Introduction

This is management's discussion and analysis (MD&A) of the consolidated results of operations and financial position of ATB Financial (ATB) for the year ended March 31, 2018. The MD&A is current as at May 24, 2018. All amounts are reported in millions of Canadian dollars, except where otherwise stated, and are derived from the consolidated financial statements prepared in accordance with International Financial Reporting Standards. For further details about the amounts reported, refer to the consolidated financial statements.

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 ATB Financial 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. In December 2017, we solidified our new identity when our legal name was changed to ATB Financial.

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 the 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 and applicable guidelines so as 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 ATB follows a compliance framework. 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, which included mandatory internal capital adequacy assessment (ICAAP).

Although we are still regulated and managed under the ASFI Capital Requirements guideline, we complete an annual 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
- Preparing 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 that provide wealth management and investment banking services are also subject to regulatory oversight by the Investment Industry Regulatory Organization of Canada (ATB Securities Inc. and AltaCorp Capital Inc.) and the Alberta Securities Commission (ATB Investment Management Inc., ATB Securities Inc., and AltaCorp Capital Inc.).

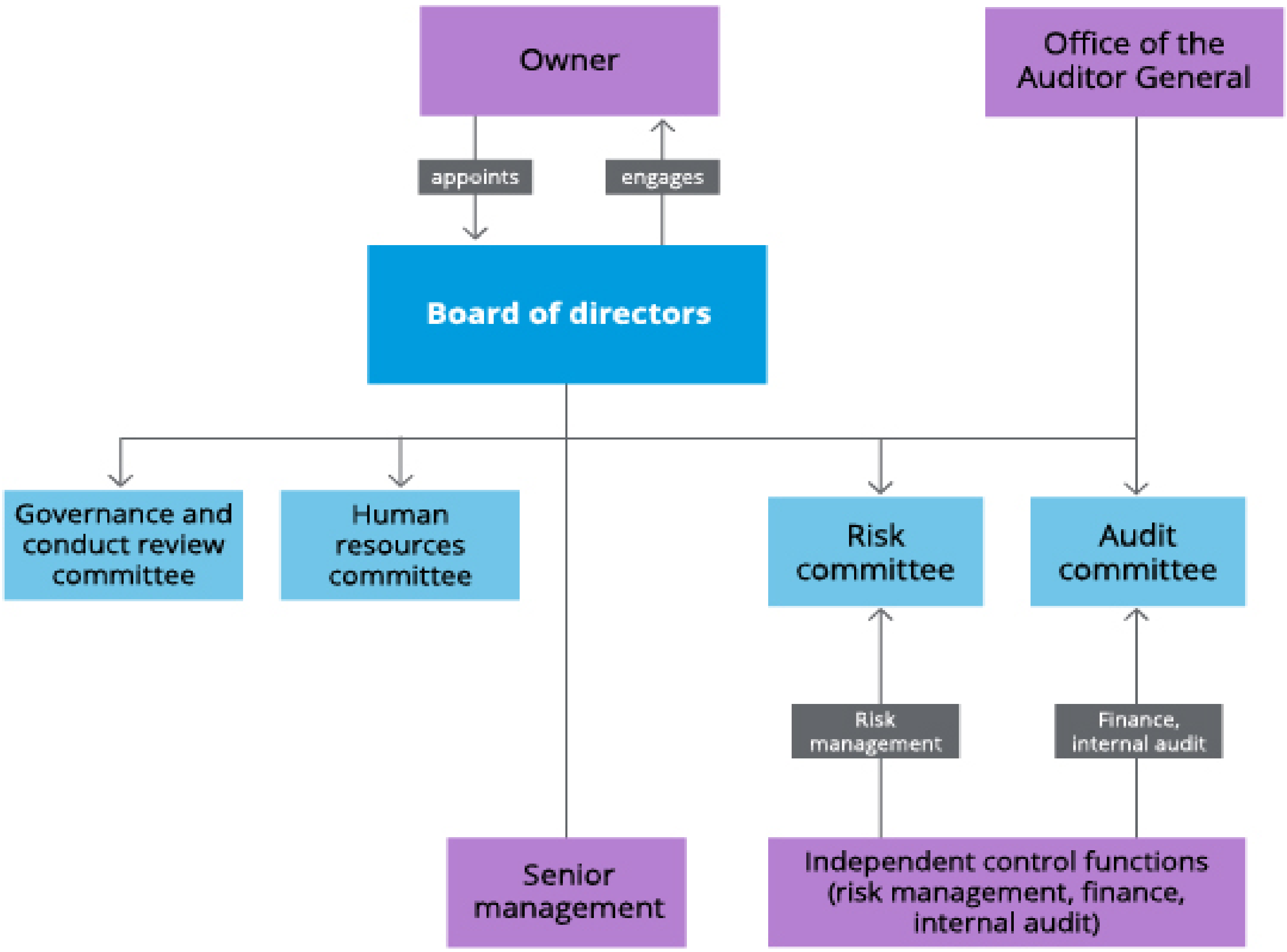
ATB and its subsidiaries pursue compliance with all applicable laws and regulations. Annually, ATB gives the Minister a formal report on compliance pursuant to the ATB Regulation.

Corporate Governance

ATB's board of directors is committed to excellence in corporate governance. ATB's corporate governance policies and procedures exceed those required of it by law, and are consistent with relevant public company securities regulatory and requirements and those set out in the corporate governance guideline of the federal Office of the Superintendent of Financial Institutions. ATB's governance framework includes the board charter and terms of reference for the board of directors and for each of the committees. Additional governance information is contained in the following documents, which are all available on atb.com:

- Mandate and Roles Document
- Directors' Code of Conduct and Ethics
- Key policies related to corporate governance practices approved by the board
- Position description for chair of the board
- Committee chair position description

Governance Structure



Board of Directors and Committees

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.

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

Board and Committee Structure

Board of directors (chair: Brian Hesje)	Audit committee	• 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
		Members: Barry James (chair), Jim Drinkwater, Colette Miller, Robert Pearce, and Wendy Henkelman
	Human resources committee	• Oversees human resources policies, procedures, and compensation programs, including pension plans • Oversees talent management, and executive succession and compensation Members: Colette Miller (chair), Wendy Henkelman, Diane Pettie, Todd Pruden, Jim Carter, and Manjit Minhas
	Governance and conduct review committee	• Develops governance policies and procedures, including those related to team member conduct and ethics • Oversees board and committee evaluations • Recommends board candidates Members: Joan Hertz (chair), Diane Pettie, Todd Pruden, Manjit Minhas, and Mary Ellen Neilson
	Risk committee	• Establishes ATB's risk appetite • Oversees management of key business risks • Reviews key risk management policies • Oversees ATB's compliance with regulatory requirements Members: Jim Drinkwater (chair), Jim Carter, Joan Hertz, Barry James, Mary Ellen Neilson, and Robert Pearce

Chair of the Board

The chair of the board is an independent director. The chair allows the board to operate independently of management and gives the directors an independent leadership contact.

Brian Hesje was appointed chair effective September 1, 2011, by the Lieutenant-Governor in Council. The roles of chair and chief executive officer (CEO) are separate.

The chair is responsible for the management, development, and effective functioning of the board and provides leadership for the board. His role is to:

- Chair every meeting of the board (including the in camera sessions)
- Facilitate the functioning of the board independently of management and maintain and enhance the quality of ATB's corporate governance
- Ensure effective and open communication between and among the board and its committees, directors, and senior management
- Provide leadership to the board and CEO, including participation in the orientation of new directors and the continuing professional development of current directors
- Represent the board and its interests, as well as the interests of ATB, in dealing with the President of Treasury Board and Minister of Finance (the Minister), CEO, stakeholders, and community.

The chair's key responsibilities are set out in the position description and in the Mandate and Roles Document. The board approves any amendments to the chair's position description, and the governance and conduct review committee annually assesses the chair's effectiveness in fulfilling the requirements of his role.

Board Mandate

ATB is a Crown corporation with regulatory requirements similar to those of the chartered banks and credit unions. Pursuant to the Alberta Public Agencies Governance Act (APAGA), ATB and the Minister entered into the Mandate and Roles Document, which reflects a common understanding of the respective roles and responsibilities of each party in fulfilling ATB's mandate. As a fundamental principle, ATB shall foster competition for financial services throughout Alberta and promote access to financial services and strong financial services providers by operating a sound financial institution with the objective of earning a return that is fair in the context of its mandate and the broad strategic policies and level of risk agreed to by the Minister and ATB.

The roles and responsibilities of the board are detailed in the ATB Act, Regulation, the Mandate and Roles Document, the bylaws, the board charter and the terms of reference of the board and various board committees. The board, either directly or through its committees, is responsible for supervising and managing the business and affairs of ATB. Team members execute ATB's strategy under the direction of the CEO and management, with the board's oversight.

In performing its role, the board makes major policy decisions, participates in strategic planning, delegates to management the authority and responsibility for day-to-day affairs, and reviews management's performance and effectiveness. Some of the board's other key responsibilities include:

Strategic oversight and planning: The board is responsible for overseeing ATB's strategic planning processes and oversight functions. This includes approving the strategic plan and monitoring its implementation and effectiveness and approving ATB's enterprise-wide objectives; capital management policy; internal capital adequacy assessment process; and capital, financial, and liquidity plans, including specific requests for major capital expenditures.

Identification of risks and oversight of risk management: The board approves ATB's risk appetite statement and framework and is assisted by the risk committee in ensuring that processes are in place to identify, measure, and monitor ATB's key risks; that appropriate policies are implemented and evaluated to manage risk; and that ATB complies with legal and regulatory requirements.

Succession planning: The board approves succession planning processes for the board, CEO, and senior executives. The governance and conduct review committee reviews the board succession plan, and the human resources committee oversees CEO and executive succession planning through its review of succession plans and ATB's structure at the executive level.

Governance: The board establishes ATB's approach to corporate governance and is assisted by the governance and conduct review committee in reviewing leading governance practices; conducting evaluations of the performance of the board, committees, chair, and individual directors; and reviewing terms of reference of the board and its committees.

Integrity of internal controls: The board satisfies itself that a culture of integrity is maintained throughout the organization, and the audit committee oversees implementation of effective internal controls to ensure effective and reliable financial reporting processes.

Communications and disclosure: The board oversees communications with ATB's shareholder and other stakeholders. This includes the audit committee reviewing and/or approving key disclosure documents, such as the quarterly and annual financial statements and the annual report.

Corporate social responsibility (CSR): The board approves the CSR policy, which sets out ATB's values and commitment to social responsibility.

Pension governance: The human resources committee assists the board in ensuring that ATB has appropriate pension governance policies and procedures in place.

Position Descriptions

The board has approved a written position description for each of the board chair and committee chairs.

The governance and conduct review committee periodically reviews the written position descriptions for the board chair and the committee chairs and recommends amendments to the board.

The roles and responsibilities of the CEO are set out in the Mandate and Roles Document, as agreed between ATB and the Minister. The human resources committee, in consultation with the chair, also annually reviews the CEO's corporate goals and objectives, which include performance indicators and key milestones relevant to the CEO's compensation. The board approves such goals and objectives on the committee's recommendation.

Codes of Conduct and Ethics

The board endorses the principles expressed in the codes of conduct and ethics, which is reviewed annually by the ethics committee, at least once every three years by the governance and conduct review committee, and approved by the board.

The board has adopted a written code of conduct and ethics for directors as well as a written code of conduct and ethics for team members. The codes apply at all levels of the organization, from major decisions made by the board to day-to-day transactions in branches.

The codes establish the standards that govern the way directors and team members deal with each other, ATB's shareholder, customers, suppliers, competitors, and communities. Within this framework, directors and team members are expected to exercise good judgment and be accountable for their actions. The code for team members is founded on the following six principles:

- Conduct yourself with honesty and integrity.
- Act objectively.
- Respect confidentiality and privacy.
- Honour your commitments.
- Behave in a professional manner.
- Uphold the law, rules, and regulations.

Compliance with the code is part of the terms and conditions of employment of every team member at ATB. All directors and team members receive online code training and are required to review and attest to compliance with the relevant code when they join ATB and annually thereafter.

The chair is ultimately responsible for monitoring compliance with the Directors' Code of Conduct and Ethics by members of the board. The board, with the assistance of the governance and conduct review committee, oversees compliance with the code of conduct and ethics by team members of ATB.

During the 2018 fiscal year, the board had no occasion to consider granting any waiver from the relevant code for the benefit of any director or executive officer of ATB. Further, during this fiscal year, the board had no occasion to determine that any conduct by a director or executive officer of ATB Financial was a material departure from the relevant code as defined in National Instrument 51-102.

Conflicts of Interest

Each of the codes, ATB Act, Regulation, and Board Bylaw No. 2 sets out processes by which the board may ensure directors and executive officers exercise independent judgment in considering transactions and agreements in which a director or executive officer has or may have a material interest. Pursuant to the board's conflict of interest policy, each director annually confirms they have no conflicts of interest that could create a material risk and that they are able to discharge their duties with integrity and in the best interests of ATB. Directors and executive officers are also under an obligation to disclose actual or potential conflicts of interest. At each board and committee meeting, directors are obliged to disclose any actual or potential conflict with any item appearing on the agenda. In the event of a conflict of interest, the director must leave the relevant portion of the meeting and the director will not vote or participate in the decision. Should a conflict become incompatible with service as a director, the director must offer his or her resignation.

Safe Disclosure and Whistleblower Protection

As a Crown corporation, ATB is subject to the Public Interest Disclosure (Whistleblower Protection) Act (PIDA). To meet ATB's obligations under PIDA and to further enhance its commitment to ethical behaviour, the board has approved the safe disclosure policy, which has resulted in the ethics committee implementing a safe disclosure program to provide team members, directors, customers, and vendors with a method by which they can confidentially report good faith concerns about unethical or inappropriate activity (including wrongdoing) of team members or directors in the conduct of ATB's business, without fear of reprisal. Under this program, ATB has arrangements with an external service provider to manage anonymous email, telephone, and web-based reports regarding alleged improper activity and wrongdoing. Such reports are reviewed and managed in accordance with the applicable framework.

Independence

The board has determined that every member of the board is "independent" within the meaning of ATB's director independence policy and the relevant Canadian Securities Administrators (CSA) guidelines. Each audit committee member meets additional independence criteria for audit committees under the director independence policy and applicable law.

The board believes that to be effective it needs to operate independently of management. This means that all board and committee members are not part of management and do not have relationships with ATB that may, or may be seen to, interfere with the exercise of their independent judgment. The board adopted a director independence policy based on the requirements of the CSA guidelines for determining whether a director is "independent," and whether each member of the audit committee meets the applicable Canadian criteria for membership on that committee. The governance and conduct review committee reviews the director independence policy at least once every three years, makes annual determinations concerning the independence of each director, and reports to the board on the independence status of the directors.

Pursuant to the director independence policy, a director will be determined independent if the governance and conduct review committee has affirmatively determined that the director has no direct or indirect material relationship with ATB. To determine this, such matters as the nature and importance of the director's connections to ATB and the people or organizations the director is related to (such as a spouse) are considered. Such information is collected through an annual due diligence process that includes the following sources:

- A comprehensive disclosure form completed by each director, through which they attest to their independence, any related party matters, and potential conflicts of interest,
- Biographical information of directors,
- Privately held meetings between the chair and each director with a full report of same to the board, and
- Internal records and reports on relationships between directors, entities affiliated with directors, and ATB.

The governance and conduct review committee then considers whether the director could reasonably be expected to be objective about management's recommendations and performance.

In addition, the board has implemented the following policies and practices:

- At each regularly scheduled board meeting, including regularly scheduled meetings of board committees, the board and each committee meet in camera, without management. Time to do so is provided at each board and committee meeting, except for special meetings of the risk committee for credit adjudication. During fiscal 2017–18, the board held four regular meetings and one special meeting and the committees held 40 meetings.
- The board and each committee may engage their own independent advisors at the expense of ATB.

To ensure directors have sufficient time and energy to devote to their responsibilities and no conflicts or circumstances could arise that could impact independent thinking, ATB monitors other boards on which its directors serve. An "interlock" occurs when two or more directors of ATB are also directors of the same other company. Although ATB does not set a formal limit on the number of interlocking board and committee memberships, the governance and conduct review committee reviews these memberships as part of the annual director attestation process. In fiscal 2017–18, there were no interlocking directorships among ATB's board of directors.

Diversity and Inclusion

Diversity Policy

The board recognizes the benefits of promoting a corporate culture that supports diversity and inclusion in the composition and operation of its board and throughout ATB. The board has approved a diversity policy to promote an environment conducive to the recruitment of well-qualified director candidates with diverse backgrounds. To foster a corporate environment where diversity and inclusion are achievable and maintainable, the governance and conduct review committee determines the diversity profile best suited to meet the particular needs of ATB and documents this annually in a diversity profile and measures document. In addition, the committee identifies measures to track the board's progress in achieving its goals. The measures and targets identified in the diversity profile and measures document are regularly reviewed by and reported to the governance and conduct review committee. While the diversity profile is considered in the recruitment of qualified board candidates, director recruitment is based upon merit and the expected contribution the selected candidate will bring to the board. From 2014–17, the board's target for female representation on the board was 25%, and that target was achieved in each of those years. In 2017–18, the board revised its target to have 50% female representation and to ensure the board is open to people of any gender identity. As of March 31, 2018, 6 of the 12 board members (50%) are women.

Diversity in Executive Officer Positions

In 2015, ATB set an enterprise goal to strengthen the diversity of team members by considering factors such as gender balance, diversity in leadership roles, and inclusion of Indigenous and disabled team members, to name a few. The strategy started with identifying and reporting on the diversity of ATB's team member population. The continuation of the strategy is around inclusion of the work environment that ATB offers.

ATB regularly monitors and reviews the number of women in executive and senior leadership positions through our talent management and succession planning processes. The executive team and human resources committee of the board review the results of this process, which includes year-over-year changes and a discussion of how many women currently hold executive officer positions as well as the gender balance of our succession pipeline. The board also reviews ATB's executive succession plans.

While the best candidate for the role will ultimately be chosen, when seeking potential candidates for executive positions, ATB will review a diverse slate of candidates.

The following chart shows the number and percentage of men and women in executive officer[1] and executive[1] roles at ATB as of March 31, 2018. The executive officers also include officers of Investor Services.

Gender	Number of executive officers	Percentage of executive officers	Number of executives	Percentage of executives
Men	12	71%	39	70%
Women	5	29%	17	30%
Total	**17**	**100%**	**56**	**100%**

1 The phrase "executive officer" is used in the regulations to disclose gender diversity in order to create a comparison across companies; whereas "executive" is ATB's preferred term.

ATB has chosen to not set targets for the representation of women at the executive officer and executive levels. ATB will continue to focus on hiring the right person for the role based on merit, while diversity and the objective of having more women at senior levels in the company are considered integral to succession planning. Having been successful at raising the bar at the board level, ATB will continue to work towards increasing the diversity of all team members, including executive officers and executives.

Effectiveness and Evaluations

The board and each of its committees annually complete an evaluation of their effectiveness, and directors regularly participate in a peer review process. These evaluations allow ATB to identify gaps in skills and expertise, update its skills matrix, and provide targeted development opportunities to directors.

The board annually evaluates the effectiveness of the board and its chair, its committees and their chairs, its individual directors, and the CEO. Directors complete a questionnaire that assesses the effectiveness of the board and its committees. The results are reviewed by the members of each committee, who consider whether any changes to its structure or terms of reference are required.

The board also conducts annual peer assessments of director performance. The evaluation of individual directors involves a self-evaluation and peer review. The chair is responsible for collecting, investigating, analyzing, and otherwise actioning and communicating relevant information to the directors, with the objective of performance improvement.

The board periodically engages a third party to conduct evaluations and assessments.

Succession and Director Nomination/Appointment Process

The governance and conduct review committee, comprised entirely of independent directors, determines the criteria for selecting potential candidates for directors. A selection and interview panel provides its recommendations to the Minister, who recommends director appointments to the Lieutenant-Governor in Council.

The chair is responsible for, among other duties, working with an independent consultant who assists the governance and conduct review committee in nominating candidates for the board based on an inventory of the board's overall skill-set requirements and competencies. The recommendation is based on careful examination of the board's size, composition, and director tenure, and balances factors such as age and geographical, professional, and industry representation, taking into account ATB's diversity policy.

The governance and conduct review committee ensures that board selection complies with the APAGA and Mandate and Roles Document, is publicly advertised and considers general qualifications, legal requirements, business experience, independence, and the board's diversity profile and future needs.

With the assistance of the governance and conduct review committee, the board creates and monitors a board succession plan and composition (skills) matrix and provides an inventory of director competencies to the Minister. When a vacancy occurs, the board identifies the required competencies and provides these to an external search firm engaged to assist in recruitment. Applications are reviewed by the search firm and the governance and conduct review committee. A selection and interview panel consisting of the chair, the governance committee chair, and a representative selected by the Minister interviews potential candidates with the required competencies and values. A short list of selected candidates is then screened and the search team conducts background checks. The selection and interview panel then provides its recommendations to the Minister, who recommends appointments to the Lieutenant-Governor in Council. The Mandate and Roles Document sets forth the Minister's expectations with respect to director selection.

The board satisfies itself that the directors have the collective experience competencies to meet the challenges facing ATB. Directors annually self-assess their skills and experiences against competencies. The governance and conduct review committee reviews the matrix annually to ensure that it continues to reflect the most relevant values and experience competencies.

Director Tenure

The board reflects a balance between experience and the need for renewal and fresh perspectives. Director appointments are for a fixed term of up to three years, with, on recommendation of the governance and conduct review committee, the possibility of extension for up to a maximum term totalling 10 years.

Board Size

There is no minimum or maximum required number of directors for the board. Annually, the governance and conduct review committee recommends the board size. In considering this, they balance the competing goals of keeping the board small enough for effective discussions and offering adequate representation to meet the demands of board and committee work in the context of ATB's business and operating environment.

Orientation and Professional Development

The governance and conduct review committee oversees the process to assist new directors with understanding the nature and operation of ATB's business, the role of the board and its committees, and the contribution that individual directors are expected to make.

To enhance board effectiveness, ATB wants new directors fully engaged as soon as possible. Directors meet with key individuals to learn about the board, its committees, and each director, and meetings with the chair and CEO enable new directors to learn about ATB's strategy and business.

The program includes comprehensive education sessions at which the CEO and other members of the executive management team present and answer questions on how ATB is managed, its key businesses, strategic direction, human resources, information technology, regulatory environment, directors' responsibilities, and the significant issues and key risks ATB faces. Committee chairs also meet with any new director appointed to serve on the committee.

All new directors receive a board member handbook, which includes:

- Key corporate governance and public disclosure documents, including board and committee charters
- Information about the evaluation process for the board, its committees and chairs, and individual directors
- Important policies and procedures, including the codes of conduct and ethics
- Organizational charts and other business orientation materials, including financial statements and regulatory information

The governance and conduct review committee oversees continuing education for directors. An online discussion board is regularly updated with educational opportunities for directors.

ATB's professional development guideline encourages directors to improve their skills and deepen their understanding of ATB, its environment, and its corporate governance practices. All directors are eligible for continuing training and education through attending various external seminars, reading materials, and participating in the Institute of Corporate Directors. Periodically, the board participates in tours of ATB branches and other facilities to gain an understanding of ATB's operations. The governance and conduct review committee oversees the education program. ATB also conducts ongoing information sessions for directors by senior executives and industry participants, on significant or new aspects of the business.

Subsidiary Governance

The board plays a key role in overseeing the governance of ATB's wholly owned subsidiaries. Directors on ATB's board and key executives are appointed to the subsidiaries' boards. The board and its committees receive regular reports on the subsidiaries' governance, risk, and compliance.

A Closer Look at Our Directors

The following describes the careers, education, and competencies of ATB's directors who work diligently to honour all of ATB's governance values. Their commitment to ATB matters is demonstrated through their strong attendance record.

Brian Hesje FCPA, FCA, ICD.D

Edmonton, Alberta

Age range: 70–79

Director since: 2011

ATB boards: Board of directors (chair), ad hoc member of all committees

Employment status: Corporate director

Career and education summary

Brian Hesje is ATB's board chair. He also served as chair and chief executive officer of Fountain Tire Ltd. and on numerous public- and private-company, Crown-corporation, and not-for-profit boards. Brian has a B.Ed and MBA from the University of Alberta and ICD.D from the Institute of Corporate Directors. He was admitted as a Fellow to the Institute of Chartered Accountants of Alberta. In 2017, he received a Lifetime Achievement Award from CPA Alberta.

