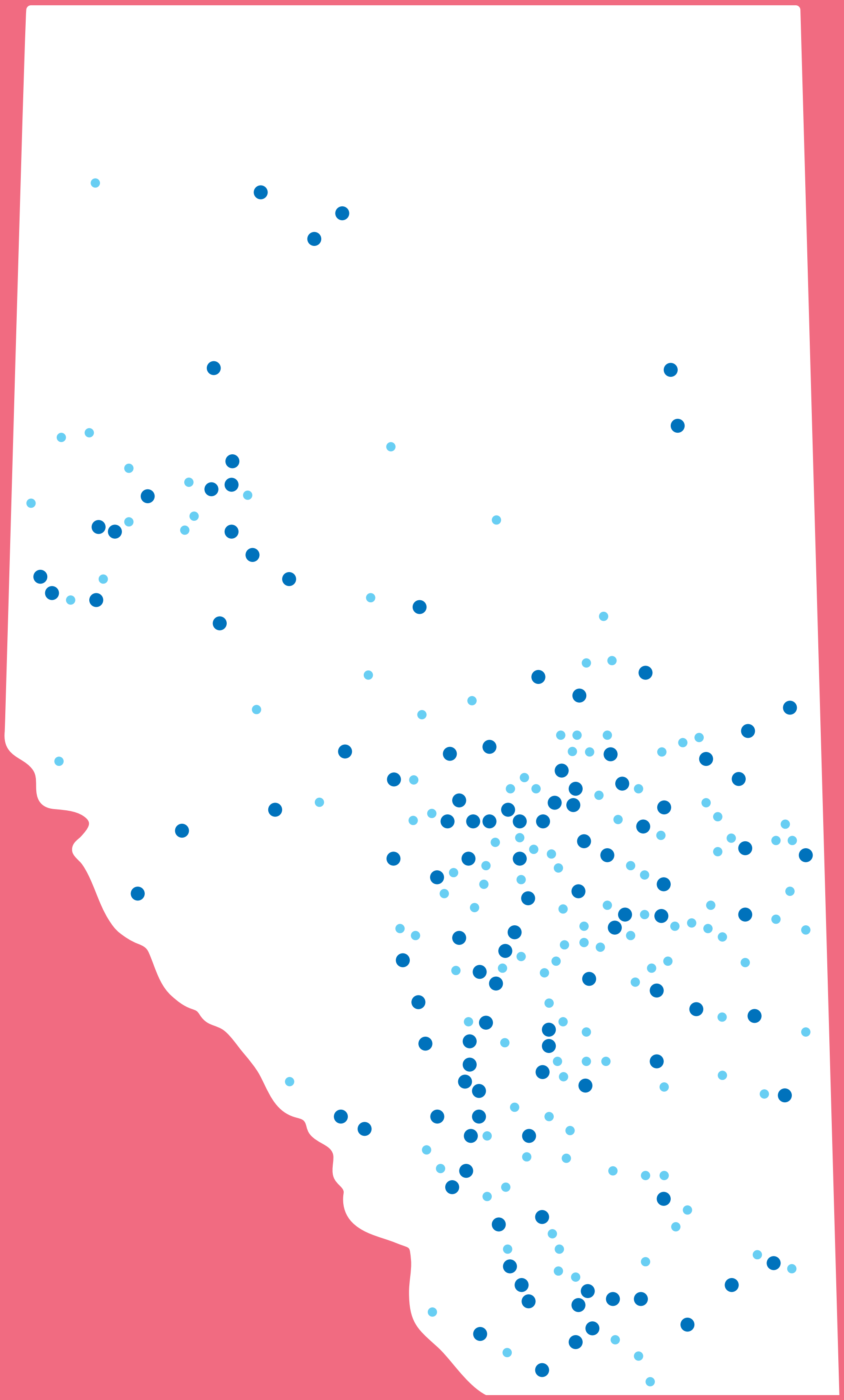
We're everywhere you need us to be. To find a location near you, visit **atb.com/branchlocator**