Current directorships

- Treadmark Properties
- Rick Hansen Foundation

Past directorships

- Fountain Tire Ltd. (chair)
- Northern Alberta Institute of Technology (vice-chair)
- Alberta Innovates – Bio Solutions
- FYidoctors
- STARS Air Ambulance
- Norseman Group
- Almita Piling Inc.
- POS Bio Sciences

Barry James FCPA, FCA, ICD.D

Edmonton, Alberta

Age range: 60–69

Director since: 2014

ATB boards: Audit (chair), risk

Employment status: Owner

Career and education summary

Barry James chairs the board's audit committee and is a member of the board's risk committee. He also serves on the boards of public and private companies, foundations, and other organizations and is chief corporate development officer at Lloyd Sadd Insurance Services. Barry has a B.Comm with distinction, CA from the Canadian Institute of Chartered Accountants, Fellowship of the Institute of the Chartered Accountants of Alberta, and ICD.D from the Institute of Corporate Directors. He has over 35 years of experience at PwC as an integral business advisor to his clients.

Current directorships

- Corus Entertainment Inc.
- AutoCanada Inc.
- University of Alberta Hospital Foundation
- Edmonton Galleria Foundation
- Norseman Group
- Kipnes Foundation
- Inuvialuit Investment Corp.

Past directorships

- Stollery Children's Hospital Foundation
- Edmonton Convention Centre Authority
- Forest Industry Suppliers' Association of Alberta
- Edmonton Space and Science Foundation
- Support Network Foundation
- University of Alberta board of governors

Colette Miller FCPA, FCA, ICD.D

Vegreville, Alberta

Age range: 50–59

Director since: 2009

ATB boards: Human resources (chair), audit

Employment status: Owner

Career and education summary

Colette Miller is a senior partner with Wilde and Company / Olson Law. She specializes in owner-managed business, taxation, estate and succession planning, and has extensive experience in the public sector as an auditor, consultant, and instructor. Colette has a B.Comm, her CA from the Canadian Institute of Chartered Accountants, her Fellowship from the Institute of Chartered Accountants of Alberta, and her ICD.D from the Institute of Corporate Directors. At ATB, Colette currently chairs the board's human resources committee and serves on the board's audit committee.

Current directorships

- AVAC Ltd.

Past directorships

- Athabasca University
- Agencies, boards, and commissions (energy) expert panel
- Institute of Chartered Accountants of Alberta

Diane Pettie Q.C., ICD.D

Calgary, Alberta

Age range: 60–69

Director since: 2014

ATB boards: Governance and conduct review, human resources

Employment status: Corporate director

Career and education summary

Diane Pettie practised law for over 30 years and has significant executive and board experience in various industries. She has her Juris Doctorate from the University of Alberta, is a Fellow of the Institute of Chartered Secretaries, and has her ICD.D from the Institute of Corporate Directors. At ATB, Diane is currently a member of the board's governance and conduct review committee and human resources committee.

Current directorships

- Chartered Professional Accountants of Alberta
- Aldian Developments Ltd.
- Alberta Petroleum Marketing Commission

Past directorships

- Society of Management Accountants of Alberta
- Accountants Unification Joint Venture Board
- Association of Women's Lawyers
- Law Society of Alberta (audit committee)
- Calgary Region Arts Foundation

Jim Carter O.C.

Spruce Grove, Alberta

Age range: 60–69

Director since: 2010

ATB boards: Investor Services boards (chair); human resources, risk

Employment status: Corporate director

Career and education summary

Jim Carter is currently the chair of the boards of Investor Services. He is also an officer in the Order of Canada and has held prior roles as the president and chief operating officer of Syncrude Canada Ltd. Jim previously held management positions at McIntyre Mines Ltd. and Iron Ore Company of Canada and has extensive experience on multiple boards. Jim has his bachelor of engineering degree from Nova Scotia Tech, is a Fellow of the Canadian Academy of Engineering, and graduated from an advanced management program at Harvard Graduate School of Business Administration in Boston, Massachusetts. At ATB, Jim is a member of the board's risk and human resources committees and vice-chair of the board of directors.

Current directorships

- Finning International Inc.
- Irving Oil Limited
- Brand Energy and Industrial Services
- Careers the Next Generation (chair of the board)
- EllisDon Construction Ltd.

Past directorships

- Edmonton Symphony Orchestra and Francis Winspear Centre for Music
- EPCOR Utilities Inc.
- Clark Builders Ltd.
- Alberta Economic Development Authority
- Alberta Research Council
- Mining industry advisory committee to the U of A School of Mining and Petroleum Engineering
- Climate Change and Emissions Management Corp

Jim Drinkwater ICD.D

Edmonton, Alberta

Age range: 70-79

Director since: 2010

ATB boards: Risk (chair), audit, Investor Services boards

Employment status: Corporate director

Career and education summary

Jim Drinkwater has gained extensive experience from his roles as assistant deputy provincial treasurer with the Alberta government, and in executive roles with Canadian Western Bank, Telus Corporation, and Oskar Mobil. He has also served as an investment committee member for several major organizations. Jim has his B.Sc. in math from the University of Alberta, is a graduate of the Banff School of Advanced Management, and has his ICD.D from the Institute of Corporate Directors. For ATB, he chairs the board's risk committee, is a member of the board's audit committee, and is a member of the Investor Services boards.

Current directorships

- University of Alberta Endowment Fund

Past directorships

- Board investment committee of Alberta Teachers' Retirement Fund
- Province of Alberta's advisory committee on alternative capital financing
- Alberta Municipal Financing Corporation

Joan Hertz Q.C., ICD.D

Edmonton, Alberta

Age range: 50-59

Director since: 2008

ATB boards: Governance and conduct review (chair), risk

Employment status: Employed

Career and education summary

Joan Hertz is vice-president of External Affairs and Corporate Counsel at Norquest College. She previously worked as corporate counsel, strategic affairs, for Capital Health, and as a lawyer and strategic consultant. Joan has her B.Sc. in foreign service from Georgetown University, her LLB from the University of Alberta, and her ICD.D from the Institute of Corporate Directors. At ATB, she chairs the board's governance and conduct review committee and sits on the board's risk committee.

Current directorships

- Edmonton International Airport
- Covenant Health

Past directorships

- Judicial Council
- Edmonton Police Foundation
- Kids Kottage Foundation
- Edmonton Catholic Cemeteries
- Institute of Chartered Accountants of Alberta
- CPA Alberta Joint Venture
- Alberta Promise

Manjit Minhas ICD.D

Calgary, Alberta

Age range: Under 40

Director since: 2017

ATB boards: Human resources, governance and conduct review

Employment status: Owner

Career and education summary

Manjit Minhas is an entrepreneur and venture capitalist in the liquor industry and also appears as a television personality on the Canadian reality series Dragons' Den. Manjit's unique experience has given her a range of knowledge in brand development, marketing, sales management, and retail negotiation. Manjit has a variety of board experiences, including as co-chair of United Way Campaign and previously as a director of West Island College and TransCanada Trail. Manjit has her B.Sc. from the University of Regina and her ICD.D from the Institute of Corporate Directors. At ATB, she is currently a member of the board's human resources committee and governance and conduct review committee.

Current directorships

- United Way

Past directorships

- West Island College
- TransCanada Trail
- United Way Campaign (chair)

Mary Ellen Neilson CPA, CMA, MBA, ICD.D

Calgary, Alberta

Age range: 50-59

Director since: 2017

ATB boards: Risk, governance and conduct review

Employment status: Employed

Career and education summary

Mary Ellen Neilson is executive director at the Association for the Rehabilitation of the Brain Injured. She is an elected senator for the University of Calgary and a member of the board of governors, where she serves as vice-chair of the investment committee. Mary Ellen has had a successful career in financial services, where she held various senior executive positions. She has experience serving on and chairing various boards, committees, and organizations. She has her B.Comm from the University of Calgary, her MBA from York University, her CMA from the Institute of Management Accountants, and her ICD.D from the Institute of Corporate Directors. At ATB, Mary Ellen currently sits on the board's governance and conduct review committee and the risk committee.

Current directorships

- Association for the Rehabilitation of the Brain Injured
- University of Calgary Board of Governors (vice-chair, investment committee)

Past directorships

- Art Gallery of Alberta
- Glenbow Museum board of governors
- Society of Management Accountants of Alberta
- YWCA of Calgary (chair, audit committee)
- University of Calgary Senator (vice-chair, senate development committee)

Robert Pearce BASc., MBA, ICD.D

Calgary, Alberta

Age range: 50-59

Director since: 2014

ATB boards: Risk, audit

Employment status: Corporate director

Career and education summary

Robert Pearce has gained experience through various advisory and C-suite roles in the energy business. He worked as president, CEO, and co-founder of North West Upgrading, as treasurer of PanCanadian Energy, and as COO of Harvest Operation Corp. Robert has his BASc. in geological engineering from the University of British Columbia, his MBA from the University of Calgary, and his ICD.D from the Institute of Corporate Directors. For ATB, he is currently a member of the board's risk and audit committees.

Current directorships

- Prospect Human Services
- Institute of Corporate Directors, Calgary Chapter Executive

Past directorships

- North West Upgrading
- Aliron Exploration

Todd Pruden M.Ed, B.Ed

Edmonton, Alberta

Age range: 40-49

Director since: 2015

ATB boards: Governance and conduct review, human resources

Employment status: Owner

Career and education summary

Before starting two companies, Todd Pruden worked as a teacher in various schools and as a police officer with the Edmonton Police Service. A member of the First Nations' community, Todd now owns Dreamline Canada Inc. and Athabasca Workforce Solutions Inc. and holds a number of board positions. He has his B.Ed and M.Ed in leadership and policy studies from the University of Alberta. At ATB, Todd is currently a member of the board's governance and conduct review and human resources committees.

Current directorships

- Northeastern Alberta Aboriginal Business Association
- Circle for Aboriginal Relations

Wendy Henkelman CPA, CA

Canmore, Alberta

Age range: 50-59

Director since: 2014

ATB boards: Human resources, audit

Employment status: Corporate director

Career and education summary

Having worked as a financial executive, holding positions in major oil and gas companies, Wendy Henkelman has gained extensive experience in all aspects of the finance industry. She worked as vice-president of treasury and compliance and as an executive in charge of information technology with Penn West Exploration, and as an executive in charge of tax and royalties at Shell Canada. Wendy has her B.Comm with distinction from the University of Alberta, is a CPA and CA, completed the In-depth Income Tax program through the Chartered Professional Accountants of Canada, and completed an executive leadership program from Wharton School of Business at the University of Pennsylvania. At ATB, Wendy currently sits on the board's human resources and audit committees.

Current directorships

- Postmedia Network Canada Corp.
- Cochrane and Area Humane Society

Past directorships

- Shell Canada Pension Trust (chair)
- Albian Sands Pension Trust (chair)
- Canadian Petroleum Tax Society (president)

Key Areas of Competency

ATB's directors' skills matrix supports ATB's board outcome: "Generating long-term shareholder value by effectively competing in the market with a level playing field."

The board of directors defines director competency as the skills, knowledge, experience, education, and training that can be assessed and contributes to the effectiveness of the director and board as a whole. The board of directors acknowledges that experience is not necessarily synonymous with competency; competency is broader in focus. Annually, the board of directors reviews the following areas of competency and conducts an assessment of director competency and of the board as a whole relative to ATB's strategic plans and the board's goals. Through self and peer assessments and meetings with the board chair, director competency is validated. Gaps identified are addressed through professional development opportunities for directors and the board, and through board recruitment and reappointment.

The light blue in the following chart indicates significant experience and proficiency in an area. The board as a whole is considered to have significant proficiency in an area where at least three directors are proficient and two other directors are competent.

	Directors												
Area of competency	Brian Hesje (chair)	Barry James	Colette Miller	Diane Pettie	Jim Carter	Jim Drinkwater	Joan Hertz	Manjit Minhas	Mary Ellen Neilson	Robert Pearce	Todd Pruden	Wendy Henkelman	Board of directors
Strategic thinking / planning[1]	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Financial literacy[2]	✓	✓	✓	✓	✓	✓	✓		✓	✓		✓	✓
Governance[3]	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Critical thinking / risk management[4]	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Human resources[5]		✓	✓	✓	✓	✓	✓			✓	✓	✓	✓
Leadership / teamwork acumen[6]	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Financial industry[7]		✓			✓	✓			✓	✓		✓	✓
Entrepreneurial[8]	✓		✓					✓		✓	✓		✓
IT[9]						✓						✓	✓
Community[10]			✓		✓		✓	✓	✓		✓		✓
Legal acumen[11]	✓	✓		✓			✓			✓		✓	✓*

*The board considers it has subject matter expertise for legal acumen, given its ability to engage ATB's Legal Services team and/or seek external legal assistance.

1 Demonstrates high level of strategic thinking ability and has prior experience as a board or committee member of a larger public entity, Crown corporation, or major organization with a governance board.

2 Can read and understand ATB's financial statements, including complex accounting issues that can reasonably be expected to be raised within such statements.

3 Understands governance processes, policies, and accountabilities by which organizations are directed and controlled, including the roles and relationships between stakeholders, directors, and management.

4 Applies critical thinking, creativity with an understanding of and ability to identify and oversee wide-ranging key risks (enterprise, reputational, human resources, legal and regulatory, credit, market, liquidity, operational, business, and strategic). Generates novel or innovative solutions.

5 Is proficient in human resources issues (recruitment, succession planning, talent development, retention, change management, compensation programs, and pensions).

6 Has proven ability to inspire and motivate others through leadership and direction. Demonstrates understanding of importance of teamwork to the success of the board and organization. May have experience leading as CEO or senior executive in a larger organizational setting.

7 Understands the financial services industry, gained from experience at a Canadian bank, U.S. regional bank, or related financial services industry participant (insurance, wealth management) or as an auditor of any of the foregoing.

8 Has owned or led a small or medium-sized enterprise.

9 Understands information-technology-related issues, such as project management, information or record management, and cyber security.

10 Understands community dynamics, such as fostering corporate social responsibility or communications.

11 Has a strong understanding of legal issues, particularly related to corporate law, legal and regulatory compliance, finance/securities, insolvency, litigation, and employment.

Director and Committee Meeting Attendance

Attendance at board meetings is one measure of a director's commitment and contribution to corporate governance. The board of directors' terms of reference set out the expectations of board member attendance. The following table outlines the number of committee meetings and the director attendance.

Director name	Board1	Audit	Governance	Human resources	Risk	Special committee	Attendance percentage2
Brian Hesje (chair)	5 of 5	4 of 4	4 of 4	4 of 4	16 of 16	12 of 12	100%
Barry James	4 of 5	4 of 4	-	-	13 of 16	11 of 11	89%
Clayton Sissons[3]	2 of 2	1 of 1	1 of 1	-	-	-	100%
Colette Miller	5 of 5	4 of 4	1 of 1	4 of 4	-	11 of 11	100%
Diane Pettie	5 of 5	-	4 of 4	4 of 4	-	1 of 1	100%
Jim Carter	5 of 5	-	-	3 of 4	14 of 16	12 of 12	92%
Jim Drinkwater	5 of 5	4 of 4	-	-	16 of 16	11 of 11	100%
Joan Hertz	5 of 5	-	4 of 4	-	14 of 16	11 of 11	94%
Manjit Minhas[4]	3 of 3	-	3 of 3	3 of 3	-	-	100%
Mary Ellen Neilson[4]	3 of 3	-	3 of 3	-	11 of 13	-	89%
Robert Pearce	5 of 5	4 of 4	-	-	13 of 16	-	88%
Shannon Susko[3]	0 of 1	-	0 of 1	1 of 1	-	-	33%
Todd Pruden	5 of 5	-	4 of 4	4 of 4	-	-	100%
Wendy Henkelman	5 of 5	4 of 4	-	4 of 4	-	-	100%

1 The November and March board meetings took place on two consecutive days but are each counted as one meeting for the purposes of this report.

2 The attendance percentage is calculated using the total of all board and committee meetings possible for each applicable director for the fiscal year. The chair of the board may attend all committee meetings but his percentage is calculated using board meetings only.

3 Clayton Sissons and Shannon Susko left the board on June 15, 2017.
4 Manjit Minhas and Mary Ellen Neilson joined the board on June 15, 2017.

Director Compensation

Executive Council for the Province of Alberta determines and sets director compensation, including retainers and meetings fees, by Order in Council. The board's governance and conduct review committee periodically conducts research and makes recommendations to the Minister on director compensation. The board has approved the Directors' Remuneration Policy and Expense Guideline, which identifies key principles underlying the payment of remuneration and reimbursement of expenses. The document is available on atb.com.

The total compensation paid to non-management directors as at March 31, 2018, is as follows:

Director name	Annual retainer	Board chair retainer	Investor Services board and committee chair retainer	ATB meeting fees	Investor Services meeting fees	Total
Brian Hesje (chair)[1]	$ 15,000	$ 15,000	$ -	$ 33,300	$ 7,000	$ 70,300
Barry James	15,000	-	2,000	24,200	-	41,200
Clayton Sissons[2]	3,750	-	-	3,600	1,400	8,750
Colette Miller	15,000	-	2,000	22,300	-	39,300
Diane Pettie	15,000	-	-	17,300	-	32,300
Jim Carter[3]	15,000	-	6,500	24,100	5,600	51,200
Jim Drinkwater[4]	15,000	-	2,500	26,800	7,000	51,300
Joan Hertz	15,000	-	2,000	27,600	-	44,600
Manjit Minhas[5]	15,000	-	-	9,450	-	24,450
Mary Ellen Neilson[5]	15,000	-	-	14,950	5,600	35,550
Rob Pearce	15,000	-	-	21,800	-	36,800
Todd Pruden	15,000	-	-	15,800	-	30,800
Shannon Susko[2]	3,750	-	-	500	-	4,250
Wendy Henkelman	15,000	-	-	17,300	-	32,300

1 Board Chair Brian Hesje attends all board and committee meetings.
2 Clayton Sissons and Shannon Susko left the board on June 15, 2017.
3 Jim Carter received a $5,000 chair retainer honorarium for June 2015 through May 2017 for chairing the Investor Services boards.
4 Jim Drinkwater chaired the Investor Services boards for one quarter.
5 Manjit Minhas and Mary Ellen Neilson joined the board on June 15, 2017.

2017–18 Business Highlights

The customer obsession team was focused sharply on driving value for our customers and the organization this year. This purpose-driven team, which includes every customer-facing role at ATB, is reimagining how to make banking work for customers. We act as a catalyst to create holistic customer value by putting the customer at the centre of everything we do. There will be no barriers or boundaries to delivering exactly what the customer wants across any channel, whether digital or physical. Together without silos, our team will improve the delivery of common products and services to our customers, increase customer loyalty, and drive profitability for the organization.

This year we supported the monumental shift to a new way of working at ATB through Google Suite (G Suite) to deliver remarkable experiences for our customers. We also achieved major progress in creating ATB's new system of customer obsession by truly listening to what customers love and hate about banking. We expanded ATB's care centre to always be open, created a new solar panel financing program, partnered with Alberta registries to help take the friction out of opening a new business, offered new cash management services to more than 95,000 business customers, and incorporated the voice of our customer into the build of ATB's new Challenger Bank, a revolutionized digital banking experience.

Under the guidance of the customer obsession team, ATB continues to focus on the following 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 team members in RFS are focused on creating happiness in every interaction for all retail customers across Alberta. Our commitment to customers is to connect them with the right experts and truly listen to their needs. RFS continues to be the leader in attracting new customers to ATB and acquiring low-cost deposits.

Change is Powerful

To reimagine banking, ATB introduced new efficiencies to our work by implementing G Suite. Although not a simple transition for our corporate and customer-facing team members, this set of tools is about exploring new, inventive, and creative ways to do our work. In RFS, we are better positioned to use our minds, hearts, and hands in ways we could never imagine.

A leadership transition across the customer obsession and transformation teams provided new energy around the customer experience as we continue to be relentlessly inventive in our pursuit to transform banking.

Fierce About Customer Obsession

Our new focus on attaining deeper connections with existing customers drove strong productivity this year. We are improving the customer experience by continuing to remove the process and policy barriers that make it difficult to delight customers and produce results each and every day. We will prove to customers that we're listening and doing things differently to earn their business and deliver the value that matters to them.

Connecting the right expert to the right customer is critical to having meaningful and productive conversations. RFS team members helped our customers achieve their savings goals by developing stronger connections with our ATB business partners. We surpassed our target by making over 6,000 ATBIS connections. We began the transformation of our branch workforce from transactional to advisory-based, putting more proficient bankers in front of customers. This shift helps us proactively meet customer demand and grow market share. It also enables us to be fluid and allocate resources where our customers need us, creating efficiency in branches and increasing revenue in growth markets.

The agency network continues to be important to our business, onboarding over 2,000 customers this year. A unique part of the agency network is Cashco, which provides meaningful banking to the underbanked. We continue to gain a better understanding of this network as we build effective relationships between branch leaders and agencies.

Business and Agriculture (B&Ag)

B&Ag's focus is to build deeper and longer-lasting relationships with each of our customers helping overcome the greatest frustration our customers have—retraining a new banker to truly know them and their business. By listening to our customers, we can provide outstanding solutions to help support and grow Alberta businesses. To achieve this our strategies are aligned with stabilization, digitization, and growth. In B&Ag, we are obsessed with delivering remarkable experiences to Alberta entrepreneurs.

Stabilize

Stabilization efforts involved a complete reimagination of the credit review processes. This focus on stabilizing and successfully implementing automation created consistent, predictable credit fee collection for our customers and generated more non-interest revenue for B&Ag. We are committed to brilliant execution of business lending enhancements to make access to capital and credit administration more efficient for our customers and our team, and to deliver consistently strong communication throughout both the transaction and the relationship. Stabilizing these key customer experiences is our top priority.

Digitize

With the support of the transformation team, we deployed two new systems to better support our customers: Unleashed and Box. Unleashed allows team members to reimagine several aspects of their day-to-day work in reimagined ways, where and when it works best. It provides a 360-degree view of our business customers, helping team members gain a better understanding of each customer, and a simple and easy way to approve unauthorized overdrafts. Box is ATB's cloud-based content management platform that has now centralized all of B&Ag's customer files and sensitive records, making it easy to securely share important files with all team members in seconds. Together, these digital platforms helped change banking for B&Ag—we reduced team member time and the touch points it takes to gather and consider customer data so we can recommend appropriate solutions. We will continue to make advances in our digital platforms (online, mobile, third-party, and the tools our team members use), which we will leverage to acquire, engage, and deepen customer relationships exponentially.

Grow

Through the launch of our customer obsession plan model, we are listening to customers to better understand and anticipate their needs. Execution against this model contributed to increased customer advocacy levels alongside very strong revenue growth.

This year ATB entered into a partnership with Alberta registries, attracting several new business customers. Continued success with the Canada Small Business Financing loans brought ATB to 67% market share under this program. We will grow strategically in selected geographic and industry segments and organically with our core customer base. By allocating resources specifically to deposit gathering and solutions to assist customers with moving money and planning and protecting their business transitions, we will welcome more Alberta businesses and increase our share of wallet, while shifting our revenue mix to a more sustainable balance of interest and non-interest income. Investments in our team members' proficiency will be focused on listening, understanding, and obsessing about the customer.

Our Indigenous inclusion strategy saw us partner with the Fort McKay Metis Nation in their historic land purchase, an iconic example of our commitment to lead the market as a place to work, bank, and be inclusive for Indigenous Albertans.

This year ATB was awarded the Prairie Region StartUp Canada Entrepreneur Support Award. Nominated by the community, this award recognizes those advancing the environment and culture for entrepreneurship in Canada. Our specialized centres of expertise, such as Capital, BoostR, LendR, and entrepreneur centres will continue to evolve to optimize scale and impact as platforms designed to enable entrepreneur success.

Corporate Financial Services (CFS)

CFS has remained steadfastly committed to supporting Albertans in pursuit of their goals. Our team members are here to listen to the challenges that our customers are facing and to help create workable outcomes to enhance growth across industries. CFS provides a deep financial expertise in a cross section of specialized industries, such as real estate, energy, and technology, which help support Alberta's economy. Working alongside our industry experts are client-solution specialists from areas such as loan syndications, financial markets, and advisory services.

Change... and Customer Obsession

CFS remains focused on customer obsession, supporting the vision and instincts of our customers. As our customers change, we change. We change to enhance their goals and dreams by staying focused on our goal to transform banking through the delivery of smart, simple, and helpful solutions. CFS has an unparalleled foundation of support through our suite of products and our specialized team member base. In the second of our three-year journey to transform banking, we saw a strong commitment to capacity where CFS activated an initiative to create more client solutions. CFS also stayed focused on dynamic but long-range initiatives, such as our ATB Online FX platform, which enables customers to buy and sell foreign exchange when it works for them. The success of treasury and payment solutions has served key cash management needs across CFS and B&Ag, opening up greater opportunities for our customers.

CFS has had the opportunity to partner and expand into diverse industries this year. We launched a new partnership initiative with B&Ag surrounding Indigenous banking to offer First Nations communities specialized solutions for their banking needs. We have also deepened our strategic relationship with AltaCorp Capital Inc. through our majority share partnership; enhancing our connectivity to this specialty area will bring even greater support to customers with unique requirements.

Commitment to the Future

Innovation is a platform for change, and Alberta is poised for change. In CFS, we see change as an opportunity and strive to cultivate an environment where customers can create opportunities for themselves and others. CFS continued to see unwavering commitment from its customers to support our major industries of energy development, to diversify and grow in new and innovative industries, and to think beyond the status quo. We also saw a deep commitment to Alberta from team members and customers through community involvement, participating directly in over 30 charities across the province.

Investor Services (ATBIS)

ATBIS is committed to transforming wealth management for the greater good of Albertans and to make investing work for people. Over the past 17 years, our priorities have been, and remain, guiding Albertans with comprehensive advice and solutions in the wealth industry, building trusted relationships, and staying committed to our investment philosophy that has shaped our award-winning Compass Portfolios. As ATB's wealth management arm, ATBIS proudly serves more than 80,000 Alberta investors, has industry-leading customer advocacy and team member engagement, and holds over $18.6 billion in assets under administration.

Enhancing the Investor Experience

Since our inception, ATBIS has promised to listen to Albertans to make investing simple and transparent. To deliver on our commitment to provide a differentiated investor experience, ATBIS made a public declaration to Albertans to lead the charge on changing the wealth industry with the goal of helping investors be more successful. Our advisory teams continue to elevate their businesses, practices, and services through mastery and practice management programs to enrich their connections with clients, partners, and Albertans. We have also more closely aligned with Alberta Private Client and Group Financial Services to enhance our holistic relationship services to surround clients with the right experts for tax, estate, and succession planning; guide wealth transfer conversations with retiring business owners and Albertans receiving inheritances; and help clients navigate the emotional side of wealth management. Strengthened partnerships with our ATB wealth partners will propel our opportunity to lead the charge on changing the wealth industry for the better by removing barriers for customers, asking questions, hearing people's concerns, and sharing helpful information in order to help customers be more successful. We will leverage the ATB brand to competitively position our holistic wealth offering in the Alberta marketplace by building external awareness, internal confidence, and overall ambassadorship within our target market. We will also accelerate ATB's efforts to scale the expertise required to bring our transfer of wealth strategy to life and position ATB's world-class capabilities within the Alberta marketplace.

Growing our Business

We have accelerated our growth plan through the evolution, expansion, and strengthening of our advisory team across all segments to ensure we deliver on our service promise to Albertans. To capitalize on our province's wealth opportunities, we have expanded our advisor team in potential high-growth locations and introduced a new segment of financial advisors to deepen existing client relationships and accelerate the organic growth of our business. We have also extended our reach to provide tailored advice and services to subsegments of the Alberta market, such as entrepreneurs, business professionals, and institutions. We will continue reinvesting in the business to bring our segmentation strategy to life by making structural changes within ATBIS to create an environment that enables team members to intentionally and proactively grow the business, and to better align with the wealth industry.

Exploiting Digital Advocacy

Our compelling digital investment solution, ATB Prosper, continues to evolve through new investment solutions, such as RESPs and mobile applications to help simplify the complexities of investing for digital investors. Continuous evolution of our digital wealth offering through ATB Prosper will competitively position us within the market, attract new digital investors, and deepen relationships with existing ATB Prosper clients. We remain focused on optimizing tools and processes for team members and clients to ensure we are positioned for future growth and adaptable to clients' evolving needs and demands. The launch of our new client relationship management system, Salesforce, later this year will provide a holistic understanding of our clients across ATB that enables us to collectively deliver service excellence.

Our Strategic Direction

Change is all around us—in financial services, in what customer service looks like, and in the impact of technologies on all of us. To address the scope and pace of change—and to jump ahead of our competitors—ATB is embracing change and focusing our energy and resources on three priorities:

1. Customer obsession: Creating a culture that's obsessed with and delivers exceptional service to our customers.
2. Transformation: Leveraging new tools and technology, data, and innovation to up our game in delivering outstanding experiences for team members and customers.
3. Strengthening the business: Reimagining how we work, reducing costs and improving efficiency, and executing brilliantly on our plans and strategies to listen to customers.

Across all of that work we continue to be guided by the ATB Story, 94 words that describe ATB's purpose and challenge us to transform banking, reimagine banking, and make banking work for people. 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—what customers consistently want and expect from ATB. We're also doing everything in our power to listen to our customers, which is the only way we can deliver on the Story. ATB Listens is the promise we're making to Albertans, and it defines how we are differentiating ATB in the marketplace.

Our Customer Obsession

In fiscal 2018–19, the customer obsession team, which includes ATB's four areas of expertise—Retail Financial Services (RFS), Business and Agriculture (B&Ag), Corporate Financial Services (CFS), and Investor Services (ATBIS)—will execute on strategies to make banking work for people by listening to customers and flawlessly providing them with a remarkable experience, exploring new ways for team members to work and keep pace with rapid changes, and seeking new opportunities to grow and diversify ATB's business.

Creating a Culture of Customer Obsession

We would not exist if not for our customers. That's why ATB is committed to putting the customer at the centre of everything we do. We've heard from customers that when we're not at our best, we fail to return phone calls, we deliver unprofessional service, and we make mistakes with their banking. As part of our new customer obsession, we will invest in smart, simple, and helpful processes, rules, and behaviours that aim to help us reach our goal of never disappointing a customer.

Serving the Holistic Needs of our Customers

Our customer obsession team will bring together expertise on an industry, product category, or market opportunity, wherever it resides in the organization, to serve the "whole" customer. We will improve the delivery of common products and services to our customers, increase customer loyalty, and drive profitability. We will also focus particularly on supporting Alberta's entrepreneurs and their wealth transfer needs.

Accelerating Growth

Over the past year, ATB has embarked on several new opportunities to grow our business through partnerships and acquisitions, like AltaCorp Capital Inc., to better serve our customers' evolving needs. We will continue to proactively seek external opportunities and new business models to accelerate growth to enhance or complement our existing offers.

Our Drive to Transform Banking

To become different from other banks, ATB's transformation team is working hard to improve processes and eliminate rules that make banking work for banks but not very well for customers.

Becoming an Exponential Organization

In today's rapidly changing world where threats are unknown and often emerge from non-traditional sources, we need to solve challenges with creative solutions that are dramatic departures from traditional banking. This year was filled with extraordinary changes, allowing us to reimagine banking in order to provide the best customer experience. One of the greatest changes this year was the introduction of Google Suite, which allowed us to reimagine our processes not only for customers but for internal team members as well—resulting in enhanced efficiencies and experiences that wouldn't have been possible otherwise. We have also invested significant effort in recruiting and training digital developers to enable us to build more web-based applications in-house. In fiscal 2018–19, we will embrace new ways that are consistent with modern digital and data technology organizations. In doing so, we will reduce our costs of development and set ourselves up to be truly transformational and adaptable.

Further Developing Technology to Differentiate Ourselves

ATB is becoming a technology development organization that embraces the same open technologies as global titans like Amazon and Google and builds a differentiated customer experience. We will continue to invest in our team members and equip them with specialized skills and capabilities—we will give them opportunities to participate in the most innovative and transformative work in our industry.

Improving the Overall Customer Experience

ATB is continuing to simplify processes that annoy customers and don't serve their needs and to equip team members with tools to work more efficiently and free them up to strengthen relationships in their communities. Our goal is to disappoint zero customers.

Our Work to Strengthen ATB

Our organization's areas of expertise and strategic service units are all working to create an obsessive service culture and to deliver competitive products, services, and pricing for customers while managing costs. We will strive to be more relevant to more Albertans and connect with customers on their terms.

RFS is continuously improving in efficiency and technology and truly listening to customers. CFS and B&Ag are working to deepen client relationships through expanding support and services in current and new industries. We will expand our entrepreneur centres, build out our Branch for Arts and Culture, and enhance business development for agriculture experts and women entrepreneurs. Our ATBIS team members will continue to receive the highest-quality training to increase the quantity and quality of wealth content that they will bring to conversations with our investment customers. Team members in the strategic service units are passionate to make ATB the place to be "all in," which will translate into measurable business successes and value for ATB. As a result, by fiscal 2021 our target is to be a company with $1.8 billion in operating revenue that generates more than $500 million of net income before payment in lieu of taxes.

Economic Outlook

As an Alberta-based financial institution, ATB regularly monitors provincial, national, and international economies and considers how these may impact our customers and operations.

Alberta's Economy at a Glance

Alberta is entering 2018 in better shape compared to the last couple of years. With growth returning to our province, many Albertans are shifting from a recession mentality to one oriented towards gradual expansion.

Last year we saw growth return to the province, employment start to rebound, and the province's energy sector stabilize. Almost every economic indicator is above where it was at the bottom of the recession in July of 2016. Looking ahead, these positive trends are expected to continue, and many indicators point to sustained growth in 2018.

ATB is forecasting real GDP growth of close to 3% this year, followed by growth of around 2% in 2019.

Alberta's Economic Challenges

While the economy is rebounding, this is not to say everything in Alberta's economy will come easy. Many businesses will continue to struggle. The provincial unemployment rate is still too high. Household debt is at record levels and borrowing costs are now rising. Threats beyond the province's control also remain, such as NAFTA negotiations and opposition to pipeline expansion. These obstacles continue to add layers of uncertainty to our economy and will weigh on the province's economic expansion.

The global economy may be shifting into another period of financial, market, and technological volatility. Throughout the first few months of the year, stock markets and commodity prices have seen some instability. Higher levels of market volatility could cause concern and hinder the economic momentum that existed throughout 2017.

North American oil prices, as measured by West Texas Intermediate, are significantly improved. Despite the encouraging increase in recent weeks, Western Canadian heavy oil prices have still not enjoyed the same price increases that U.S. producers are seeing, which is due to pipeline bottlenecks and other constraints. In the current price environment our energy sector is positioned for only modest expansion in capital spending programs.

Other sectors of the economy offer promise particularly in technology, agriculture, agri-foods, and tourism. These may take some time to grow, but they do point towards a growth in economic diversity. New jobs in these sectors will follow.

Implications for ATB

For the second consecutive year Alberta experienced a net outflow of interprovincial migrants in 2017. In 2018 this trend is expected to reverse, thanks to a small net inflow of people coming to Alberta from other provinces.

With this modest addition of people and the potential overbuild in the province, housing construction is expected to pull back. This could reduce the need for financing for construction companies and slow the mortgage market.

The Bank of Canada was previously cautious concerning interest rate decisions, but rates have now risen three times since July. Rising interest rates and changes to mortgage lending may deter potential homebuyers and lower overall loan volumes.

The recent performance of the Alberta economy is outlined as follows:

	Reference period	Current year	Previous year	Change
Unemployment (seasonally adjusted)	Mar 2018	6.3	8.3	-24.1%
Housing starts urban areas (seasonally adjusted, annualized rate)	Mar 2018	26,972	34,850	-22.6%
Building permits ($ in billions, seasonally adjusted)	Feb 2018	1.3	1.1	13.2%
Manufacturing sales ($ in billions, seasonally adjusted)	Feb 2018	6.2	5.7	8.7%
New motor vehicle sales (# of vehicles)	Feb 2018	15,158	16,526	-8.3%
Consumer Price Index	Mar 2018	139.9	136.8	2.3%
Retail trade ($ in billions, seasonally adjusted)	Feb 2018	6.7	6.7	0.7%
Wholesale trade ($ in billions, seasonally adjusted)	Feb 2018	6.8	6.4	6.3%

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

For ATB's daily economic update, subscribe to The Owl at atb.com/economics

Review of 2017–18 Consolidated Operating Results and 2018–19 Future Outlook

Detailed analysis can be found in the Review of Consolidated Financial Position as at March 31, 2018.

2017–18 Performance and 2018–19 Objectives

(%)	2017–18 target	2017–18 results	2018–19 target
Return on average assets	0.30–0.50	**0.55**	0.50–0.70
Return on average risk-weighted assets	0.40–0.60	**0.81**	0.70–0.90
Operating revenue growth	3.0–6.0	**7.3**	6.0–8.0
Efficiency ratio	73.0–75.0	**70.9**	69.0–71.0
Performing loan growth	5.0–7.0	**8.2**	4.0–6.0
Deposit growth	(2.0)–2.0	**(3.7)**	3.0–5.0
Growth in assets under administration	10.0–15.0	**11.6**	13.0–15.0

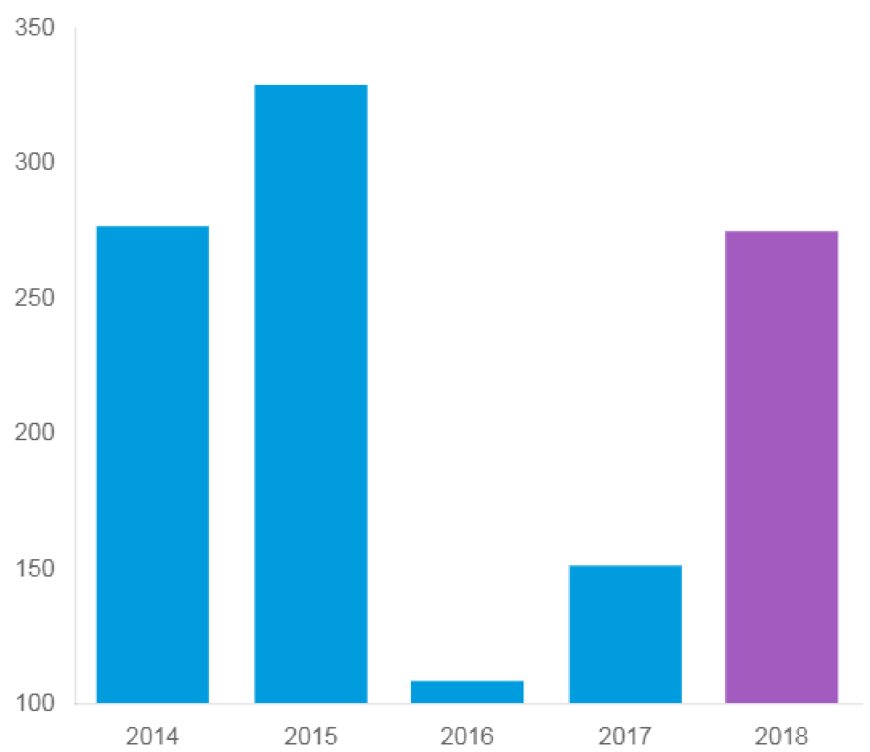
Net Income

Net income increased $123.8 million (82.1%) from the prior fiscal year as a result of a significant $130.0 million (55.3%) decrease in our provision for loan losses, combined with a $107.7 million (7.3%) increase in operating revenue, offset by a $77.3 million (7.4%) increase in non-interest expenses. ATB's net contribution to the Government of Alberta, comprised of net income, payment in lieu of taxes, and deposit guarantee fee for fiscal 2017–18 was $405.6 million, an increase of $162.1 million (66.6%) from last year's $243.4 million.

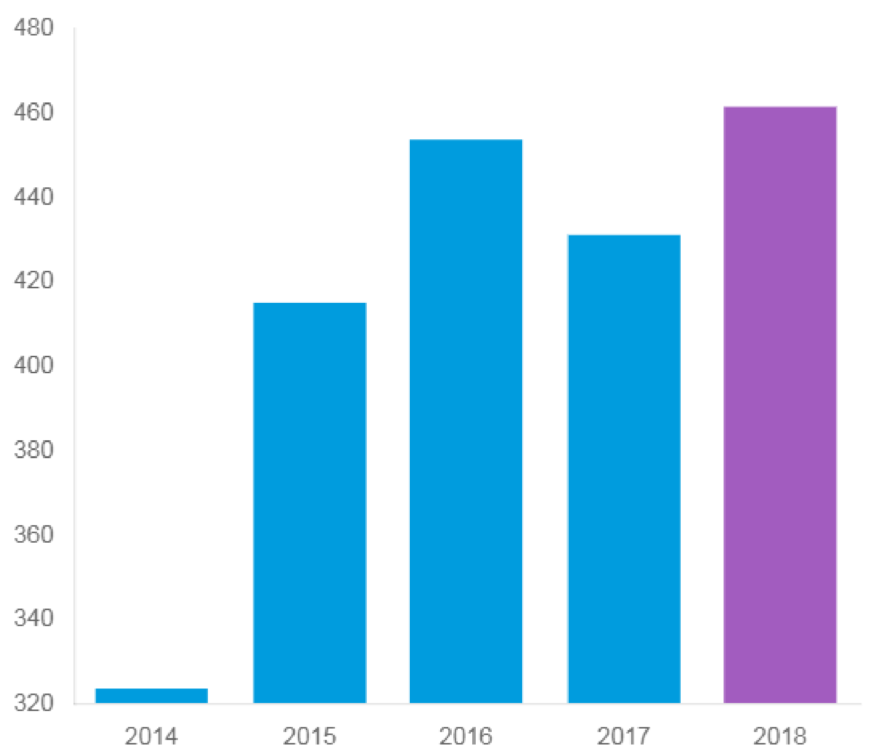
ATB's income before provision for loan losses, a non-GAAP (generally accepted accounting principles) measure, increased from the prior year and is defined as follows:

($ in thousands)	2018	2018 vs 2017 increase (decrease)		2017
Operating revenue	$ 1,582,915	$ 107,704	7.3%	$ 1,475,211
Less: non-interest expense	(1,121,699)	77,295	7.4%	(1,044,404)
Income before provision for loan losses	$ 461,216	$ 30,409	7.1%	$ 430,807

Net Income
($ in millions)



Income before provision for loan
($ in millions)



Fiscal 2018–19 Outlook for Net Income

Overall, we expect net income for fiscal 2018–19 to be between $205 million and $295 million. Loan growth is expected to decrease slightly, while deposit growth is expected to increase as a result of a strategic focus across the organization to grow deposits. Operating revenue will show moderate growth, with a continued focus on non-interest sources of income. Non-interest expenses are expected to grow in fiscal 2018–19, as we invest in team members as well as tools and technology to support our growing operating revenue. Provision for loan losses are expected to be similar as a percentage of loans to fiscal 2017–18.

Return on Average Assets

The return on average assets for fiscal 2017–18 increased from last year and is driven by our net income growing at a faster rate than our average total assets.

($ in thousands)	2018	2018 vs 2017 increase (decrease)		2017
Net income	**$ 274,559**	$ 123,779	82.1%	$ 150,780
Average total assets	**$ 49,652,559**	$ 1,865,771	3.9%	$ 47,786,788
Return on average assets	**0.55%**	0.23%		0.32%

Fiscal 2018–19 Outlook for Return on Average Assets

We are targeting a return on average assets between 0.50% and 0.70% for fiscal 2018–19. This target is based on anticipated net income of between $205 million and $295 million and total assets over $53 billion.

Operating Revenue

Total operating revenue consists of net interest income and other income. Both increased this year as we continue to be supported by our growing loan portfolio, prime rate changes, and increases in assets under administration managed and administered by Investor Services. Underwriting fees generated by AltaCorp Capital Inc. and foreign-exchange revenue also drove the increase in our non-interest income.

($ in thousands)	2018	2018 vs 2017 increase (decrease)		2017
Net interest income	**$ 1,122,380**	$ 38,065	3.5%	$ 1,084,315
Other income	**460,535**	69,639	17.8%	390,896
Operating revenue	**$ 1,582,915**	$ 107,704	7.3%	$ 1,475,211

Fiscal 2018–19 Outlook for Operating Revenue

We expect operating revenue to increase by 6.0% to 8.0% in fiscal 2018–19. Growth will be fuelled by obsessively serving the needs of customers. This means sharpening the focus on creating a culture that is obsessed with customers, stresses productivity and accountability, deepens existing relationships, and delivers remarkable customer experiences every time. To achieve our growth, we need to focus on attracting and retaining more customers to ATB and growing and diversifying our markets to address the changing dynamics of Alberta's economy and our customers. This includes expanding our footprint in capital asset financing and offering treasury and payment solutions for business customers. We remain focused on growing non-interest income sources through capital markets, credit 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 increased by $38.1 million from last year, with $70.3 million of the increase coming from balance sheet growth, offset by a $21.0 million decrease due to pricing changes and an $11.2 million decrease resulting from last year's repayment of the asset-backed commercial paper held by ATB. Although the three prime rate increases positively impacted net interest income, the tough residential mortgage environment and updated deposit pricing largely offset this benefit.

Changes in Net Interest Income

	2018 vs 2017				2017 vs 2016			
	Increase (decrease) due to changes in				Increase (decrease) due to changes in			
($ in thousands)	Volume	Rate	Other	Net Change	Volume	Rate	Other	Net Change
Assets								
Interest-bearing deposits with financial institutions, and securities	$ 3,182	$ 19,216	$ -	$ 22,398	$ 12,499	$ 2,620	$ -	$ 15,119
Asset-backed commercial paper	-	-	(11,209)	(11,209)	-	-	-	-
Loans	70,338	24,558	-	94,896	60,268	(40,937)	-	19,331
Change in interest income	$ 73,520	$ 43,774	$ (11,209)	$ 106,085	$ 72,767	$ (38,317)	$ -	$ 34,450
Liabilities								
Deposits	$ (17,813)	$ 45,931	$ -	$ 28,118	$ (10,469)	$ 33,893	$ -	$ 23,424
Wholesale borrowings	(5,921)	14,010	-	8,089	8,279	(3,261)	-	5,018
Collateralized borrowings	26,554	4,788	-	31,342	25,434	(10,088)	-	15,346
Securities sold under repurchase agreements	853	833	-	1,686	(130)	(47)	-	(177)
Subordinated debentures	(491)	(724)	-	(1,215)	(179)	(488)	-	(667)
Change in interest expense	$ 3,182	$ 64,838	$ -	$ 68,020	$ 22,935	$ 20,009	$ -	$ 42,944
Change in net interest income	$ 70,338	$ (21,064)	$ (11,209)	$ 38,065	$ 49,832	$ (58,326)	$ -	$ (8,494)

Net Interest Margin Earned

The net interest margin is the ratio of net interest income to average total interest-earning assets for the year. It is an important measure for ATB as it measures how well we manage our loans and deposits. The ratio decreased slightly as our average total interest-earning assets grew faster than our net interest income. Although we earned more interest income on our loans, a result of strong growth and the prime rate increases, this was offset by competitive pricing in the mortgage market. Our interest expense rates have also increased due to a combination of updating our deposit pricing strategies and increasing our collateralized borrowings.

Net Interest Income and Margin Earned

($ in thousands)	Average balances 2018	Average balances 2017	Interest income 2018	Interest income 2017	Average rate (%) 2018	Average rate (%) 2017
Assets						
Interest-bearing deposits with financial institutions, and securities	$ 5,832,427	$ 5,353,364	$ 57,954	$ 35,556	1.0	0.7
Asset-backed commercial paper	-	324,092	-	11,209	-	3.5
Loans	42,398,996	40,460,330	1,660,903	1,566,007	3.9	3.9
Total interest-earning assets	48,231,423	46,137,786	1,718,857	1,612,772	3.6	3.5
Non-interest-earning assets	1,421,144	1,649,002	-	-	-	-
Total assets	$ 49,652,567	$ 47,786,788	$ 1,718,857	$ 1,612,772	3.5	3.4
Liabilities and equity						
Deposits	$ 33,623,706	$ 33,025,647	$ 367,790	$ 339,672	1.1	1.0
Wholesale borrowings	3,567,156	3,927,507	72,626	64,537	2.0	1.6
Collateralized borrowings	7,515,662	6,090,331	144,808	113,466	1.9	1.9
Non-interest-bearing liabilities	1,279,561	1,234,628	-	-	-	-
Securities sold under repurchase agreements	180,667	18,327	1,782	96	1.0	0.5
Subordinated debentures	334,958	351,098	9,471	10,686	2.8	3.0
Equity	3,150,849	3,139,250	-	-	-	-
Total liabilities and equity	$ 49,652,559	$ 47,786,788	$ 596,477	$ 528,457	1.2	1.1
Net interest margin					2.33	2.35

Other Income

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

($ in thousands)	2018	2018 vs 2017 increase (decrease)		2017
Investor Services	$ 186,394	$ 24,992	15.5%	$ 161,402
Service charges	70,741	2,627	3.9%	68,114
Card fees	59,079	2,452	4.3%	56,627
Credit fees	46,864	6,379	15.8%	40,485
Insurance	22,712	3,825	20.3%	18,887
Underwriting fees	15,919	15,919	100.0%	-
Foreign exchange	20,619	11,700	131.2%	8,919
Net gains on derivative financial instruments	24,887	6,576	35.9%	18,311
Net gains on financial instruments at fair value through net income	7,357	(4,079)	(35.7)%	11,436
Sundry	5,963	(752)	(11.2)%	6,715
Total other income	$ 460,535	$ 69,639	17.8%	$ 390,896

Other income increased primarily due to an increase in revenue earned by Investor Services (ATBIS), insurance revenue, underwriting fees, and foreign-exchange revenue. Credit fees also increased, driven by higher fees generated in both B&Ag and CFS.