Our 173 Branches

Airdrie (2)
Andrew
Athabasca
Banff
Barrhead
Beaverlodge
Black Diamond
Bonnyville
Bow Island
Boyle
Breton
Brooks
Bruderheim
Calgary (27)
Camrose
Canmore
Cardston
Caroline
Carstairs
Castor
Chestermere
Claresholm
Coaldale
Cochrane
Cold Lake
Consort
Coronation
Crossfield
Daysland
Didsbury
Drayton Valley
Drumheller
Edmonton (23)
Edson
Elk Point
Fairview
Falher
Foremost
Forestburg
Fort Macleod
Fort McMurray (2)
Fort Saskatchewan
Fort Vermilion
Grande Prairie (3)
Granum
Grimshaw
Hanna
High Level
High Prairie
Hinton
Hythe
Innisfail
Jasper
Killam
La Crete
Lac La Biche
Lacombe
Lamont
Leduc
Lethbridge (3)
Linden
Lloydminster
Magrath
Manning
Mayerthorpe
McLennan
Medicine Hat (3)
Milk River
Nanton
Okotoks
Olds
Onoway
Oyen
Peace River
Picture Butte
Pincher Creek
Ponoka
Provost
Raymond
Red Deer (3)
Redwater
Rimbey
Rocky Mountain House
Rycroft
Ryley
Sherwood Park (2)
Slave Lake
Smoky Lake
Spirit River
Spruce Grove
St. Albert (2)
St. Paul
Stettler
Stony Plain
Strathmore
Sundre
Sylvan Lake
Taber
Thorsby
Three Hills
Tofield
Trochu
Two Hills
Valleyview
Vegreville
Vermilion
Viking
Vulcan
Wainwright
Westlock
Wetaskiwin
Whitecourt
Wildwood

Our 143 Agencies

Acadia Valley
Airdrie Kingsview Market
Alberta Beach
Alder Flats
Alix
Alliance
Altario
Amisk
Arrowwood
Barons
Bashaw
Bassano
Bawlf
Beaumont
Benalto
Berwyn
Big Valley
Blackfalds
Blackie
Blairmore
Bon Accord
Bonanza
Bowden
Bragg Creek
Bruce
Calgary
11th Avenue
Southland
Calmar
Carbon
Carmangay
Carseland
Cereal
Champion
Chauvin
Chipman
Cleardale
Clive
Coutts
Czar
Delburne
Delia
Devon
Dewberry
Donalda
Duchess
Eaglesham
Eckville
Edberg
Edgerton
Edmonton
Four Directions
Capilano
Centre 39
Lynnwood
Mayfield
Summerside Plaza
Elnora
Empress
Enchant
Evansburg
Ferintosh
Fort Assiniboine
Fox Creek
Galahad
Gibbons
Gleichen
Glendon
Glenwood
Grande Cache
Grassland
Halkirk
Hardisty
Hay Lakes
Heisler
High River
Hines Creek
Holden
Innisfree
Irma
Irricana
Irvine
Islay
Kinuso
Kitscoty
Lake Louise
Lomond
Lougheed
Mallaig
Mannville
Marwayne
Millarville
Millet
Milo
Minburn
Mirror
Morinville
Morrin
Mulhurst
Mundare
Myrnam
Nampa
New Norway
New Sarepta
Newbrook
Nobleford
Paradise Valley
Peers
Penhold
Plamondon
Radway
Rainbow Lake
Red Earth Creek
Redcliff
Rockyford
Rolling Hills
Rosemary
Sangudo
Sedgewick
Sexsmith
Standard
Stavely
Stirling
Strome
Swan Hills
Tangent
Thorhild
Tilley
Torrington
Vauxhall
Veteran
Vilna
Wabamun
Wabasca
Wandering River
Wanham
Warburg
Warner
Waskatenau
Wembley
Westerose
Willingdon
Winfield
Worsley
Youngstown



We've always been all about you.

From our roots as a single branch in Rocky Mountain House back in 1938, ATB Financial has grown into a quintessential Alberta success story. ATB is the largest Alberta-based deposit-taking financial institution, with $48.5 billion in assets. We are also a significant employer across Alberta, with over 5,000 team members in 247 communities providing personal, business, agriculture, corporate, and investor financial services to over 700,000 Albertans and Alberta-based businesses. We are a cornerstone in rural Alberta, as the only financial institution in 123 communities. With 173 branches and 143 agencies throughout the province, plus our own Customer Care Centre based in Calgary, we are there when you need us. Our Internet, mobile, and telephone banking applications allow customers to bank at their convenience, no matter when or where.

ATB

Listens.