ATBIS revenue continues to grow as a result of assets under administration increasing by $1.9 billion (11.6%) mostly from the Compass Portfolio Series, ATB's proprietary fund.

As a result of AltaCorp Capital Inc. becoming a wholly owned subsidiary this year, we earned income from underwriting fees, which is a new source of income for ATB.

We continue to recover previously recognized unrealized losses on our cross-currency swaps, which has resulted in foreign-exchange income increasing from last year. This year we also increased the fair value of one of the investments made by ATB Capital for $4.5 million as a result of additional equity raised by the company.

The ratio of other income to operating revenue was 29.1%, which is higher than the 26.5% 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

($ in thousands)	**2018**	2018 vs 2017 increase (decrease)		2017
Individual provision before recoveries	**$ 148,111**	$ (76,213)	34.0%	$ 224,324
Recoveries	**(16,227)**	(5,440)	50.4%	(10,787)
Individual provision	**131,884**	(81,653)	(38.2)%	213,537
Collective (recovery) provision	**(26,878)**	(48,330)	(225.3)%	21,452
Total provision for loan losses	**$ 105,006**	$ (129,983)	(55.3)%	$ 234,989
Provision for loan losses to average gross loans	**0.25%**	(0.33)%		0.58%

ATB's provision for loan losses declined substantially in fiscal 2017–18, falling to the lowest provision we have seen since fiscal 2014–15, and came from both a shrinking individual provision and a strong collective recovery. Since the first quarter of fiscal 2017–18, oil prices have consistently increased throughout the year, with prices just over US$64 per barrel by March 31, a significant increase from last year. The improving economy, reflected in higher oil prices and lower unemployment rates, had a significant positive impact on the collective provision for the retail and business portfolios. All three portfolios also saw a decrease in their individual provision this year, with the commercial portfolio seeing the largest decrease, followed by business and agriculture, and retail.

The collective provision is management's best estimate of loan losses expected but not yet incurred. This estimate includes four drivers: likelihood of default, expected loss on default, loan growth, and portfolio quality. The main factors driving the collective recovery this year were fewer overdue loans resulting from improved economic conditions, previously mentioned, and a decrease in the amount we expect to lose upon default. This year saw a strong recovery in the retail portfolio, specifically consumer term-loans and uninsured registered mortgage loans, and a smaller collective provision in the business and agriculture portfolios. Consistent with last year, the commercial portfolio ended the year with a collective recovery due to a higher-quality exploration and production portfolio. However, the collective recovery was smaller this year, as most of our exploration and production customers experienced their first positive impact from rising oil prices last year.

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, 2018, gross impaired loans of $614 million make up 1.4% (2017: 1.4%) of the total loan portfolio.

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)	2018	2018 vs 2017 increase (decrease)		2017
Salaries and employee benefits	$ 589,488	$ 47,198	8.7%	$ 542,290
Data processing	104,759	10,048	10.6%	94,711
Premises and occupancy, including depreciation	91,482	(2,359)	(2.5)%	93,841
Professional and consulting costs	72,627	13,694	23.2%	58,933
Deposit guarantee fee	41,594	(1,184)	(2.8)%	42,778
Equipment and software and other intangibles, including depreciation and amortization	96,182	11,818	14.0%	84,364
General and administrative	65,037	(4,810)	(6.9)%	69,847
ATB agencies	12,092	1,081	9.8%	11,011
Other	48,438	1,809	3.9%	46,629
Total non-interest expenses	$ 1,121,699	$ 77,295	7.4%	$ 1,044,404
Efficiency ratio	70.9%	0.1%		70.8%

As we continue to invest in transforming our business and in our people, our non-interest expenses have grown, particularly with our salary, professional and consulting, software, and data-processing costs. Although ATB's efficiency ratio increased this fiscal, we are committed to managing our expenses in order to bring our efficiency ratio more in line with industry peers.

Salary and employee benefit costs are higher as we have increased the number of team members supporting our transformation initiatives and provided higher incentive pay, as our financial results well exceeded our targets. To support us in transforming our business and enhancing our customers' experience, we have brought in experts to build new and collaborative platforms, which has increased our professional and consulting costs.

Software and other intangibles are up as a result of continued software improvements across the organization and investment in technology applications. Our data-processing costs are also higher as we expand our digital capabilities and ensure our systems are maintained.

Efficiency Ratio

In fiscal 2017–18 the efficiency ratio was 70.9%. Even with our major investment in transformation, the efficiency ratio remained consistent to last year and is better than our target ratio of 73.0% to 75.0% as our operating revenue grew at the same pace as our non-interest expenses.

Fiscal 2018–19 Outlook for Efficiency Ratio

We have set the target efficiency ratio for fiscal 2018–19 at 69.0% to 71.0%. The efficiency ratio will decrease in fiscal 2018–19 as we focus on expense management and cost optimization.

Review of Operating Results by Areas 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

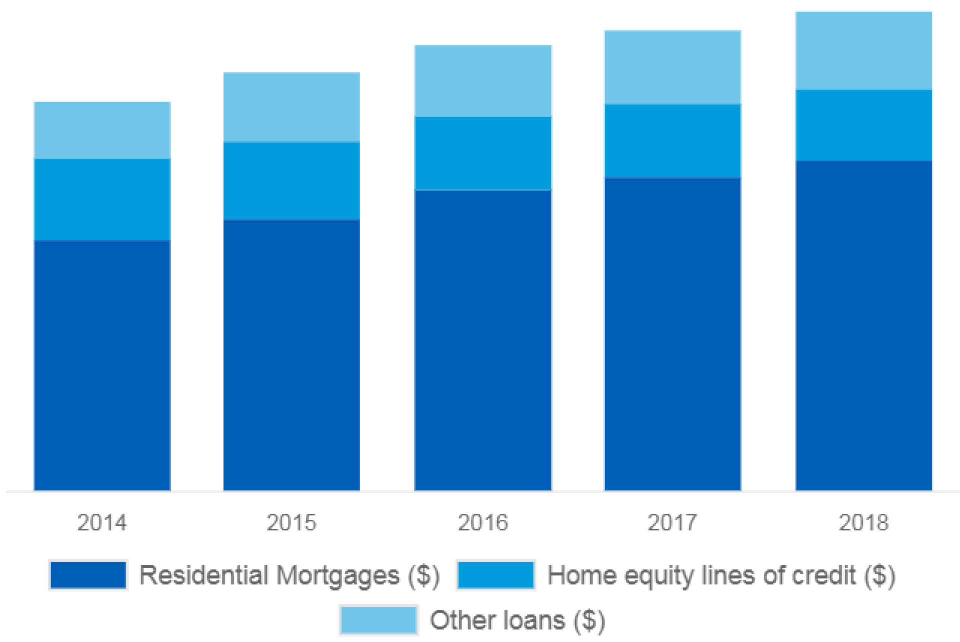
($ in thousands)	Retail Financial Services	Business and Agriculture	Corporate Financial Services	Investor Services	Strategic service units	AltaCorp Capital Inc.	Total
For the year end March 31, 2018							
Net interest income (loss)	$ 455,801	$ 314,049	$ 329,465	$ 702	$ 22,425	$ (62)	$ 1,122,380
Other income	87,022	78,460	74,529	194,314	10,319	15,891	460,535
Total operating revenue	542,823	392,509	403,994	195,016	32,744	15,829	1,582,915
Provision for loan losses	24,211	27,093	53,702	-	-	-	105,006
Non-interest expenses	506,289	224,709	110,613	143,631	124,393	12,064	1,121,699
Payment in lieu of tax	-	-	-	11,819	69,244	588	81,651
Net income (loss)	$ 12,323	$ 140,707	$ 239,679	$ 39,566	$ (160,893)	$ 3,177	$ 274,559
Increase (decrease) from 2017							
Net interest income (loss)	$ 14,821	$ 26,851	$ 13,360	$ 243	$ (17,148)	$ (62)	$ 38,065
Other income (loss)	3,740	14,109	(1,668)	24,465	13,102	15,891	69,639
Total operating revenue (loss)	18,561	40,960	11,692	24,708	(4,046)	15,829	107,704
(Recovery of) provision for loan losses	(71,247)	(50,340)	(8,396)	-	-	-	(129,983)
Non-interest expenses	39,156	14,337	4,973	20,030	(13,265)	12,064	77,295
Payment in lieu of tax	-	-	-	1,076	34,949	588	36,613
Net income (loss)	$ 50,652	$ 76,963	$ 15,115	$ 3,602	$ (25,730)	$ 3,177	$ 123,779
For the year end 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	467,133	210,372	105,640	123,601	137,658	-	1,044,404
Payment in lieu of tax	-	-	-	10,743	34,295	-	45,038
Net (loss) income	$ (38,329)	$ 63,744	$ 224,564	$ 35,964	$ (135,163)	$ -	$ 150,780

Retail Financial Services (RFS)

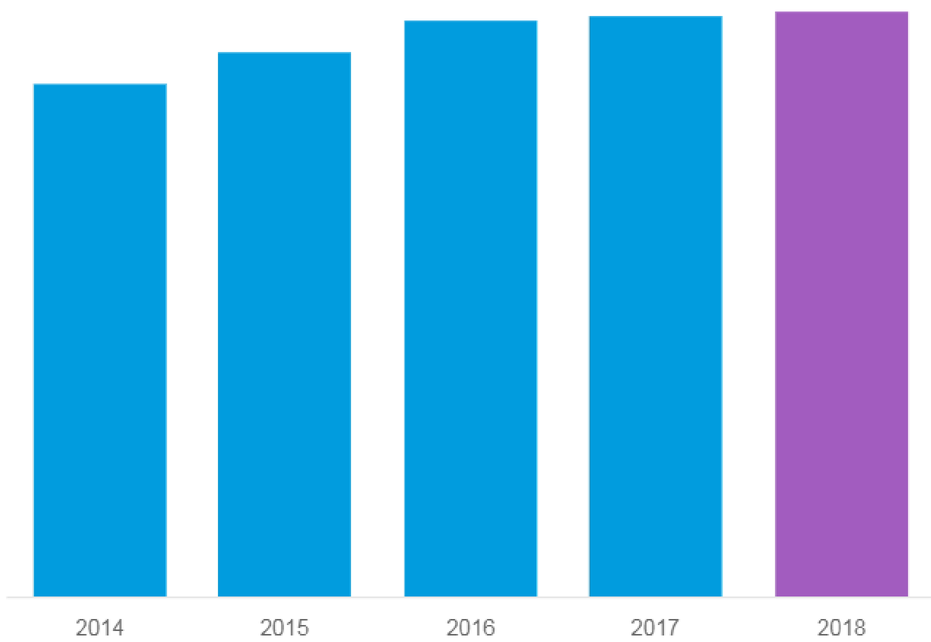
Financial Performance

($ in thousands)		2018		2017
Net interest income	$	455,801	$	440,980
Other income		87,022		83,282
Operating revenue		542,823		524,262
Provision for loan losses		24,211		95,458
Non-interest expenses		506,289		467,133
Net income (loss)	$	12,323	$	(38,329)
Total assets	$	22,786,823	$	21,899,833
Total liabilities	$	12,925,048	$	12,844,828

Loans
($ in billions)



Deposits
($ in billions)



In fiscal 2017–18, RFS saw net income increase by $50.7 million (132.2%), resulting from a significant improvement in the provision for loan losses and higher operating revenue. Partially offsetting this was a moderate increase in non-interest expenses, which was expected as we meet the needs of our growing customer base.

While retail markets remain highly competitive, our operating revenue grew by $18.6 million (3.5%) from last year, mainly attributable to a $14.8 million (3.4%) increase in net interest income. This was due to a combination of starting the year with higher loan balances and seeing three prime rate increases.

The provision for loan losses decreased by $71.2 million (74.6%) and is the lowest since 2014. This notable progress is due to improving economic conditions, resulting in higher-quality portfolios, especially in personal loans.

Non-interest expenses increased $39.2 million (8.4%) mainly due to higher allocated corporate expenses from our transformation and customer obsession teams, team member costs, bulk insurance expenses due to a growing mortgage portfolio, and Mastercard processing costs.

Loans grew $0.9 billion (4.1%) from last year as we focused on growing residential mortgages. Our success is attributed to improving the retention of maturing loans and attracting more loans from brokers and mortgage development officers.

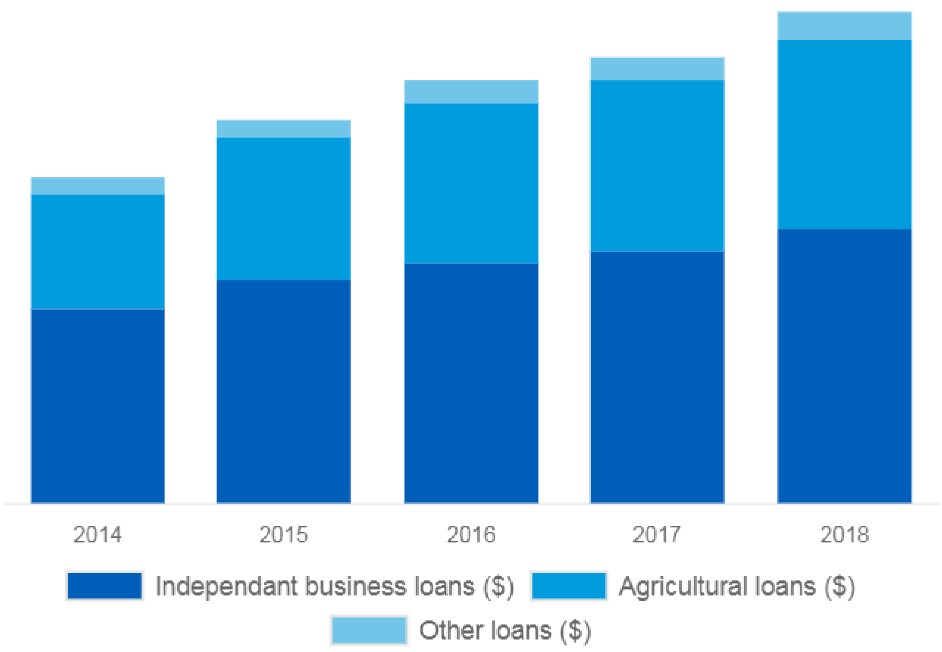
Deposits grew slightly this year, which is a success given the competitive environment. This achievement stemmed from a new pricing strategy in our fixed-date deposits, which also created a shift from personal retail to fixed-date deposits.

Business and Agriculture (B&Ag)

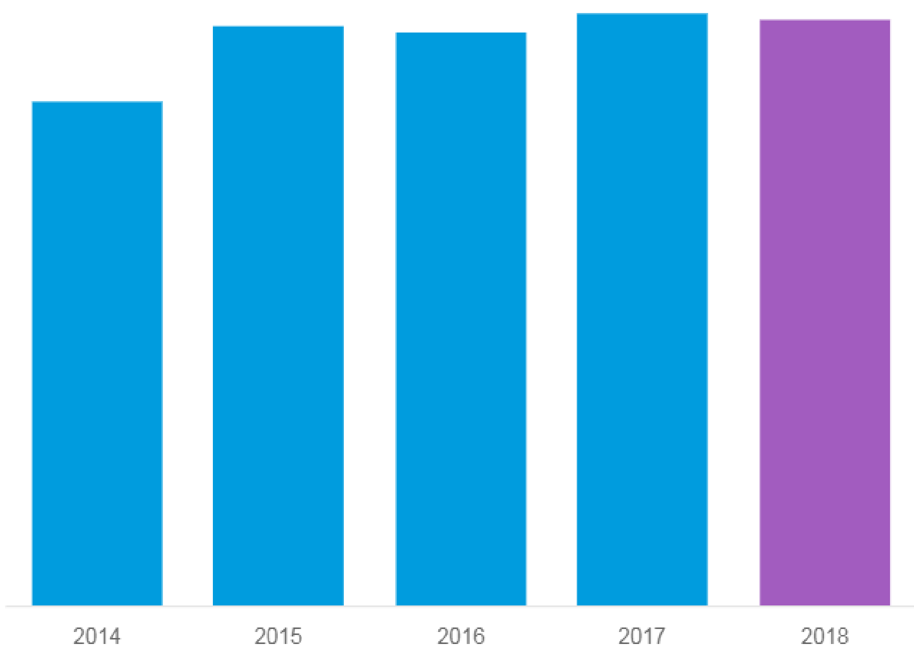
Financial Performance

($ in thousands)	2018	2017
Net interest income	$ 314,049	$ 287,198
Other income	78,460	64,351
Operating revenue	392,509	351,549
Provision for loan losses	27,093	77,433
Non-interest expenses	224,709	210,372
Net income	$ 140,707	$ 63,744
Total assets	$ 8,576,908	$ 7,809,084
Total liabilities	$ 9,320,768	$ 9,396,929

Loans
($ in billions)



Deposits
($ in billions)



Net income for fiscal 2017–18 increased by $77.0 million (120.7%) from last year, resulting from a combination of a lower provision for loan losses and higher operating revenue. This trend is consistent with the other areas as economic conditions continued to improve throughout the year.

Operating revenue climbed by $41.0 million (11.7%), driven by an increase of $26.9 million (9.3%) in net interest income, positively impacted by loan growth and prime rate increases and a $14.1 million (21.9%) increase in other income. The success stems from the ATB Capital program recognizing a $4.5 million gain due to a client share-price revaluation, and a higher Sun Life insurance surplus as claim rates were lower. We also reimagined and streamlined our credit fee collection process and standardized our fee structures.

Provision for loan losses declined sharply by $50.3 million (65.0%) due to a nearly equivalent reduction in both the individual and collective provision. The individual provision was significantly less due to fewer newly impaired loans and allowance reductions for existing impaired loans. These factors, in conjunction with a strong recovery in the expected loss on default, contributed to a significantly lower collective provision.

Non-interest expenses increased $14.3 million (6.8%) this year due to more full-time team members required to operate our new entrepreneur centre in Lethbridge, as well as the Branch for Arts and Culture in Edmonton. The sales team has also expanded to achieve our new initiatives for Indigenous banking and the registries program. Another contributor was higher allocated corporate expenses related to our transformation work and finance and administration teams.

Loans grew by $0.8 billion (9.8%) over last year in both our business and agricultural portfolios. Most of the growth was seen in term loans as business owners are starting to feel more optimistic about the economy.

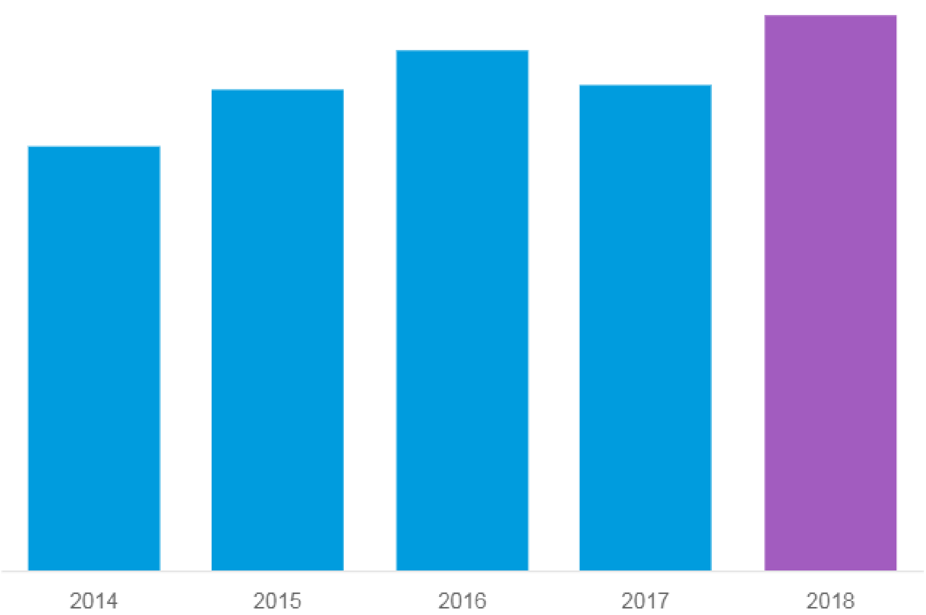
Deposits saw a minor decrease from last year as a sizeable portfolio—just over $100 million in deposits—was transitioned to CFS to further develop the client relationship and to ensure customers receive the best experience.

Corporate Financial Services (CFS)

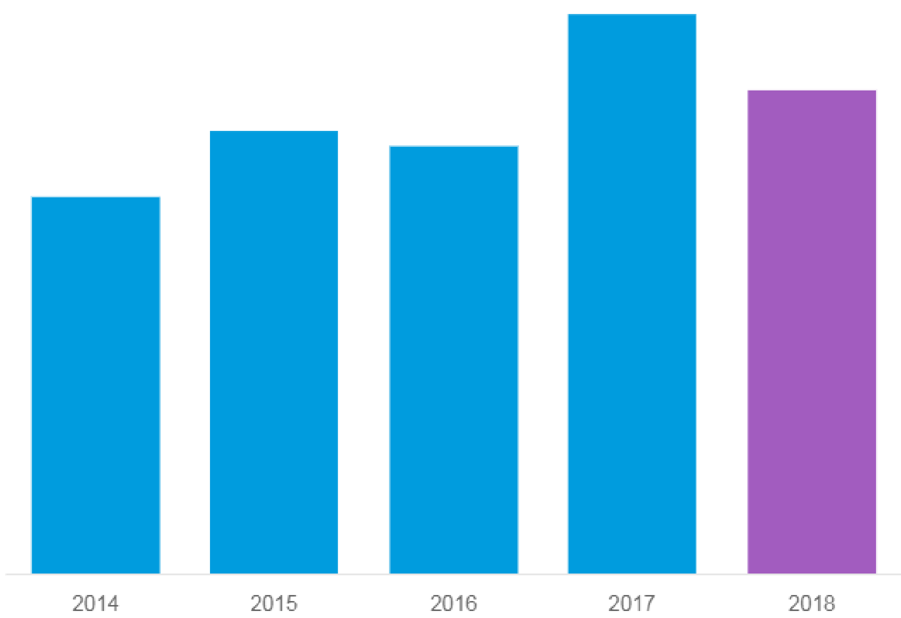
Financial Performance

($ in thousands)		2018		2017
Net interest income	$	329,465	$	316,105
Other income		74,529		76,197
Operating revenue		403,994		392,302
Provision for loan losses		53,702		62,098
Non-interest expenses		110,613		105,640
Net income	$	239,679	$	224,564
Total assets	$	12,680,946	$	11,076,094
Total liabilities	$	9,460,114	$	11,015,842

Loans
($ in billions)



Deposits
($ in billions)



Similar to our other areas of expertise, net income increased from last year and was driven by a decrease in the provision for loan losses and higher operating revenue. This was partially offset by an increase in non-interest expenses.

Operating revenue increased by $11.7 million (3.0%) due to strong loan growth. We did, however, pay more on our deposits throughout the year that offset some of this positive momentum. Although our focus this year was growing our non-interest sources of income, our financial markets group earned less income this year with lower natural gas and power commodity sales.

The provision for loan losses decreased $8.4 million (13.5%) from last year and continues to decrease as the economy improves. Although we did have a few specific high-value provisions recorded this year, it does not represent our overall portfolio as we continue to experience a collective recovery.

As we continue to grow our business and be customer obsessed, our non-interest expenses have grown this year by $5.0 million (4.7%), with most growth coming from salary costs as we expand our team member base and allocated corporate expenses, which was driven by the same efforts impacting B&Ag.

Loan balances increased by $1.6 billion (14.5%), with most of the growth coming from our real estate and commercial portfolios.

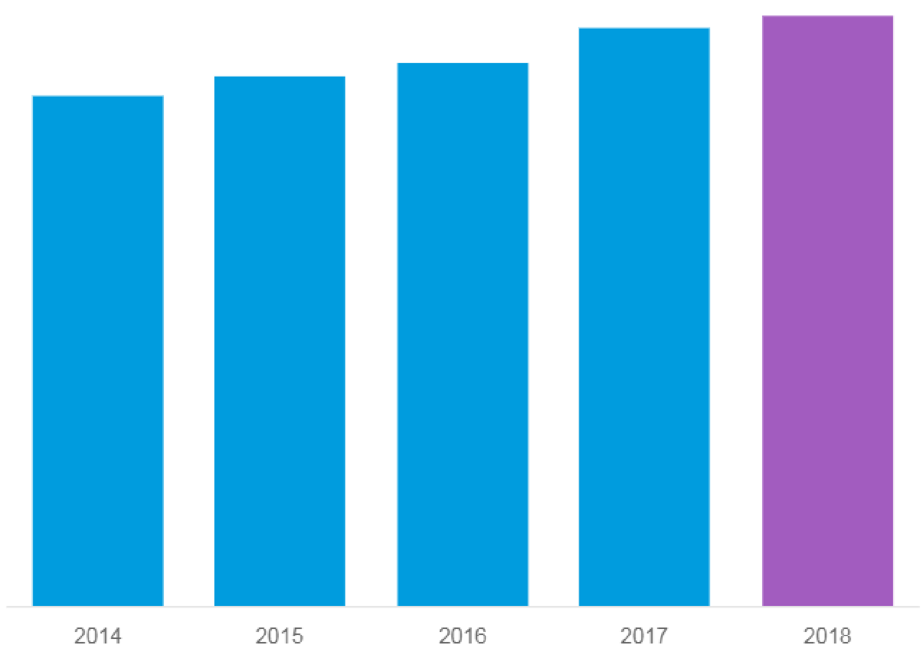
Deposits decreased by $1.6 billion (14.1%), mainly driven by the continued drawdown of amortizing deposit notes and our oil and gas and commercial portfolios. However, this was partially offset by our growing real estate portfolio. The overall decrease can be attributed to our continued focus on optimizing our liquidity capacity and constraints.

Investor Services (ATBIS)

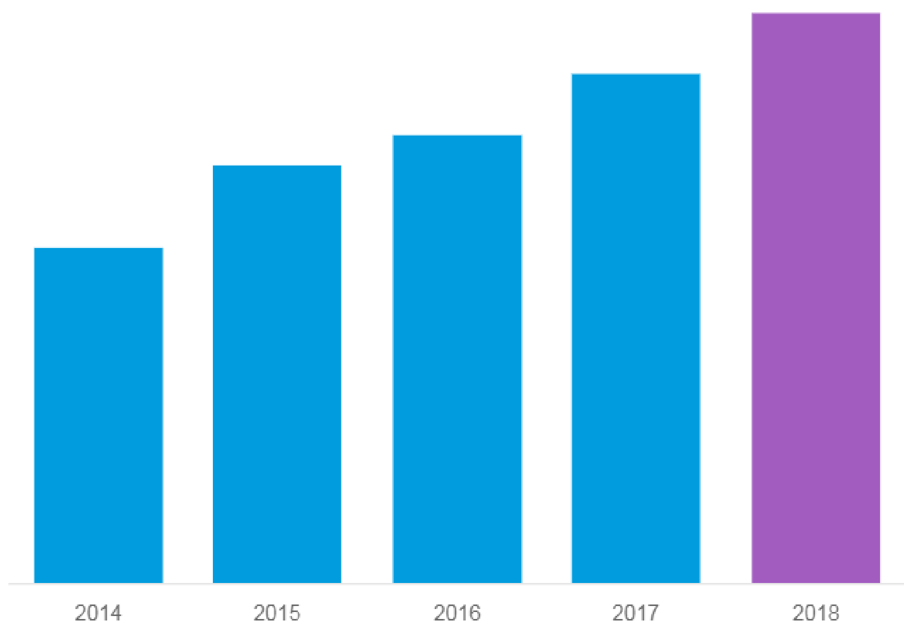
Financial Performance

($ in thousands)	2018	2017
Net interest income	$ 702	$ 459
Other income	194,314	169,849
Operating revenue	195,016	170,308
Non-interest expenses	143,631	123,601
Net income before payment in lieu of tax	51,385	46,707
Payment in lieu of tax	11,819	10,743
Net income	$ 39,566	$ 35,964
Total assets	$ 168,706	$ 157,954
Total liabilities	$ 121,694	$ 115,509
Total assets under administration	$ 18,668,716	$ 16,725,308

Compass penetration as a percentage of total assets under administration



Assets under administration *($ in billions)*



Our current-year earnings before payment in lieu of tax and operating revenue increased by $4.7 million (10.0%) and $24.7 million (14.5%), respectively, primarily due to our growing assets under administration and higher Compass Portfolio penetration. While fund management fees accounted for 68.8% of total revenue, fee-based revenue experienced the highest growth, at 51.9%.

ATBIS finished the fiscal year with $18.7 billion in assets under administration, up $1.9 billion (11.6%) over the prior year, driven entirely by the Compass Portfolio reaching an all-time penetration high of 77.3% of our total assets. The slow economic recovery in Alberta created a challenging environment for asset gathering, but normal market growth and controlled spending resulted in higher than expected earnings.

Non-interest expenses increased $20.0 million (16.2%), primarily due to higher variable costs associated with assets under administration growth.

Quarterly Operating Results and Trend Analysis

Review of 2017–18 Fourth-Quarter Operating Results

Summarized Consolidated Statement of Income

	2018				2017			
For the three months ended	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
($ in thousands)	Mar 31/18	Dec 31/17	Sep 30/17	Jun 30/17	Mar 31/17	Dec 31/16	Sep 30/16	Jun 30/16
Interest income	$ 450,358	$ 439,692	$ 426,008	$ 402,799	$ 405,233	$ 403,459	$ 403,382	$ 400,698
Interest expense	162,861	153,059	142,466	138,091	134,905	135,869	132,444	125,239
Net interest income	287,497	286,633	283,542	264,708	270,328	267,590	270,938	275,459
Other income	124,877	120,210	108,800	106,648	101,704	82,594	101,732	104,866
Operating revenue	412,374	406,843	392,342	371,356	372,032	350,184	372,670	380,325
Provision for loan losses	21,697	14,586	47,228	21,495	45,979	16,948	78,517	93,545
Non-interest expenses	319,984	270,236	263,618	267,861	292,872	248,759	248,453	254,320
Net income before payment in lieu of tax	70,693	122,021	81,496	82,000	33,181	84,477	45,700	32,460
Payment in lieu of tax	15,982	28,065	18,744	18,860	7,631	19,430	10,511	7,466
Net income	$ 54,711	$ 93,956	$ 62,752	$ 63,140	$ 25,550	$ 65,047	$ 35,189	$ 24,994
Net income attributable to non-controlling interests	$ 1,372	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Net Income

Net income for the quarter decreased from last quarter, due to higher non-interest expenses, but improved from the same quarter last year. There were several key drivers for the year-over-year increase, including higher operating revenue and the continued decrease in our provision for loan losses.

Operating Revenue

Operating revenue in the fourth quarter is a $40.3 million (10.8%) improvement compared to the same quarter last year, driven by net interest income and underwriting fees generated by AltaCorp Capital Inc. (AltaCorp). These same drivers also supported our increase from last quarter, but were partially offset by a decrease in foreign-exchange income due to a weakening Canadian dollar. This quarter we also increased the fair value of one of the investments made by ATB Capital for $4.5 million as a result of additional equity raised by the company.

Provision for Loan Losses

This quarter's provision saw a decrease of $24.3 million (52.8%) versus the same quarter last year. The decline was due to a collective recovery, driven by RFS and B&Ag, and a specific recovery in B&Ag, whose portfolio experienced significant deterioration this time last year. Compared to the third quarter of this year, the provision increased by $7.1 million (48.8%) and is the result of a lower collective recovery for all areas.

Non-Interest Expenses and Efficiency Ratio

Non-interest expenses increased by $27.1 million (9.3%) over the same quarter last year, mainly due to a $14.5 million (9.6%) increase in salary and employee benefits. The increase relates to AltaCorp's salaries and sales commission costs, as we acquired them this quarter. There was also a $7.1 million (37.0%) increase in professional and consulting costs, largely due to transformation initiatives started during the year, and an increase of $4.9 million (32.7%) in software and other intangible costs due to the amortization of additional software costs.

Quarter over quarter, non-interest expenses increased by $49.8 million (18.4%). 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 expenses related to our acquisition of AltaCorp in the fourth quarter.

ATB's efficiency ratio, measured as total non-interest expenses divided by total operating revenue, increased (worsened) from 66.4% in the third quarter of fiscal 2017–18 to 77.6% this quarter. This is, however, lower (a slight improvement) than the 78.7% at the same time last year, as a result of higher interest earned and an increase in non-interest sources of income resulting in operating revenue growth outpacing non-interest expenses as a result of cost optimization initiatives.

Trend Analysis

After a slow start this year, net interest income improved and outperformed last year's quarterly results as a result of three prime rate increases and strong loan growth. However, this year's deposit pricing strategy, along with the impact of the rate increases, resulted in us paying more for deposits. In addition, we relied more on our wholesale and collateralized borrowings.

Other income performed well throughout the year, with a strong second half of the year led by unrealized gains on our liquidity risk management portfolio and foreign-exchange revenue, and underwriting fees related to our AltaCorp acquisition in the fourth quarter. Investor Services revenue continues to grow steadily due to the performance of the Compass Portfolio and their growing assets under administration.

Our provision for loan losses showed a degree of stability during the year despite a sharp increase in the middle of the year caused by one significant account. Despite the one-off provision, loan losses have drastically improved from last year as the economy recovers and oil prices continue to rise.

Our expenses have steadily increased as we continue to be customer obsessed, invest in our team members, and execute on our long-term strategy. Despite our expenses increasing, we expect to realize benefits that will drive down our costs and efficiency ratio in subsequent years.

Review of Consolidated Financial Position

Total Assets

Our total assets at March 31, 2018, were $51.9 billion, a $3.3 billion (6.9%) increase over last year, driven by our growing loan portfolio as Alberta's economy steadily improves.

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)	2018	2018 vs 2017 increase (decrease)		2017
Cash	$ 285,527	$ (28,773)	(9.2)%	$ 314,300
Interest-bearing deposits with financial institutions	1,110,848	463,299	71.5%	647,549
Liquid securities	4,787,286	(641,781)	(11.8)%	5,429,067
Cash and liquid securities	$ 6,183,661	$ (207,255)	(3.2)%	$ 6,390,916
As a percentage of total assets	11.9%	(1.3)%		13.2%

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. To support our liquidity position, we changed our product mix to hold more interest-bearing deposits and sold securities under repurchase agreements rather than investing in liquid securities. (Refer to Risk Management 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.)

Loans

($ in thousands)	2018	2018 vs 2017 increase (decrease)		2017
Gross loans	$ 44,620,064	$ 3,299,154	8.0%	$ 41,320,910
Less: individual allowances	(307,314)	26,214	9.3%	(281,100)
Loans, net of individual allowances	44,312,750	3,272,940	8.0%	41,039,810
Less: collective allowances	(201,710)	(26,878)	(11.8)%	(228,588)
Net loans	$ 44,111,040	$ 3,299,818	8.1%	$ 40,811,222

Net loans increased over the same time last year as a result of our business and residential mortgage loan portfolios growing $2.4 billion (12.6%) and $0.8 billion (5.4%), respectively. Most of our business loan growth came from the energy, real estate, agriculture, and independent business sectors.

Our allowance for loan losses remains consistent with last year. Although we had a few impaired high-dollar loans this year, it was entirely offset by the quality of our loan portfolio continuing to improve and decreasing the amount we expect to lose on them. 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 8.2% in fiscal 2017–18 is ahead of our targeted growth range of 5.0% to 7.0%.

Fiscal 2018–19 Outlook for Performing Loan Growth

We are targeting our performing loan balance to grow 4.0% to 6.0% in fiscal 2018–19, based primarily on continued business loan and residential mortgage growth.

Remaining Assets

($ in thousands)	2018	2018 vs 2017 increase (decrease)		2017
Derivative financial instruments	$ 576,712	$ 125,865	27.9%	$ 450,847
Property and equipment	333,092	(29,658)	(8.2)%	362,750
Software and other intangibles	292,796	18,180	6.6%	274,616
Prepaid expenses and other receivables	194,444	14,570	8.1%	179,874
Accrued interest receivable	60,612	10,777	21.6%	49,835
Other	117,794	96,840	462.2%	20,954
Total remaining assets	$ 1,575,450	$ 236,574	17.7%	$ 1,338,876

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.)

The increase in our derivative assets mainly relates to a $192 million increase in the fair value of commodity forward contracts provided to corporate customers. It was partially offset by a combined $74 million decrease in our corporate and client interest-rate-swap portfolios, resulting from a significant increase in long-term rates due to prime rate increases this year. This increase is offset by a similar increase in our derivative liabilities.

The increase in other assets relates to an amount owed to ATB for a liquidity management product we sold prior to March 31, for which we have not received funds. The higher accrued interest receivable is driven by higher interest on our loans as a result of the rising interest rates.

Fiscal 2018–19 Outlook for Capital Expenditures

Our major capital expenditure for 2018–19 will be a $77 million investment focusing on customer experience, digital enablement, innovation, and data science, with an additional $8 million investment for new ways of working in this fast-paced digital environment. In particular, becoming a cloud-native organization and evolving our digital platform will enable team members to work efficiently with each other and, of course, with our customers.

Our investment in sustaining retail and corporate presence across the province is expected to be $10 million for refreshing eight branch locations, reimagining how we use our corporate space, and exiting from a corporate space in Calgary. In addition, we will open three agencies, continue reducing our carbon footprint at branches, and begin the next phase of security enhancements in branch and agency locations.

Total Liabilities

Total liabilities ended the year at $48.6 billion, an increase of $3.2 billion (7.1%). The increase is driven by wholesale and collateralized borrowings, which are ATB's alternative sources of funding. Offsetting was a decrease in deposits.

Deposits

($ in thousands)	Payable on demand	Payable on fixed date	Total	Percentage of total
2018				
Personal	$ 8,265,724	$ 5,320,143	$ 13,585,867	41.6%
Business and other	15,349,278	3,748,628	19,097,906	58.4%
Total deposits	$ 23,615,002	$ 9,068,771	$ 32,683,773	100.0%
Percentage of total	72.3%	27.7%	100.0%	
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%	

ATB's principal source of funding is customer deposits, which consist of personal and business deposits. Deposits fell from last year, mainly driven by lower deposits held in CFS and our shift towards a more favourable portfolio mix.

ATB's deposits declined 3.7% in fiscal 2017–18, behind our targeted range of (2.0)% to 2.0%.

Fiscal 2018–19 Outlook for Deposit Growth

We are targeting a deposit growth rate of 3.0% to 5.0% in fiscal 2018–19. Through a strategic focus across the organization, we expect significant growth in this area, with most coming from core deposits, our lower-cost source of funding. This will be achieved through an obsessive service culture, competitive pricing, and marketing. Core deposits in RFS are our bread and butter and a lifeline for ATB. More importantly, they define a customer's relationship with their primary bank, so they are highly valued by ATB.

Remaining Liabilities

($ in thousands)	2018	2018 vs 2017 increase (decrease)		2017
Collateralized borrowings	$ 8,408,453	$ 1,595,793	23.4%	$ 6,812,660
Wholesale borrowings	4,656,469	1,764,133	61.0%	2,892,336
Securities sold under repurchase agreements	790,827	790,827	100.0%	-
Derivative financial instruments	673,162	334,070	98.5%	339,092
Accounts payable and accrued liabilities	632,390	(35,414)	(5.3)%	667,804
Subordinated debentures	331,199	(13,242)	(3.8)%	344,441
Accrued interest payable	110,287	6,660	6.4%	103,627
Payment in lieu of tax and income taxes payable	81,436	36,398	80.8%	45,038
Due to clients, brokers, and dealers	74,363	(1,410)	(1.9)%	75,773
Accrued pension-benefit liability	63,045	(26,241)	(29.4)%	89,286
Achievement notes	59,152	4,597	8.4%	54,555
Deposit guarantee fee payable	49,379	1,751	3.7%	47,628
Total remaining liabilities	$ 15,930,162	$ 4,457,922	38.9%	$ 11,472,240

ATB's remaining liabilities are made up primarily of wholesale and collateralized borrowings, securities sold under repurchase agreements, derivative financial instruments, accounts payable and accrued liabilities, 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 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, with the increase from last year resulting from borrowing more Canadian and US-dollar bearer deposit notes. The agreement with the Government of Alberta currently limits the total volume of such borrowings to $7.0 billion.

Collateralized borrowings, also used to supplement customer deposits, represents ATB's participation in the Canada Mortgage Bonds (CMB) program, securitization of credit card receivables, and other mortgage loan securitization, which increased due to the ability to securitize more of our mortgage portfolio, which also grew from last year.

To support our liquidity needs this year, we shifted from purchasing securities under reverse repurchase agreements to selling securities under repurchase agreements.

The increase in our derivative financial instruments is due to a $190 million increase in the fair value of commodity forward contracts provided to corporate customers, and a $151 million increase in the fair value of our interest rate management products designated for hedge accounting due to the significant increase in long-term swap rates. The overall increase is partially offset by an increase in our derivative assets.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss decreased by $146 million (456.9%) from last year mainly as a result of the continued volatility experienced from the effective portion recorded to other comprehensive income for our interest rate management products designated for hedge accounting. This volatility is tied to the significant increase in long-term swap rates this year resulting from the prime rate increases.

Regulatory Capital

ATB measures and reports capital adequacy to ensure we meet the minimum levels set out by our 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 ATB 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 and eligible portions of subordinated debentures, wholesale borrowings, collective allowance for loan losses, and notional 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. Effective April 1, 2017, software and other intangibles were deducted from total capital.

($ in thousands)	2018	2018 vs 2017 increase (decrease)		2017
Tier 1 capital				
Retained earnings	$ 3,453,844	$ 274,559	8.6%	$ 3,179,285
Tier 2 capital				
Eligible portions of:				
Subordinated debentures	111,193	(21,202)	(16.0)%	132,395
Wholesale borrowings	1,420,000	120,000	9.2%	1,300,000
Collective allowance for loan losses	201,710	(26,878)	(11.8)%	228,588
Notional capital	148,977	(68,640)	(31.5)%	217,617
Total Tier 2 capital	1,881,880	3,280	0.17%	1,878,600
Deductions from capital				
Software and other intangibles	292,796	292,796	100.0%	-
Total capital	$ 5,042,928	$ (14,957)	(0.30)%	$ 5,057,885
Total risk-weighted assets	$ 35,381,827	$ 2,395,893	7.3%	$ 32,985,934
Risk-weighted capital ratios				
Tier 1 capital ratio	9.8%	0.2%		9.6%
Total capital ratio	14.3%	(1.0)%		15.3%
Assets-to-capital multiple	10.3	0.7	7.3%	9.6

Our Tier 1 capital ratio was 9.8%, and our total regulatory capital ratio was 14.3% of risk-weighted assets.

Fiscal 2018–19 Outlook for Regulatory Capital

Over fiscal 2018–19, 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.

Risk-Weighted Assets

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:

		2018		2018 vs 2017		2017	
($ in thousands)	Risk-weighted percentage	On- or off-balance-sheet value	Risk-weighted value	Risk-weighted value increase (decrease)		On- or off-balance-sheet value	Risk-weighted value
Balance sheet amounts							
Cash resources	0–20	$ 1,396,375	$ 223,213	$ 90,225	67.8%	$ 961,849	$ 132,988
Securities	0–100	4,810,226	39,391	33,119	528.0%	5,435,339	6,272
Residential mortgages	0–100	15,734,568	3,263,452	(25,649)	(0.78)%	14,927,019	3,289,101
Other loans	0–100	28,376,472	26,623,416	2,382,515	9.8%	25,884,203	24,240,901
Other assets	20–100	1,575,450	1,267,834	(57,935)	(4.4)%	1,338,876	1,325,769
Total balance sheet amounts		$ 51,893,091	$ 31,417,306	$ 2,422,275	8.4%	$ 48,547,286	$ 28,995,031
Off-balance-sheet amounts							
Guarantees and letters of credit[1]	0–100	$ 20,148,902	$ 3,627,592	$ (108,313)	(2.9)%	$ 19,257,281	$ 3,735,905
Derivative financial instruments	0–50	16,640,243	336,929	81,931	32.1%	17,065,618	254,998
Total off-balance-sheet amounts		$ 36,789,145	$ 3,964,521	$ (26,382)	(0.7)%	$ 36,322,899	$ 3,990,903
Total risk-weighted assets		$ 88,682,236	$ 35,381,827	$ 2,395,893	7.3%	$ 84,870,185	$ 32,985,934

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 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.

Return on Risk-Weighted Assets

ATB achieved a 0.81% return on risk-weighted assets, a 0.36% increase from last year as our net income growth, driven by a lower provision for loan losses, outpaced our growing risk-weighted assets that resulted from our commercial loan portfolio.

Fiscal 2018–19 Outlook for Return on Average Risk-Weighted Assets

We are targeting a return on average risk-weighted assets in fiscal 2018–19 between 0.70% and 0.90%.

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 are 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, operating under the umbrella of ATB Investor Services. Client accounts under administration increased from $16.7 billion to $18.7 billion during the year. (Refer to the Investor Services section of this MD&A.)

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, 2018, 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 the International Accounting Standards (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 in the consolidated financial statements 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 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 in the statements for further details.)

Depreciation of Property, Equipment, and Amortization of Software

The expense recognized for the depreciation of property 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 in 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 includes 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 in 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 in the statements for further details.)

Income Taxes and Deferred Taxes

The income tax expense, and deferred tax assets and liabilities for future tax benefits is management's best estimate of income taxes expected to be paid. As a result of acquiring AltaCorp Capital Inc., we are currently subject to incomes taxes in both Canada and the United States. Significant judgments and estimates are required when determining the consolidated income tax expense.

The current income tax is the expected tax payable or recoverable on taxable income using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise from temporary differences between carrying amounts of assets and liabilities in the financial statements and the tax basis and are estimated based on assessing non-capital loss carryforwards, deferred leasehold inducements, start-up costs, donations, property and equipment, and share issuance costs. Any changes in our assessment of these factors or the tax rates may impact the deferred tax assets and liabilities. (Refer to note 20 in 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 discussion of risk management policies and procedures relating to credit, market, and liquidity risks are 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, 2018.

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, market, liquidity, operational, cyber security, regulatory compliance, strategic, innovation, business execution, and reputational risk.

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

- Identifying and assessing risks in our business activities and ensuring that the risks we take are within our risk 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 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.

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 model.

The transformation team's key strategic goal of transforming how we serve our customers remains a top priority. Management is focusing on a strategy that encompasses all of our products and services and how they are delivered, emphasizing access to anywhere/anytime banking and building strong relationships with our customers. ATB continues its strong commitment to managing this 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.

Cyber-Security Risk

As we increasingly rely on digital and Internet-based technologies, cyber-security risk has become a top risk to financial institutions. Unauthorized access to systems for the purpose of stealing data and funds, accessing sensitive information, 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 events to ATB could be very significant in terms of loss of personally identifiable customer information, remediation costs, loss of revenue and customer confidence, 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 information security and cyber-security frameworks to ensure that enforced enterprise measures protect information assets and implemented technologies, policies, and practices to protect our systems and data.

Energy Price Risk

Alberta's energy industry has only recently begun to stabilize following the persistently low oil prices of the past few years. North American benchmark oil prices have increased; however, Canadian prices remain lower than average due to transportation constraints. Rising shale oil production in the United States, coupled with the potential that OPEC ends its deal to curtail production, may lead to another oversupply situation, resulting in downward pressure on prices. Volatility in natural gas prices has impacted that sector as well. Management continues to take an active role in evaluating and monitoring risks associated with depressed energy prices, including review of underwriting criteria, credit administration, and portfolio management practices.

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 risks related to credit, market, liquidity, operations, cyber security, regulatory compliance, innovation, business execution, and reputation—and by managing all risks identified as "top" and "emerging" 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 responsibility 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 following:

- The ATBs and our code of conduct
- Enterprise 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
- Clearly and consistently communicating risk issues, supported by processes that allow for open discussion and challenge
- Developing and implementing an enterprise risk appetite with key metrics specific to the areas of expertise and specific strategic service units

Every team member is an integral part of our risk culture and is responsible for managing risk prudently and appropriately. Risk management activity is built into strategic plans and decision making and 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 following graphic 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.

Risk governance and strategic direction	**Board of directors**	
	Risk committee	Audit committee

Risk oversight and control	**Chief executive officer and corporate management committee**					
	Asset liability committee	Credit committee	Operational risk committee	Executive risk management committee	Compliance committee	Ethics committee

Risk management and reporting	**Three lines of defence**		
	First line: Business operations • Areas of expertise • Strategic service units • Treasury • Information technology	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	Third line: Assurance • Internal audit • External auditors

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 (CMC) 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. CMC delegates risk oversight to the following committees: asset liability, credit, operational risk, executive risk management, compliance, and ethics.

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 ATB's risk appetite statement, approves all major risk policies, 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
Executive risk management	Sets overall direction and makes key decisions relating to enterprise risk management (ERM) activities across ATB and guides the design, execution, and assessment of results from ATB's ERM program.	Chief risk officer
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
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 the anonymous safe disclosure program. Reviews allegations of wrongdoing and reports to the board of directors.	Chief executive officer
Compliance	Oversees ATB's compliance with applicable legal and regulatory requirements and its internal compliance management program.	Chief risk 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
Operational risk	Oversees and gives direction on operational risks from an enterprise-wide perspective.	Chief risk officer

Three Lines of Defence

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's 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 establishes 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 pursuing 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 those related to credit, market, liquidity, operations, cyber security, regulatory compliance, strategy, innovation, business execution, and reputation.

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. This is achieved by managing enterprise-wide key risks throughout the business cycle and by managing all forms of risk identified as top and emerging risks that may impact the achievement of ATB's strategic and business goals.

The goals of this framework are to:

- Ensure ERM processes are aligned with industry-leading standards for institutions of ATB's size and complexity.
- Establish common risk language and direction related to risk management.
- Outline how ERM processes are deployed across the enterprise.
- Clearly define 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 results 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.

We 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)	2018	2017
Financial assets[1]	$ 50,685,126	$ 47,473,344
Other commitments and off-balance-sheet items	20,148,902	19,257,281
Total credit risk	$ 70,834,028	$ 66,730,625

[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 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 exposure limits permitted under the ATB Regulation

2018 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, 2018, commercial real estate is the largest single-industry segment at $6.0 billion (2017: $5.2 billion). This represents no more than 13.5% (2017: 12.5%) of the total gross loan portfolio. The outstanding principal for the single-largest borrower is $100 million (2017: $70 million), which represents no more than 0.22% (2017: 0.17%) 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)		2018		2017	
Residential mortgages	Insured	$ 7,209,387	45.8%	$ 6,995,335	46.8%
	Uninsured	8,541,043	54.2%	7,952,416	53.2%
Total residential mortgages		15,750,430	100.0%	14,947,751	100.0%
Home equity lines of credit	Uninsured	3,383,789	100.0%	3,468,119	100.0%
Total home equity lines of credit		3,383,789	100.0%	3,468,119	100.0%
Total	**Insured**	$ 7,209,387	37.7%	$ 6,995,335	38.0%
	Uninsured	$ 11,924,832	62.3%	$ 11,420,535	62.0%

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

	2018	2017
< 25 years	79.7%	75.6%
25–30 years	18.8%	21.5%
30–35 years	1.5%	2.9%
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:

	2018	2017
Residential mortgages	0.69	0.69
Home equity lines of credit	0.57	0.57

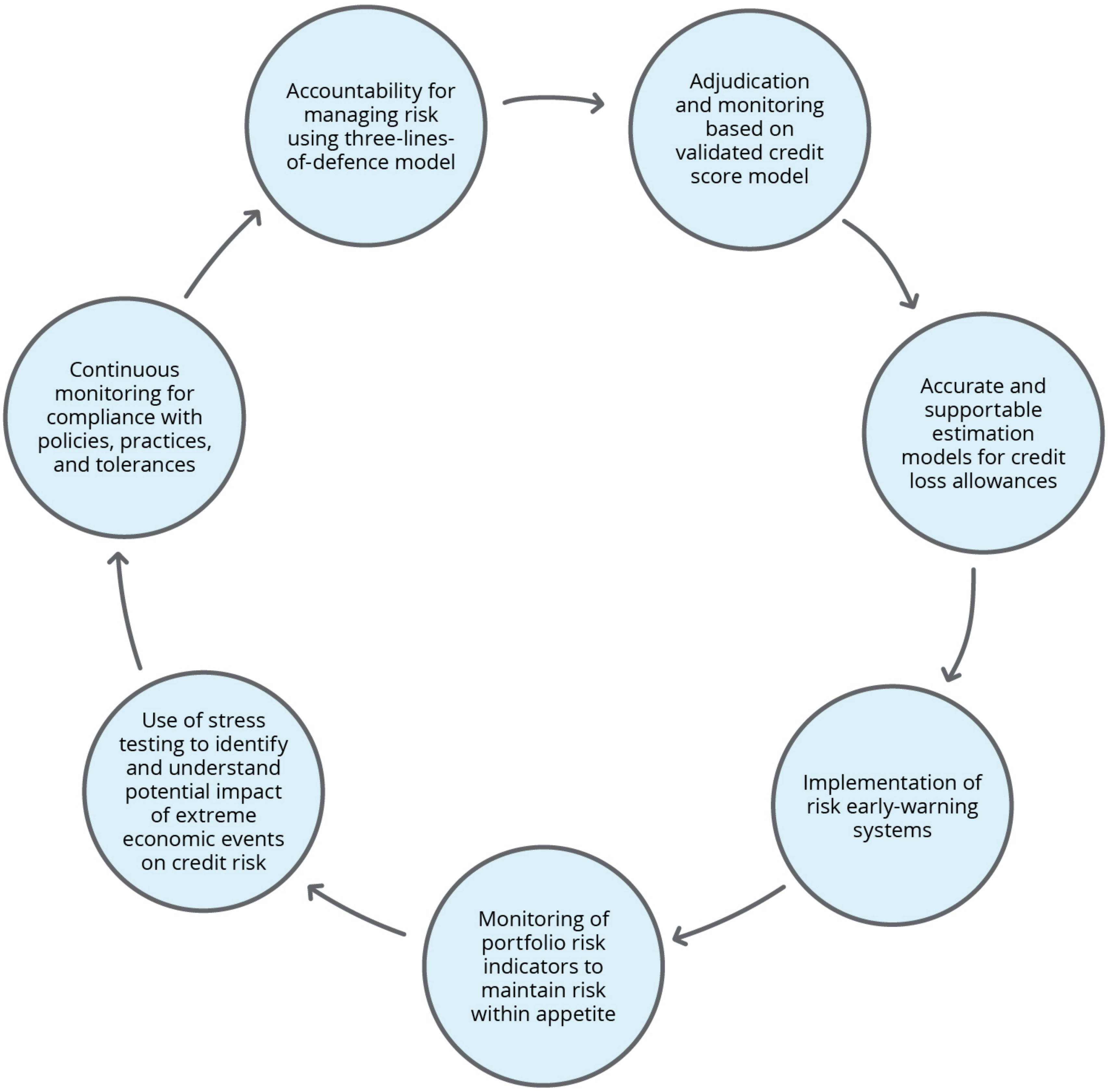
ATB performs stress testing on its residential mortgage portfolio as part of its overall stress-testing program to assess the impact of an economic downturn. Severe changes in house prices, interest rates, and unemployment levels are among the factors considered in our testing. ATB considers potential 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 risk appetite 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 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-testing and validating 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 according to our three-lines-of-defence model (i.e., areas of expertise operations, credit risk management, and internal audit)



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 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 position due to changes in market interest rates.

Asset and 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 depends on several factors, including size and rate of change in interest rates, size and maturity of the assets and liabilities, and 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 and 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's 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 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, 2018.

Commodity Price Risk

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 in 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, the market risk group 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 generating trading income through active assumption of market risk, but is used to meeting 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's risk committee on ATB's market risk exposures against board-approved limits. The enterprise risk management framework gives the board's 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 the liquidity coverage ratio (LCR) and net cumulative cash flow metrics defined in the OSFI Liquidity Adequacy Requirements that replaced ATB's proprietary liquidity measurements and was phased in by April 2017.

On March 31, 2018, the LCR was 129% (2017: 171%) versus a current-year board-approved minimum of 110%.

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 provides 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:

	2018		2017	
($ in thousands)	Long-term funding	Percentage of total	Long-term funding	Percentage of total
Wholesale borrowings	$ 4,656,469	34.8%	$ 2,892,336	28.8%
Collateralized borrowings	8,408,453	62.8%	6,812,660	67.8%
Subordinated debentures	331,199	2.4%	344,441	3.4%
Total long-term funding	$ 13,396,121	100.0%	$ 10,049,437	100.0%

Contractual Maturities

Contractual maturities of certain on-balance-sheet financial liabilities are 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
As at March 31, 2018							
Deposits	$ 29,876,258	$ 1,661,634	$ 568,215	$ 174,641	$ 328,670	$ 74,355	$ 32,683,773
Wholesale borrowings	2,966,856	199,786	199,680	-	-	1,290,147	4,656,469
Collateralized borrowings	1,325,556	1,186,448	1,107,730	1,145,106	1,164,568	2,479,045	8,408,453
Subordinated debentures	73,122	82,564	98,177	32,298	45,038	-	331,199
As at 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

Contractual maturities of certain off-balance-sheet financial liabilities are 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, 2018							
Guarantees and letters of credit1	$ 564,130	$ -	$ -	$ -	$ -	$ -	$ 564,130
Commitments to extend credit2	19,584,772	-	-	-	-	-	19,584,772
Purchase obligations	58,733	33,650	21,883	15,749	13,558	70,599	214,172
March 31, 2017							
Guarantees and letters of credit1	$ 541,237	$ -	$ -	$ -	$ -	$ -	$ 541,237
Commitments to extend credit2	18,716,044	-	-	-	-	-	18,716,044
Purchase obligations	52,553	38,270	30,931	23,178	17,735	94,608	257,275

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, model use, 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 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 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.

Cyber-Security Risk

Cyber security is a top risk for ATB due to its expanding threat landscape and fast-paced evolution. Cyber-security risk can be defined as the potential for loss or harm related to technical infrastructure or the use of technology within an organization. As a financial services provider, ATB is at risk of being targeted for unauthorized access to our customers' data and funds.

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 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

The chair of the board

Is responsible for monitoring 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

Are responsible for managing legal and regulatory compliance risks within risk appetite

The compliance group has established a regulatory compliance management framework to identify, assess, and manage legal and regulatory requirements using a risk-based approach, and to ensure our regulatory risk profile is contained within our risk appetite.

Legal services 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 codes of conduct and ethics outline the principles and standards that guide the conduct of every ATB director and team member. They set the "tone at the top" for a culture of integrity within ATB. The board chair is ultimately responsible for monitoring board members' compliance with their code of conduct and ethics. The board and the governance and conduct review committee together oversee ATB team members' compliance.

Strategic Risk

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. ATB aims to reduce strategic risk through focusing on a strategy with a single purpose that is translatable to ATB’s other key risk areas, including innovation and business execution. During strategic planning, ATB assesses prior-year performance and considers top threats to the strategic plan as part of the risk appetite process to ensure we understand the levers that may adversely affect the realization of our strategic goals.

Innovation Risk

Innovation risk is the risk of ineffective business strategies/models associated with failing to adapt to changing customers’ needs or having others deliver 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 team to develop new and innovative strategies and products.

Business Execution Risk

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 the inadequate implementation of decisions. Business execution risk has the potential to materialize through an inability to convert key strategies to tactical initiatives and support such initiatives with key talent, which is defined as the ability to attract, retain, and leverage individuals to execute our strategic goals.

ATB mitigates business execution risk through process enhancements such as reimagining how we collaborate, improving foundational processes (e.g., credit administration), and closely monitoring the realization of our strategic tactics in our business results. Additionally, key talent risk is managed through our 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.

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.

Executive Total Rewards Discussion and Analysis

Compensation Philosophy and Principles

Our executive compensation philosophy is based on ATB's beliefs that a high-performing executive team who can advance the corporate strategy is a cornerstone of our organization; attraction, retention, and motivation of executives are essential to our success; our executives must have the opportunity to earn competitive compensation relative to our industry; and leadership development and succession planning are critical.

ATB's competitive total compensation programs are designed to align with business and talent strategies to attract, retain, and motivate leaders and talent needed in a highly competitive marketplace. Our compensation policies and programs are based on the following four key principles:

1. Total compensation approach aligns with strategic goals, desired culture, and all-in engagement of the enterprise for both short-term results and long-term success.
2. Compensation plans align with shareholder expectations by being relevant to Albertans and creating ongoing financial value, business sustainability, and customer obsession.
3. Compensation practices and performance setting should follow good corporate governance.
4. Compensation plans are fully transparent and support pay-for-performance culture within acceptable risk practices and tolerances. Specifically,

- Performance requirements are supported by a set of relevant metrics reflecting results and strategic goals and measuring internally set targets and/or applicable externally relative benchmarks,
- Compensation awards (grant and payout) and the performance management process collectively differentiate performance and recognize participants' line of sight,
- Performance and awards collectively consider all aspect of risks in the current state and future state.
- The level of performance expectations aligns with the articulated risk profile and risk appetite,
- A discretionary element to pay-for-performance can be exercised based on a qualitative assessment of results in the context of market conditions, and
- The compensation regime is transparent. For select executive members, compensation is disclosed in the annual report.

We are continuing to review the breadth and depth of information we provide about compensation. This year, we have expanded the information and continued to report compensation for the direct reports of the CEO along with the heads of our areas of expertise. In subsequent years, we plan to follow an approach that's comparable with other companies in the financial industry. That would include providing more depth of information for the highest-earning executives at ATB.

Compensation Governance and Alignment to Corporate Strategy

Board of directors' approval

Board of directors

Approves the president and chief executive officer's compensation and performance evaluation based on information from other executive officers as well as ATB's compensation plans. The board of directors also reviews and ensures there are appropriate pension governance policies and procedures in place related to its obligations as a plan sponsor and administrator in accordance with applicable legislation and regulations.

Human resources committee's review

Human resources committee

Recommends to the Lieutenant Governor in Council of Alberta to approve the base salary of the CEO. Recommends to the board of directors to approve the incentive compensation, benefits and performance objectives and evaluation of the president and CEO and new or material changes to enterprise-wide incentive compensation and benefits plans. Also reviews the compensation, benefits and performance assessment of executives, who directly report to the president and CEO and designated officers. Approves total rewards strategies, compensation philosophy and principles, management's report on compensation disclosure, executive severance guidelines, pension plan governance, funding and administration.

Management's proposal

Management[1]

Recommends that the human resources committee approves total rewards strategies; executive severance guidelines; and pension plan governance, funding, and administration. The president and CEO approves executive compensation, benefits, and performance assessments and presents to the human resources committee for review this information on direct reports to the president and CEO and to designated officers. Management has established a compensation executive steering committee, to recommend to the human resources committee, compensation philosophy and principles, management's report on compensation disclosure, and new or material changes to enterprise-wide incentive compensation and benefits plans. The compensation executive steering committee approves non-material compensation framework and design changes, based on strategic business direction and third-party market data.

ATB's compensation philosophy and established principles guide our compensation programs design to align pay with the corporate strategies. Executive goals are defined to include the journey of executing on strategy and achieving results, in both the short and long term. Emphasis is on performance-driven incentive pay, especially for outstanding executive leaders and performers. Compensation supports, within the context of attracting, retaining, motivating, and engaging, the right balance of growth and acquisition of critical executive talent that is required to deliver on corporate strategy.

1 The compensation executive steering committee includes the president and CEO, chief financial officer and head of operations, chief risk officer, and chief people officer. The committee meets quarterly and the chair of the human resources committee of ATB's board of directors may observe with the intent to serve as a mentor for the committee.

Alignment with Shareholder Expectations

ATB's compensation is designed for the competitive financial services market in which we operate, attract, and retain talent, while demonstrating alignment with the Government of Alberta's core compensation principles. These core principles require that compensation reflects a commitment to public service, diversity, and inclusion; is fair and consistent; is transparent to board members, employees, and the public; and is fiscally prudent. Under Alberta's Reform of Agencies, Boards and Commissions Act, ATB's executive compensation is reviewed annually by the Government of Alberta, with approval required by the President of Treasury Board and Minister of Finance.

Alignment with Risk Appetite

Risk awareness and mitigation are integrated into business planning, governance, and compensation. The chief financial officer and head of operations and chief risk officer ensure the level of performance expectations align with our articulated risk profile and appetite. When setting goals, performance targets, and compensation trajectory, ATB considers evolving risks such as market conditions, demographic shifts, and regulatory standards. The board of directors approves all corporate performance targets. The setting of both goals and individual performance objectives supports a clear line of sight to team, areas of expertise, and organizational goals, without promoting excessive risk-taking. The risk committee of the board and the board of directors receive quarterly updates on key risks relative to risk appetite levels, risk management policies, compliance with regulatory requirements, and ATB's financial performance throughout the organization. These updates support the governance process for managing risk within the board-approved appetite for goal setting, performance evaluation, and business plan review.

Advice from Compensation Consultants

ATB's management and the human resources (HR) committee engages with external consultants for specialized expertise, specific total rewards projects, and regular review of executive compensation relative to market competitiveness, rewards design, and market trends.

The HR committee engaged Hugessen Consulting to provide independent advice for the first time this year. Hugessen Consulting's review and recommendations related to:

- ATB's compensation philosophy
- ATB's compensation comparator group
- Guiding management on a proxy analysis approach to competitive compensation
- Executive compensation framework and structure

Compensation Comparator Group and Market Positioning

Executive compensation is benchmarked regularly against peer organizations. The board-approved executive compensation comparator group represents the organizations that we compete with for talent and for business. Executive compensation is assessed against a peer group of Canadian banks, credit unions, investment management and services firms, and financial Crown corporations.

Executive Compensation Comparator Group

Banks (Tiers 1 and 2)	Fund organizations
• BMO Financial Group • CIBC • RBC • Scotiabank • TD Bank Financial Group • National Bank of Canada • HSBC Bank of Canada • Canadian Western Bank • Tangerine Bank • Laurentian Bank	• Investors Group • Mackenzie Financial **Financial Crown corporations** • Business Development Bank of Canada (BDC) • Farm Credit Canada **Credit unions** • Fédération des Caisses Desjardins du Québec • Servus • Coast Capital

ATB's compensation philosophy is to position total compensation for each executive at the median (50th percentile) of our compensation comparator group. ATB relies on the widely accepted Hay Group Guide Chart-Profile Method to account for the varying size and complexity of the peer organizations when comparing their compensation to ATB's. This methodology is used by leading financial institutions in Canada, including Schedule 1 banks. The methodology measures role size, based on the understanding of the role and the context in which it operates, including know-how, problem solving, and accountability.

Elements of Executive Total Direct Compensation

ATB's executive base salary is structured to pay at the middle of the market. Our total direct compensation, which includes base pay and short- and long-term incentives, also pays a mid-market rate.

Executive Total Direct Compensation

Element	Description	Why we provide it	How it aligns with the target external market
Base salary	Fixed component	Reflects complexity and value of job responsibilities and how executive performs those responsibilities	Median, based on performance and internal equity
Short-term incentive	Variable component	Rewards annual performance relative to predetermined goals in the business plan relative to the current fiscal year.	Median, based on performance
Long-term incentive	Variable component	Rewards for achieving success in executing strategic objectives that create value and long-term sustainability. Granted as a three-year deferred incentive to align with future organizational performance.	Median, based on performance

Base Salary

Our base salary is designed to ensure that individual pay reflects the value and accountabilities of the position. The positions are placed into pay grades based on the relative value determined through Korn Ferry Hay Group's job evaluation methodology. The compensable factors are knowledge, problem-solving, and accountability. The market reference point for each pay grade is set at a competitive rate, based on the median from within our comparator peer group, using trustworthy market data from Korn Ferry Hay Group.

Key Incentive Performance Metrics

Income before provision for loan losses	• Measures overall enterprise income before provision for loan losses • Aligns with strategic goal of achieving extraordinary results
Provision for loan losses	• Estimates potential loan losses and is a significant component of profitability • Is a separate metric due to volatility—i.e., no windfalls or overly punitive incentives result from performance on provision for loan losses versus target
Customer advocacy index score	• Measures customer loyalty • Aligns with ATB's strategies to be loved and respected by Albertans and to be number one in every market we are in
Employee engagement	• Measures team members' emotional and intellectual commitment to ATB through a confidential survey • Aligned with ATB's strategy to be the place to work
Long-term risk-adjusted return on capital (RAROC)	• Measures net income divided by risk-adjusted capital, where net income takes a long-term view of loan losses across the economic cycle rather than using the fiscal provision for loan losses • Takes a longer-term view of the value that ATB is producing so as to not overly reward or punish management for short-term economic volatilities

Short-Term Incentive (STI)

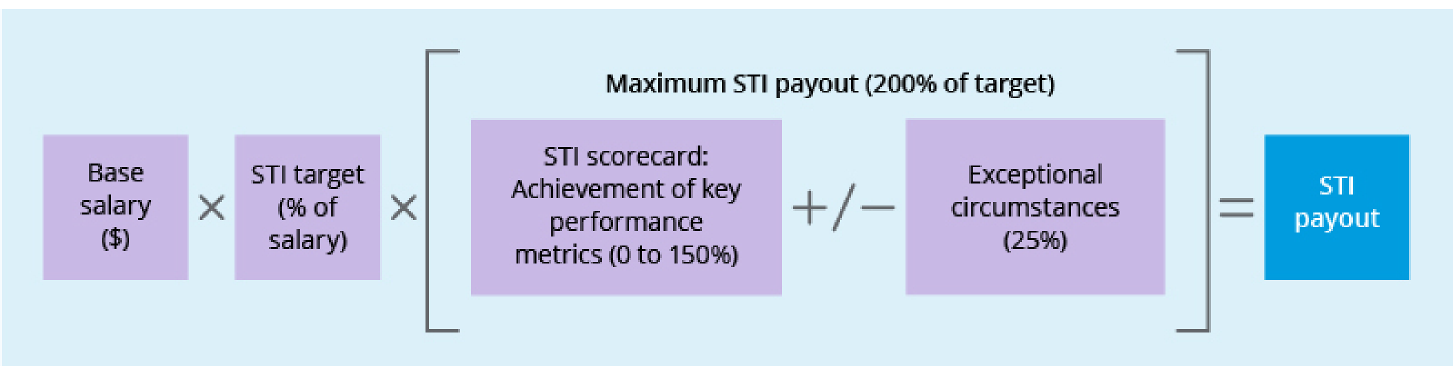
STI pay is the component of the overall executive compensation program that rewards performance relative to predetermined goals over one year. STI is designed to:

- Create executive alignment with the achievement of annual business plans and
- Focus executive performance on achieving objectives at the enterprise level and, where applicable, at area of expertise, strategic service unit, and business unit levels.

The target award for each team member is based on a percentage of salary. The opportunity to receive STI pay is based upon the combined achievement of objectives set for the enterprise and, where applicable, the area of expertise and strategic service unit. The payment of STI across ATB is based on affordability. If the incentive payment would cause the income before provision for loan losses to be less than the provision for loan losses, then the incentives would be reduced in order to avoid a loss position.

STI is paid when a specific threshold has been achieved and can increase to a maximum of 160% of the target percentage. Achievement of the objectives is calculated using the weighting for each objective. In exceptional circumstances, the resulting achievement may be adjusted upwards or downwards by up to 25%, resulting in an overall plan maximum payout of 200%. This adjustment is recommended, with supporting information, by the executive leader of the corporate management committee member.

Each position has a scorecard with weightings, targets, and thresholds that are set annually based on the approved business plan. The performance of income before provision for loan losses against the target measures management's ability to create sustainable revenue growth and manage overall expenses. Since this metric closely reflects the results of ATB's strategic and tactical efforts, it is more heavily weighted at 80%. The provision for loan losses is less weighted at 20%, since this metric is more impacted by economic variables that can be highly volatile.

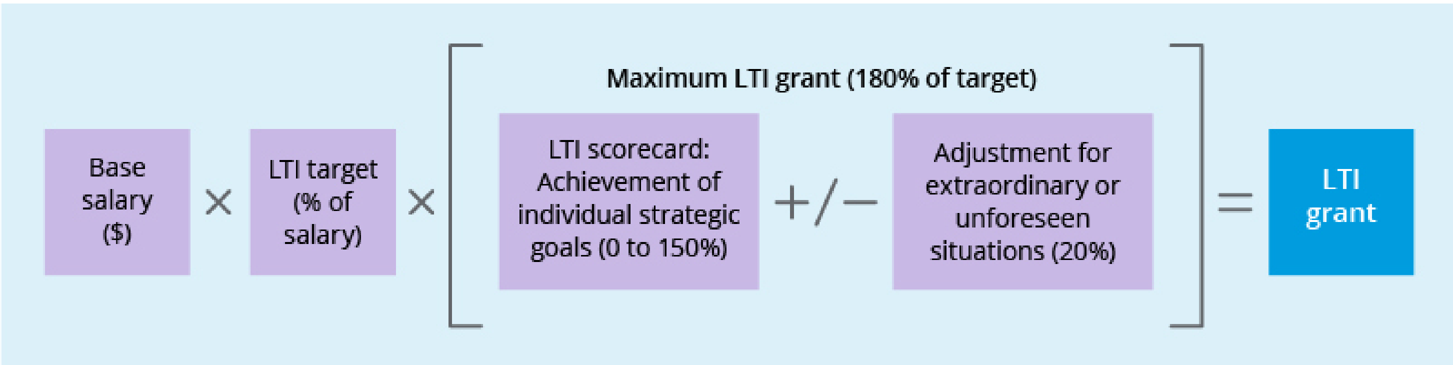


Long-Term Incentive (LTI)

LTI pay recognizes successful execution of strategic performance and risk objectives that create value and long-term sustainability for the organization. LTI targets are expressed as a percentage of base salary. LTI grants, awarded annually, range from 0% to 150% of the target based on the individual success in achieving predetermined strategic goals. For executives, the resulting grant can be adjusted upwards or downwards 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. A senior executive who is awarded an LTI grant greater than 100% of target has the option to receive payment of the above-target portion of the grant within 100 days of the fiscal year-end for which it is granted or to remain in the plan. If the above-target portion remains in the plan, the grant appreciation formula and other conditions and requirements are applied.

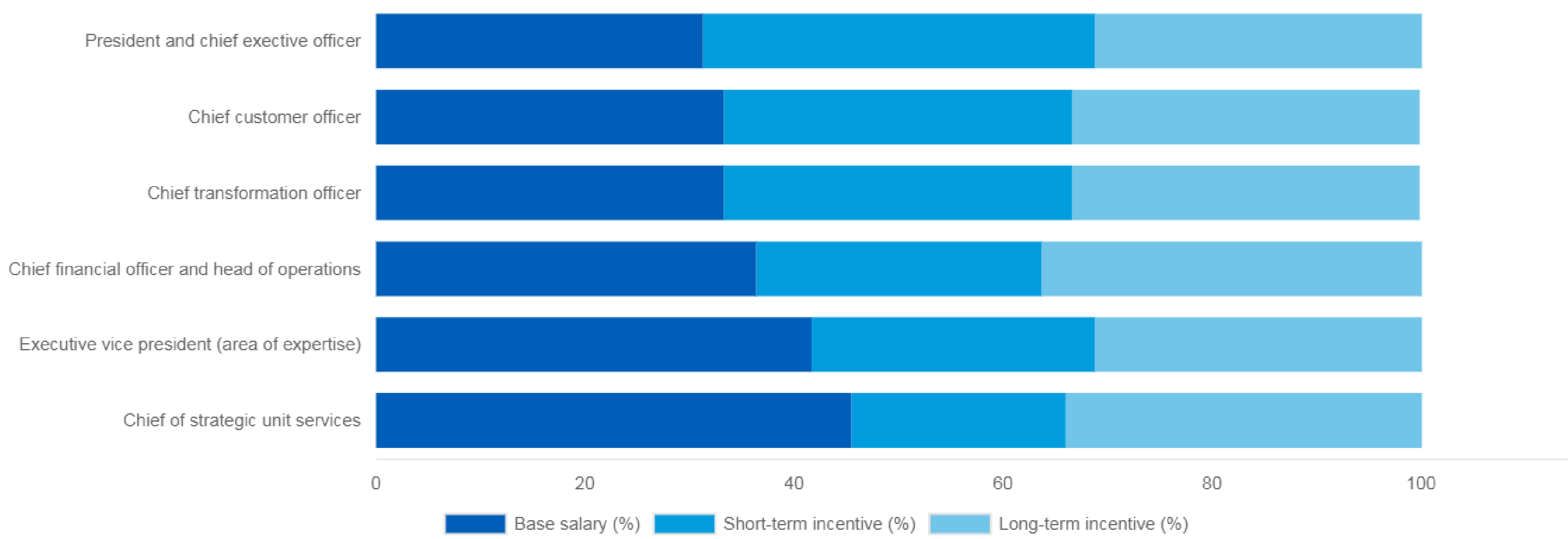
LTI grants vest over three years and appreciate or depreciate annually based on actual long-term risk-adjusted return on capital (RAROC) performance measured against a long-term RAROC target and an appropriate hurdle rate, which is set by the board in advance. When the fiscal year-end long-term RAROC meets or exceeds the 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 the fiscal year-end long-term RAROC is 50% or less of the target. When a grant matures, the current value, including appreciation or depreciation, is paid out.

The LTI plan includes forfeiture and clawback provisions to adjust for previously awarded grants in the case of termination of employment for cause and/or appreciation or depreciation due to an accounting restatement.



Fiscal Year 2017–18 Target Total Direct Compensation Mix

The combination of base pay plus incentive pay varies depending on the level of accountability. The following graph represents the targeted combinations for each executive. A significant portion of this 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 STI and LTI.



Beyond Cash for Executives – The Total Rewards Perspective

ATB’s total rewards program includes cash compensation (base salary, STI, and LTI) for executives as well as a pension and flexible health and wellness benefit plan. Non-monetary benefits include learning and development, recognition, and programs promoting a healthy and balanced lifestyle.

Flexible Pension Plan

ATB’s Flexible Pension Plan (FPP), for management and executive team members, is an innovative design focused on total wealth and financial wellness. It has a core employer contribution to a defined contribution (DC) pension plan with a flexible contribution that is directed based on personal preference into retirement savings (DC pension plan or RRSP), debt reduction through mortgage repayment, or a registered education savings plan. In addition to the core and flexible employer contributions, executives can also voluntarily contribute up to 6% of their pensionable earnings to the DC plan. ATB matches voluntary contributions up to 4% of their pensionable earnings.

Where annual pension 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 income tax restrictions.

Benefits

ATB's executives and their families participate in market-competitive benefit programs that provide security and contribute to their quality of life. Core benefits 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. There is considerable flexibility in determining benefit coverage. ATB-provided flexible benefits credits can be used 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. There is also the option 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 benefits program. All these benefits are measured and benchmarked in line with the total rewards programs to ensure that ATB remains competitive with comparable organizations.

The Executive Perquisite Allowance Program is offered to eligible executives in lieu of other executive perquisites such as car allowances and club memberships. In order to provide choice and flexibility to executives, the perquisite allowance is provided as credits in ATB's Flexible Benefit Plan. Executives can apply these credits to their health care spending account, wellness account, critical illness insurance for themselves, spouse and/or children, accident insurance for themselves, spouse and/or children, prescription drug coverage, medical care coverage, vision care coverage, dental care coverage, and/or cash payment, less the appropriate taxes.

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. Our internal network of wellness champions across the enterprise models and encourages participation.

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

ATB has 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.

We have also been community leaders in creating dementia-friendly communities as training hubs and models of how to support Albertans, at a local level, with dementia.

Leadership Development

The development of ATB leaders is directly linked to succession capability and organizational success through business results. Leadership at ATB is defined by the leaders all-in framework, which outlines the why, what, and how of leadership at ATB. We consider leaders through the lens of our leader all-in, using this to guide how we recruit, assess, develop, and progressively advance leaders to executive levels of responsibility in the organization. This process enables us to develop leaders and provides internal sources of ready successors.

Succession is focused on the future leadership needs of ATB and includes a review of executives and other leaders with the potential to be executives. Success relies on anticipating and planning for change, knowing ATB leaders across the organization exceptionally well, and developing those selected for greater responsibilities. We actively develop leaders, including our executives, through a number of internal and external avenues. We engage all leaders in Club Catalyst, an internal leadership community that promotes connections across the full organization and engages leaders in unique experiences that advance their understanding and appreciation of ATB and their own leadership capabilities. Our premier top-tier internal program currently in place for executive development is the ATB Pinnacle Leadership Program, a bespoke once-in-a-lifetime executive learning experience designed to expand innovative thinking while creating a culture of collaboration and learning. We continuously seek leading-edge partners such as Singularity University and other avenues to significantly advance leadership development. On a selective basis we invest in key executives' growth with independent developmental assessments through RHR International and provide coaching through external and internal rosters of professional coaches. We further invest in selected leaders through external professional programs and graduate-level education.

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 needs, offering focused and personalized service to help reach financial goals. As proud consumers of ATB's banking products, team members refer friends, family, and other potential customers having firsthand knowledge that ATB provides great experiences and is reimagining banking. Advocacy is a key component to driving business success.

2018 Performance and Executive Compensation

Key Incentive Performance Metric Results

Metric	Threshold	Target	Maximum	Performance1	Attainment above target of metric
Income before provisions attainment *($ in millions)*	$ 367	$ 417	$ 459	$ 470	Above target
Provision for loan losses *($ in millions)*	$ 210	$ 175	$ 133	$ 105	Above target
Customer advocacy index score	57	60	66	59	Below target
Employee engagement	84%	89%	93%	91%	Above target
Long-term risk-adjusted return on capital (RAROC)		11.48%		13.44%	Above target

1 The 2018 income before provisions attainment represents income before provision for loan losses prepared on a non-consolidated basis, as the metric excludes Altacorp and is adjusted for variable pay over goal.

The performance metrics above have a material weighting in determining incentive awards for the CEO and other executive officers. ATB's achievement of the following financial and operational performance metrics represents most of the executive STI pay awards:

- High levels of customer loyalty and profitability by focusing on customer obsession, listening to our customers, and reimagining banking.
- Significantly lower provision for loan losses as a result of greater resiliency of Alberta businesses and consumers, due in part to our ability to provide banking solutions to customers when they needed it.
- Record-high levels of team member engagement because we put our people first and provided clear strategic direction and strong executive leadership. We also enabled team members by providing new ways of working, such as the Google suite of products.

As such, ATB's executive have received above-target STI awards for fiscal 2017–18.

The LTI awards for ATB executives are a direct result of the progress made on individualized strategic objectives that provide long-term value to our shareholder. The value of LTI grants that are still maturing has increased based on our above-target performance on long-term RAROC. This appreciation signals both ATB's alignment to our risk appetite and appropriate levels of return relevant to risks taken.

Compensation Awarded to President and CEO

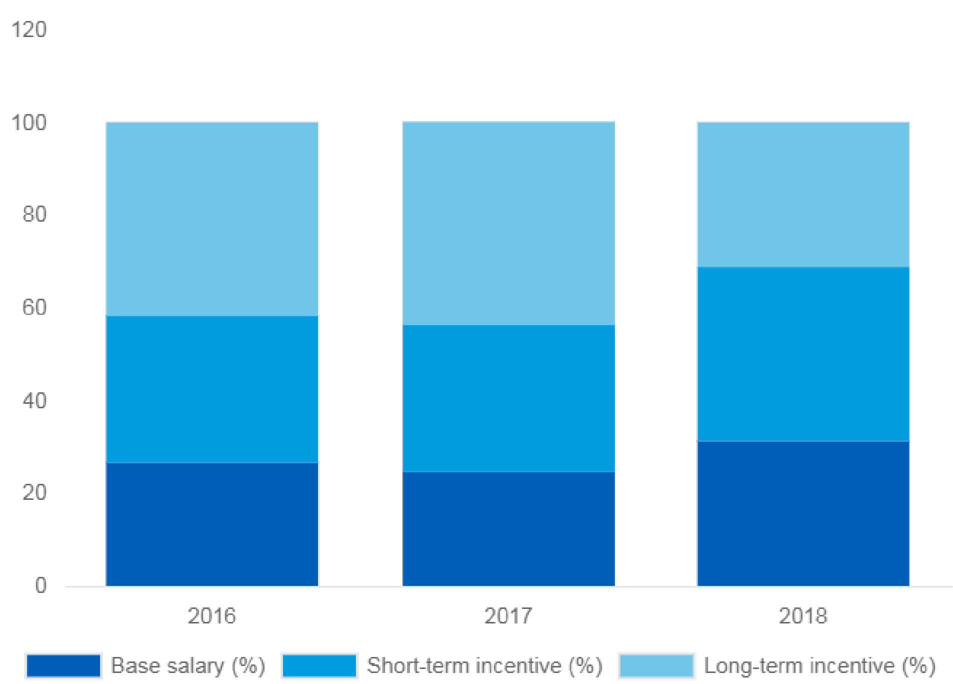
Dave Mowat

Dave is responsible for the overall financial performance of ATB and management of creative and dedicated team members in achieving ATB's strategic objectives. He is a banker at heart, having shaped and been shaped for over 30 years by every aspect of the banking world. Dave is committed to transforming banking to make it work for people. He is leading ATB through an age where new technology and customer obsession will combine to make the banking experience infinitely better. Dave assumed the role of ATB's president and CEO in June 2007.

Fiscal-Year Performance Highlights

- Championed the introduction of more exponential technologies that will allow us to improve how we work and how we serve customers. For instance, the Google suite of products equipped ATB team members with tools that are more collaborative and make us more competitive.
- Worked to use our capacity and knowledge creatively for more than banking, opening the Four Directions agency, the Branch for Arts and Culture, and the NorQuest College agency so all Albertans can access financial services.
- Advanced the creation of the Challenger Bank, which will be built specifically to meet the changing needs and expectations of customers.
- Continued to work to make ATB an employer of choice for all Albertans, especially people with disabilities, women, and Indigenous peoples.
- Continued to focus on developing talent from within and ensuring effective succession capacity for the upcoming CEO transition.

Three-year compensation history



1 The CEO base salary is set by the Lieutenant-Governor in Council of Alberta.
2 Grant value for the fiscal year—appreciation and depreciation of maturing grants is not included.

Unvested Long-Term Incentive

Long-term incentive (LTI) awards are granted at the close of a fiscal year and vest at the end of a three-year cycle. The following table presents details of unvested LTI awards at April 1, 2018. The current value of the remaining grant includes annual appreciation or depreciation, based on actual long-term risk-adjusted return on capital (RAROC) for the years in which the grants were maturing.

					Grant payout year		
Name, position	Year of grant	Total grant	Above target portion of grant paid out[1]	Current value of remaining grant[2]	2019	2020	2021
Dave Mowat	2018	$ 729,164					X
President and Chief Executive Officer	2017	$ 907,115	$ 397,500	$ 537,389		X	
Curtis Stange	2018	$ 472,500					X
Chief Customer Officer	2017	$ 438,067	$ 97,490	$ 359,138		X	
	2016	$ 374,850	$ 59,850	$ 335,259	X		
Robert McGee	2018	$ 504,375					X
Chief Financial Officer and Head of Operations	2017	$ 368,550	$ 68,550	$ 316,350		X	
	2016	$ 272,250	$ 47,250	$ 239,471	X		
Wellington Holbrook	2018	$ 455,000					X
Chief Transformation Officer	2017	$ 349,485	$ 109,701	$ 252,852		X	
	2016	$ 317,250	$ 92,250	$ 239,471	X		
Chris Turchansky	2018	$ 267,549					X
President, Investor Services	2017	$ 256,068	$ 46,176	$ 221,331		X	
	2016	$ 210,000	$ 22,500	$ 199,559	X		
Robert Bennett	2018	$ 269,925					X
Executive Vice-President,	2017	$ 241,749	$ 31,532	$ 221,673		X	
Retail Financial Services	2016	$ 245,438	$ 39,188	$ 219,515	X		
Lorne Rubis	2018	$ 299,063					X
Chief Evangelist	2017	$ 266,661	$ 48,801	$ 229,734		X	
	2016	$ 267,188	$ 53,438	$ 227,497	X		
Teresa Clouston	2018	$ 215,625					X
Executive Vice-President,	2017	$ 135,029		$ 142,388		X	
Business and Agriculture	2016	$ 70,560		$ 75,098	X		
Peggy Garritty	2018	$ 268,271					X
Chief Reputation and Brand Officer	2017	$ 233,090	$ 30,403	$ 213,733		X	
	2016	$ 248,578		$ 264,565	X		
Lisa McDonald	2018	$ 240,375					X
Chief Risk Officer	2017	$ 64,363		$ 67,871		X	
	2016	$ 19,309		$ 20,551	X		
Elizabeth Stretch	2018	$ 234,187					X
Chief People Officer	2017	$ 110,365		$ 116,380		X	
	2016	$ 75,075		$ 79,903	X		
Tim Gillespie	2018	$ 175,984					X
Executive Vice-President,	2017	$ 130,827		$ 137,957		X	
Corporate Financial Services	2016	$ 100,622		$ 107,094	X		

[1] Executives awarded an LTI grant greater than 100% of target have the option to receive payment of the above-target portion of the grant within 100 days of the end of the fiscal year of which it is granted.

[2] Current value of remaining grant includes appreciation or depreciation for the years in which the grants were maturing.

Executive Compensation

For further details about salaries and benefits and retirement and other-post employment benefits earned by board members and key senior executives in fiscal 2017–18, refer to note 18 in the consolidated statements.

Clawback Policy

ATB's executive LTI plan includes forfeiture and clawback provisions. Any participant in the LTI plan who is terminated for cause will be ineligible to receive an LTI plan grant. If the cause is for misconduct that results in or contributes to an accounting restatement, the terminated participant is required to repay ATB for any adjustment to previously paid grants. Any participant in the LTI plan who was wilfully blind to the misconduct may be subject to clawback provisions up to and including the full amount of the award and any appreciation. In the event of an accounting restatement, the board may also adjust or rescind any previously awarded grants, including appreciation/depreciation, for all participants in the plan.

ATB is currently developing a clawback provision for our executive STI plan.

Supplementary Financial Information

Five-Year Financial Review

Summarized Consolidated Statement of Financial Position

($ in thousands)	2018	2017	2016	2015	2014
Assets					
Cash resources and securities	**$ 6,206,601**	$ 6,397,188	$ 4,762,666	$ 3,831,310	$ 2,504,374
Loans, net of allowances for loan losses:					
Business	**21,439,814**	19,046,406	19,199,157	17,530,954	15,167,687
Residential mortgages	**15,750,430**	14,947,751	14,318,656	12,947,624	12,012,454
Personal	**6,711,755**	6,622,936	6,614,996	6,700,854	6,184,463
Credit card	**718,065**	703,817	690,204	673,857	651,931
Allowance for loan losses	**(509,024)**	(509,688)	(472,856)	(168,397)	(131,391)
	44,111,040	40,811,222	40,350,157	37,684,892	33,885,144
Other assets	**1,575,450**	1,338,876	1,644,455	1,558,721	1,314,957
Total assets	**$ 51,893,091**	$ 48,547,286	$ 46,757,278	$ 43,074,923	$ 37,704,475
Liabilities and equity					
Deposits:					
Personal	**$ 13,585,867**	$ 13,316,717	$ 13,088,145	$ 12,645,311	$ 11,840,449
Business and other	**19,097,906**	20,611,043	17,774,144	17,944,044	15,475,989
	32,683,773	33,927,760	30,862,289	30,589,355	27,316,438
Other liabilities	**15,598,963**	11,127,799	12,413,728	9,166,042	7,324,820
Subordinated debentures	**331,199**	344,441	371,441	311,339	228,775
Capital investment notes	**-**	-	-	-	250,508
Equity	**3,279,156**	3,147,286	3,109,820	3,008,187	2,583,934
Total liabilities and equity	**$ 51,893,091**	$ 48,547,286	$ 46,757,278	$ 43,074,923	$ 37,704,475

Summarized Consolidated Statement of Income

($ in thousands)	2018	2017	2016	2015	2014
Interest income	**$ 1,718,857**	$ 1,612,772	$ 1,578,322	$ 1,505,918	$ 1,383,939
Interest expense	**596,477**	528,457	485,513	477,627	417,927
Net interest income	**1,122,380**	1,084,315	1,092,809	1,028,291	966,012
Other income	**460,535**	390,896	434,100	423,249	384,447
Operating revenue	**1,582,915**	1,475,211	1,526,909	1,451,540	1,350,459
Provision for loan losses	**105,006**	234,989	387,559	72,584	42,395
Non-interest expenses	**1,121,699**	1,044,404	998,922	952,098	949,091
Net income before payment in lieu of tax	**356,210**	195,818	140,428	426,858	358,973
Payment in lieu of tax	**81,651**	45,038	32,298	98,177	82,564
Net income	**$ 274,559**	$ 150,780	$ 108,130	$ 328,681	$ 276,409
Net income attributable to non-controlling interests	**$ 1,372**	$ -	$ -	$ -	$ -

Summarized Key Performance Indicators

(%)	**2018**	2017	2016	2015	2014
Return on average assets	**0.55**	0.32	0.24	0.82	0.78
Return on average risk-weighted assets	**0.81**	0.45	0.33	1.1	1.1
Operating revenue growth	**7.3**	(3.4)	5.8	8.8	9.8
Efficiency ratio	**70.9**	70.8	65.4	65.6	70.3
Performing loan growth	**8.2**	1.2	7.0	11.1	14.4
Deposit growth	**(3.7)**	9.9	0.89	12.0	15.1
Growth in assets under administration	**11.6**	14.2	7.0	24.1	28.1

Quarterly Financial Review

Summarized Consolidated Statement of Financial Position

	2018				2017			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
($ in thousands)	**Mar 31/18**	**Dec 31/17**	**Sep 30/17**	**Jun 30/17**	Mar 31/17	Dec 31/16	Sep 30/16	Jun 30/16
Assets								
Cash resources and securities	**$ 6,206,601**	**$ 6,136,070**	**$ 5,731,527**	**$ 5,669,623**	$ 6,397,188	$ 6,586,690	$ 5,822,329	$ 5,735,086
Loans, net of allowances for loan losses:								
Business	**21,439,814**	**20,630,015**	**19,956,760**	**19,645,554**	19,046,406	18,969,665	19,031,975	19,049,433
Residential mortgages	**15,750,430**	**15,616,007**	**15,400,565**	**15,132,863**	14,947,751	14,870,350	14,683,083	14,485,374
Personal	**6,711,755**	**6,718,644**	**6,714,597**	**6,655,139**	6,622,936	6,632,710	6,686,586	6,651,970
Credit card	**718,065**	**739,323**	**737,909**	**734,993**	703,817	730,486	727,402	712,828
Allowance for loan losses	**(509,024)**	**(516,031)**	**(532,455)**	**(508,066)**	(509,688)	(576,572)	(580,358)	(518,504)
	44,111,040	**43,187,958**	**42,277,376**	**41,660,483**	40,811,222	40,626,639	40,548,688	40,381,101
Other assets	**1,575,450**	**1,420,553**	**1,597,095**	**1,319,108**	1,338,876	1,443,329	1,521,854	1,557,141
Total assets	**$ 51,893,091**	**$ 50,744,581**	**$ 49,605,998**	**$ 48,649,214**	$ 48,547,286	$ 48,656,658	$ 47,892,871	$ 47,673,328
Liabilities and equity								
Deposits:								
Personal	**$ 13,585,867**	**$ 13,497,484**	**$ 13,196,955**	**$ 13,265,117**	$ 13,316,717	$ 13,267,943	$ 13,207,593	$ 13,197,491
Business and other	**19,097,906**	**20,039,465**	**19,808,238**	**20,409,508**	20,611,043	20,527,410	20,186,190	19,452,518
	32,683,773	**33,536,949**	**33,005,193**	**33,674,625**	33,927,760	33,795,353	33,393,783	32,650,009
Other liabilities	**15,598,963**	**13,664,508**	**13,121,329**	**11,510,385**	11,127,799	11,379,083	11,011,083	11,556,129
Subordinated debentures	**331,199**	**331,199**	**331,199**	**331,199**	344,441	344,441	344,441	344,441
Equity	**3,279,156**	**3,211,925**	**3,148,277**	**3,133,005**	3,147,286	3,137,781	3,143,564	3,122,749
Total liabilities and equity	**$ 51,893,091**	**$ 50,744,581**	**$ 49,605,998**	**$ 48,649,214**	$ 48,547,286	$ 48,656,658	$ 47,892,871	$ 47,673,328

Consolidated Statement of Change in Equity

	2018				2017			
For the three months ended	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
($ in thousands)	**Mar 31/18**	**Dec 31/17**	**Sep 30/17**	**Jun 30/17**	Mar 31/17	Dec 31/16	Sep 30/16	Jun 30/16
Retained earnings								
Balance at beginning of the period	**$3,399,133**	**$3,305,177**	**$3,242,425**	**$3,179,285**	$3,153,735	$3,088,688	$3,053,499	$3,028,505
Net income	**54,711**	**93,956**	**62,752**	**63,140**	25,550	65,047	35,189	24,994
Balance at end of the period	**$3,453,844**	**$3,399,133**	**$3,305,177**	**$3,242,425**	$3,179,285	$3,153,735	$3,088,688	$3,053,499
Non-controlling interest								
Balance at beginning of the year	**-**	**-**	**-**	**-**	-	-	-	-
Net income attributable to non-controlling interests in subsidiaries	**3,508**	**-**	**-**	**-**	-	-	-	-
Balance at end of the year	**$ 3,508**	**$ -**	**$ -**	**$ -**	$ -	$ -	$ -	$ -
Accumulated other comprehensive (loss) income								
Balance at beginning of the period	**(187,208)**	**(156,900)**	**(109,420)**	**(31,999)**	(15,954)	54,876	69,250	81,315
Other comprehensive (loss) income	**9,012**	**(30,308)**	**(47,480)**	**(77,421)**	(16,045)	(70,830)	(14,374)	(12,065)
Balance at end of the period	**$ (178,196)**	**$ (187,208)**	**$ (156,900)**	**$ (109,420)**	$ (31,999)	$ (15,954)	$ 54,876	$ 69,250
Equity as at end of the period	**$3,279,156**	**$3,211,925**	**$3,148,277**	**$3,133,005**	$3,147,286	$3,137,781	$3,143,564	$3,122,749

Consolidated Statement of Cash Flows

For the three months ended	Q4	Q3	Q2	2018 Q1
($ in thousands)	Mar 31/18	Dec 31/17	Sep 30/17	Jun 30/17
Cash flows from operating activities:				
Net income	$ 54,711	$ 93,956	$ 62,752	$ 63,140
Adjustments for non-cash items and others:				
Provision for loan losses	21,697	14,586	47,228	21,495
Depreciation and amortization	35,301	31,493	31,974	31,287
Net (gains) losses on financial instruments at fair value through net income	(4,348)	(5,978)	(889)	3,858
Adjustments for net change in operating assets and liabilities:				
Loans	(927,085)	(904,887)	(644,377)	(848,013)
Deposits	(852,969)	531,963	(669,226)	(252,926)
Derivative financial instruments	(59,931)	43,711	24,768	33,274
Prepayments and other receivables	4,346	(23,381)	(2,377)	6,842
Due to clients, brokers, and dealers	11,223	(5,580)	(1,364)	(5,689)
Deposit guarantee fee payable	12,024	12,290	12,493	(35,056)
Accounts payable and accrued liabilities	54,552	(76,523)	(24,564)	15,717
Liability for payment in lieu of tax	15,767	28,065	18,744	(26,178)
Net interest receivable and payable	20,290	(22,399)	21,948	(23,958)
Change in accrued pension-benefit liability	(24,822)	15,766	(37,779)	20,594
Others, net	(79,873)	241,974	(262,951)	(39,081)
Net cash (used in) provided by operating activities	(1,719,117)	(24,944)	(1,423,620)	(1,034,694)
Cash flows from investing activities:				
Change in securities measured at fair value through net income	(853,085)	358,392	184,611	527,486
Change in securities purchased under reverse repurchase agreements	896,567	(296,696)	(400,388)	201,082
Change in interest-bearing deposits with financial institutions	(46,142)	(384,896)	(142,674)	110,412
Purchases and disposals of property and equipment, and software and other intangibles	(46,590)	(26,411)	(24,528)	(21,049)
Net cash (used in) provided by investing activities	(49,250)	(349,611)	(382,979)	817,931
Cash flows from financing activities:				
Issuance of wholesale borrowings	2,957,837	3,980,082	1,936,293	349,615
Repayment of wholesale borrowings	(2,366,853)	(3,679,130)	(823,712)	(590,000)
Issuance of collateralized borrowings	451,145	449,558	304,062	391,029
Repayment of collateralized borrowings	-	-	-	-
Change in securities sold under repurchase agreements	790,827	(298,286)	99,823	198,463
Issuance of subordinated debentures	-	-	-	45,038
Repayment of subordinated debentures	-	-	-	(58,280)
Net cash provided by (used in) financing activities	1,832,956	452,224	1,516,466	335,865
Net increase (decrease) in cash	64,589	77,669	(290,133)	119,102
Cash at beginning of period	220,938	143,269	433,402	314,300
Cash at end of period	$ 285,527	$ 220,938	$ 143,269	$ 433,402
Net cash (used in) provided by operating activities includes:				
Interest paid	$ (133,499)	$ (180,057)	$ (109,852)	$ (166,406)
Interest received	$ 441,286	$ 444,292	$ 415,342	$ 407,156

For the three months ended	Q4	Q3	Q2	2017 Q1
($ in thousands)	Mar 31/17	Dec 31/16	Sep 30/16	Jun 30/16
Cash flows from operating activities:				
Net income	$ 25,550	$ 65,047	$ 35,189	$ 24,994
Adjustments for non-cash items and others:				
Provision for loan losses	45,979	16,948	78,517	93,545
Depreciation and amortization	30,329	31,678	29,814	29,241
Net losses (gains) on financial instruments at fair value through net income	1,829	(2,157)	(4,450)	(6,658)
Adjustments for net change in operating assets and liabilities:				
Loans	(215,956)	(78,644)	(229,367)	(106,228)
Deposits	132,613	400,766	742,971	1,787,720
Derivative financial instruments	6,019	6,448	(18,657)	(34,859)
Prepayments and other receivables	(30,046)	8,226	(2,362)	(4,942)
Due to clients, brokers, and dealers	16,282	(36,934)	25,112	12,980
Deposit guarantee fee payable	10,696	12,191	12,222	(35,134)
Accounts payable and accrued liabilities	108,479	(130,895)	(184,970)	(36,755)
Liability for payment in lieu of tax	7,632	19,429	10,511	(24,832)
Net interest receivable and payable	22,376	(24,278)	34,399	(18,819)
Change in accrued pension-benefit liability	23,328	(59,940)	8,547	24,517
Others, net	(34,313)	66,363	(27,215)	(27,589)
Net cash provided by operating activities	150,797	294,248	510,261	1,677,181
Cash flows from investing activities:				
Change in securities measured at fair value through net income	339,264	(791,612)	(12,152)	(793,998)
Change in securities purchased under reverse repurchase agreements	(84,898)	(37,866)	73,992	(401,889)
Change in interest-bearing deposits with financial institutions	41,080	(105,961)	(230,001)	351,650
Purchases and disposals of property and equipment, and software and other intangibles	(32,886)	(43,759)	(15,011)	(17,468)
Net cash provided by (used in) investing activities	262,560	(979,198)	(183,172)	(861,705)
Cash flows from financing activities:				
Issuance of wholesale borrowings	294,657	573,874	619,877	1,624,736
Repayment of wholesale borrowings	(962,240)	(310,000)	(1,585,735)	(2,410,577)
Issuance of collateralized borrowings	363,103	454,293	562,663	404,590
Repayment of collateralized borrowings	-	(199,600)	-	(270,157)
Change in securities sold under repurchase agreements	-	-	-	-
Issuance of subordinated debentures	-	-	-	32,298
Repayment of subordinated debentures	-	-	-	(59,298)
Net cash (used in) provided by financing activities	(304,480)	518,567	(403,195)	(678,408)
Net increase (decrease) in cash	108,877	(166,383)	(76,106)	137,068
Cash at beginning of period	205,423	371,806	447,912	310,844
Cash at end of period	$ 314,300	$ 205,423	$ 371,806	$ 447,912
Net cash (used in) provided by operating activities includes:				
Interest paid	$ (114,853)	$ (170,192)	$ (95,490)	$ (141,812)
Interest received	$ 407,555	$ 413,505	$ 400,827	$ 398,453

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 (loss) income before payment in lieu of tax	Payment in lieu of tax	Net (loss) income	Total Assets	Total liabilities
March 31, 2018										
Retail Financial Services	$ 114,417	$ 23,125	$ 137,542	$ 6,451	$ 135,477	$ (4,386)	$ -	$ (4,386)	$ 22,786,823	$ 12,925,048
Business and Agriculture	81,278	23,000	104,278	(585)	57,733	47,130	-	47,130	8,576,908	9,320,768
Corporate Financial Services	84,343	20,421	104,764	15,831	31,602	57,331	-	57,331	12,680,946	9,460,114
Investor Services	229	50,108	50,337	-	37,986	12,351	2,844	9,507	168,706	121,694
AltaCorp Capital Inc.	(62)	15,891	15,829	-	12,064	3,765	588	3,177	10,264	7,087
Strategic service units	7,292	(7,668)	(376)	-	45,122	(45,498)	12,550	(58,048)	7,669,444	16,779,224
Total	$ 287,497	$ 124,877	$ 412,374	$ 21,697	$ 319,984	$ 70,693	$ 15,982	$ 54,711	$ 51,893,091	$ 48,613,935
December 31, 2017										
Retail Financial Services	$ 113,958	$ 23,403	$ 137,361	$ 6,482	$ 123,265	$ 7,614	$ -	$ 7,614	$ 22,673,648	$ 12,880,263
Business and Agriculture	79,650	19,798	99,448	2,354	56,281	40,813	-	40,813	8,326,834	9,647,956
Corporate Financial Services	82,528	16,658	99,186	5,750	25,941	67,495	-	67,495	12,131,238	9,981,142
Investor Services	189	49,821	50,010	-	37,278	12,732	2,926	9,806	159,200	107,696
AltaCorp Capital Inc.	-	-	-	-	-	-	-	-	-	-
Strategic service units	10,308	10,530	20,838	-	27,471	(6,633)	25,139	(31,772)	7,453,661	14,915,599
Total	$ 286,633	$ 120,210	$ 406,843	$ 14,586	$ 270,236	$ 122,021	$ 28,065	$ 93,956	$ 50,744,581	$ 47,532,656
September 30, 2017										
Retail Financial Services	$ 115,303	$ 20,764	$ 136,067	$ 4,367	$ 122,967	$ 8,733	$ -	$ 8,733	$ 22,446,884	$ 12,762,132
Business and Agriculture	78,364	18,564	96,928	8,680	55,724	32,524	-	32,524	8,070,574	9,672,256
Corporate Financial Services	81,909	17,529	99,438	34,181	26,027	39,230	-	39,230	11,740,242	9,712,018
Investor Services	151	47,441	47,592	-	34,557	13,035	2,998	10,037	153,605	104,906
AltaCorp Capital Inc.	-	-	-	-	-	-	-	-	-	-
Strategic service units	7,815	4,502	12,317	-	24,343	(12,026)	15,746	(27,772)	7,194,693	14,206,409
Total	$ 283,542	$ 108,800	$ 392,342	$ 47,228	$ 263,618	$ 81,496	$ 18,744	$ 62,752	$ 49,605,998	$ 46,457,721
June 30, 2017										
Retail Financial Services	$ 112,123	$ 19,730	$ 131,853	$ 6,911	$ 124,580	$ 362	$ -	$ 362	$ 22,135,117	$ 12,902,715
Business and Agriculture	74,757	17,098	91,855	16,644	54,971	20,240	-	20,240	7,957,858	9,573,858
Corporate Financial Services	80,685	19,921	100,606	(2,060)	27,043	75,623	-	75,623	11,551,023	10,526,934
Investor Services	133	46,944	47,077	-	33,810	13,267	3,051	10,216	147,239	101,577
AltaCorp Capital Inc.	-	-	-	-	-	-	-	-	-	-
Strategic service units	(2,990)	2,955	(35)	-	27,457	(27,492)	15,809	(43,301)	6,857,977	12,411,125
Total	$ 264,708	$ 106,648	$ 371,356	$ 21,495	$ 267,861	$ 82,000	$ 18,860	$ 63,140	$ 48,649,214	$ 45,516,209
Year ended March 31, 2018	$ 1,122,380	$ 460,535	$ 1,582,915	$ 105,006	$ 1,121,699	$ 356,210	$ 81,651	$ 274,559	$ 51,893,091	$ 48,613,935

For the three months ended ($ in thousands)	Net interest income (loss)	Other income (loss)	Operating revenue (loss)	Provision for (recovery	Non-interest expenses	Net (loss) income before tax	Payment in lieu of tax	Net (loss) income	Total Assets	Total liabilities
March 31, 2017										
Retail Financial Services	$ 103,870	$ 23,200	$ 127,070	$ 15,956	$ 122,736	$ (11,622)	$ -	$ (11,622)	$ 21,899,833	$ 12,844,828
Business and Agriculture	69,211	15,794	85,005	43,430	53,271	(11,696)	-	(11,696)	7,809,084	9,396,929
Corporate Financial Services	69,659	18,958	88,617	(13,407)	28,411	73,613	-	73,613	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
AltaCorp Capital Inc.	-	-	-	-	-	-	-	-	-	-
Strategic service units	27,463	(490)	26,973	-	54,592	(27,619)	5,214	(32,833)	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	$ 113,626	$ (4,632)	$ -	$ (4,632)	$ 21,835,942	$ 12,710,709
Business and Agriculture	75,024	16,336	91,360	6,798	52,059	32,503	-	32,503	7,808,903	9,670,770
Corporate Financial Services	82,798	18,781	101,579	(14,727)	25,842	90,464	-	90,464	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
AltaCorp Capital Inc.	-	-	-	-	-	-	-	-	-	-
Strategic service units	(2,307)	(17,785)	(20,092)	-	26,885	(46,977)	16,412	(63,389)	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	$ 111,911	$ (15,260)	$ -	$ (15,260)	$ 21,698,513	$ 12,664,711
Business and Agriculture	72,348	16,914	89,262	22,073	52,320	14,869	-	14,869	7,674,522	9,791,068
Corporate Financial Services	81,930	17,863	99,793	21,589	25,886	52,318	-	52,318	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
AltaCorp Capital Inc.	-	-	-	-	-	-	-	-	-	-
Strategic service units	3,738	6,083	9,821	-	28,599	(18,778)	7,625	(26,403)	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	$ 118,860	$ (6,815)	$ -	$ (6,815)	$ 21,454,412	$ 12,664,861
Business and Agriculture	70,615	15,307	85,922	5,132	52,722	28,068	-	28,068	7,507,938	9,430,849
Corporate Financial Services	81,718	20,595	102,313	68,643	25,501	8,169	-	8,169	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
AltaCorp Capital Inc.	-	-	-	-	-	-	-	-	-	-
Strategic service units	10,679	9,409	20,088	-	27,582	(7,494)	5,044	(12,538)	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

Statement of Responsibility for Financial Reporting

The consolidated financial statements of ATB Financial (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 24, 2018

Dave Mowat
President and Chief Executive Officer
Edmonton, Alberta
May 24, 2018

Bob McGee
Chief Financial Officer and Head of Operations
Edmonton, Alberta
May 24, 2018

Auditor General OF ALBERTA

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, 2018, 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, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]

W. Doug Wylie FCPA, FCMA, ICD.D
Auditor General

May 24, 2018
Edmonton, Alberta

Consolidated Statement of Financial Position

As at March 31			
($ in thousands)	Note	2018	2017
Assets			
Cash resources	6		
Cash		$ 285,527	$ 314,300
Interest-bearing deposits with financial institutions		1,110,848	647,549
		1,396,375	961,849
Securities	7		
Securities measured at fair value through net income		4,760,130	4,984,678
		4,760,130	4,984,678
Securities purchased under reverse repurchase agreements		50,096	450,661
Loans	8		
Business		21,439,814	19,046,406
Residential mortgages		15,750,430	14,947,751
Personal		6,711,755	6,622,936
Credit card		718,065	703,817
		44,620,064	41,320,910
Allowance for loan losses	9	(509,024)	(509,688)
		44,111,040	40,811,222
Other assets			
Derivative financial instruments	10	576,712	450,847
Property and equipment	11	333,092	362,750
Software and other intangibles	12	292,796	274,616
Other assets	13	372,850	250,663
		1,575,450	1,338,876
Total assets		$ 51,893,091	$ 48,547,286
Liabilities and equity			
Liabilities			
Deposits	14		
Personal		$ 13,585,867	$ 13,316,717
Business and other		19,097,906	20,611,043
		32,683,773	33,927,760
		32,683,773	33,927,760
Other liabilities			
Securities sold under repurchase agreements		790,827	-
Wholesale borrowings	21	4,656,469	2,892,336
Collateralized borrowings	15	8,408,453	6,812,660
Derivative financial instruments	10	673,162	339,092
Other liabilities	16	1,070,052	1,083,711
		15,598,963	11,127,799
Subordinated debentures	17	331,199	344,441
Total liabilities		48,613,935	45,400,000
Equity			
Retained earnings		3,453,844	3,179,285
Non-controlling interest	27	3,508	-
Accumulated other comprehensive loss		(178,196)	(31,999)
Total equity		3,279,156	3,147,286
Total liabilities and equity		$ 51,893,091	$ 48,547,286

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

Approved by the board:

Brian Hesje
Chair of the Board

B. James.

Barry James
Chair of the Audit Committee

Consolidated Statement of Income

For the year ended March 31 *($ in thousands)*	Note	2018	2017
Interest income			
Loans		$ 1,660,903	$ 1,566,007
Interest-bearing deposits with financial institutions		8,282	4,436
Securities measured at fair value through net income		49,672	42,329
		1,718,857	1,612,772
Interest expense			
Deposits		369,572	339,768
Wholesale borrowings		72,626	64,537
Collateralized borrowings		144,808	113,466
Subordinated debentures		9,471	10,686
		596,477	528,457
Net interest income		1,122,380	1,084,315
Other income			
Investor Services		186,394	161,402
Service charges		70,741	68,114
Card fees		59,079	56,627
Credit fees		46,864	40,485
Insurance		22,712	18,887
Underwriting fees		15,919	-
Foreign exchange		20,619	8,919
Net gains on derivative financial instruments		24,887	18,311
Net gains on financial instruments at fair value through net income		7,357	11,436
Sundry		5,963	6,715
		460,535	390,896
Operating revenue		1,582,915	1,475,211
Provision for loan losses	9	105,006	234,989
Non-interest expenses			
Salaries and employee benefits	18, 19	589,488	542,290
Data processing		104,759	94,711
Premises and occupancy, including depreciation		91,482	93,841
Professional and consulting costs		72,627	58,933
Deposit guarantee fee	14	41,594	42,778
Equipment, including depreciation		26,114	26,197
Software and other intangibles amortization	12	70,068	58,167
General and administrative		65,037	69,847
ATB agencies		12,092	11,011
Other		48,438	46,629
		1,121,699	1,044,404
Net income before payment in lieu of tax		356,210	195,818
Payment in lieu of tax(1)	20	81,651	45,038
Net income		$ 274,559	$ 150,780
Net income attributable to non-controlling interests	27	$ 1,372	$ -

(1) Included in payment in lieu of taxes is $0.6 million for AltaCorp Capital Inc.'s income taxes.

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)*	2018	2017
Net income	$ 274,559	$ 150,780
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Unrealized net gains on derivative financial instruments designated as cash flow hedges:		
Unrealized net losses arising during the period	(126,679)	(58,766)
Net gains reclassified to net income	(39,704)	(63,099)
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plan liabilities	20,186	8,551
Other comprehensive loss	(146,197)	(113,314)
Comprehensive income	$ 128,362	$ 37,466
Attributable to:		
ATB Financial	$ 126,990	$ 37,466
Non-controlling interests	1,372	-

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)*		2018		2017
Retained earnings				
Balance at beginning of the year	$	3,179,285	$	3,028,505
Net income		274,559		150,780
Balance at end of the year		3,453,844		3,179,285
Non-controlling interest				
Balance at beginning of the year		-		-
Balance at the date of acquisition		2,136		-
Net income attributable to non-controlling interests in subsidiaries		1,372		-
Balance at end of the year		3,508		-
Accumulated other comprehensive loss				
Derivative financial instruments designated as cash flow hedges				
Balance at beginning of the year		40,021		161,886
Other comprehensive loss		(166,383)		(121,865)
Balance at end of the year		(126,362)		40,021
Defined benefit plan liabilities				
Balance at beginning of the year		(72,020)		(80,571)
Other comprehensive income		20,186		8,551
Balance at end of the year		(51,834)		(72,020)
Accumulated other comprehensive loss		(178,196)		(31,999)
Equity	$	3,279,156	$	3,147,286

Consolidated Statement of Cash Flows

For the year ended March 31 *($ in thousands)*	2018	2017
Cash flows from operating activities:		
Net income	$ 274,559	$ 150,780
Adjustments for non-cash and other items:		
Provision for loan losses	105,006	234,989
Depreciation and amortization	130,055	121,062
Net gains on financial instruments at fair value through net income	(7,357)	(11,436)
Adjustments for net changes in operating assets and liabilities:		
Loans	(3,324,362)	(630,195)
Deposits	(1,243,158)	3,064,070
Derivative financial instruments	41,822	(41,049)
Prepayments and other receivables	(14,570)	(29,124)
Due to clients, brokers, and dealers	(1,410)	17,440
Deposit guarantee fee payable	1,751	(25)
Accounts payable and accrued liabilities	(30,818)	(244,141)
Liability for payment in lieu of tax and income taxes	36,398	12,740
Net interest receivable and payable	(4,119)	13,678
Change in accrued pension-benefit liability	(26,241)	(3,548)
Others, net	(139,931)	(22,754)
Net cash (used in) provided by operating activities	(4,202,375)	2,632,487
Cash flows from investing activities:		
Change in securities measured at fair value through net income	217,404	(1,258,498)
Change in securities purchased under reverse repurchase agreements	400,565	(450,661)
Change in interest-bearing deposits with financial institutions	(463,300)	56,768
Purchases and disposals of property and equipment, software, and other intangibles	(118,578)	(109,124)
Net cash provided by (used in) investing activities	36,091	(1,761,515)
Cash flows from financing activities:		
Issuance of wholesale borrowings	9,223,827	3,113,144
Repayment of wholesale borrowings	(7,459,695)	(5,268,552)
Issuance of collateralized borrowings	1,595,794	1,784,649
Repayment of collateralized borrowings	-	(469,757)
Change in securities sold under repurchase agreements	790,827	-
Issuance of subordinated debentures	45,038	32,298
Repayment of subordinated debentures	(58,280)	(59,298)
Net cash provided by (used in) financing activities	4,137,511	(867,516)
Net (decrease) increase in cash	(28,773)	3,456
Cash at beginning of the year	314,300	310,844
Cash at end of the year	285,527	314,300
Net cash (used in) provided by operating activities includes:		
Interest paid	$ (589,814)	$ (522,347)
Interest received	$ 1,708,076	$ 1,620,340

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2018

Note 1 Nature of Operations

ATB Financial (ATB) is an Alberta-based financial services provider engaged in retail and commercial banking, credit cards, digital banking, wealth management, and investment management services. ATB is an agent of the Crown in right of Alberta and operates under the authority of the ATB Financial 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 2(q) and 20.)

Note 2 Significant Accounting Policies

a. General Information

Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and the accounting requirements of the Alberta Superintendent of Financial Institutions. These consolidated financial statements were approved by the board of directors on May 24, 2018.

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 can 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 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

The following wholly owned subsidiaries, created for offering advisory and institutional financial services, were incorporated under the Business Corporations Act (Alberta):

- AltaCorp Capital Inc., incorporated May 17, 2010
- AltaCorp Capital (USA) Inc., incorporated June 21, 2010

Significant Accounting Judgments, Estimates, and Assumptions

In the process of applying ATB's accounting policies, management has exercised judgment and made estimates in determining amounts recognized in the consolidated financial statements. The most significant judgments and estimates include the allowance for loan losses; the fair value of financial instruments; income taxes and deferred taxes; the depreciation of premises and equipment, the amortization of software; and the 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, 2018, provide additional information in the following notes:

- Note 2(c): Financial instruments – fair-value
- Note 2(d): Impairment of financial assets – for establishing allowance for loan losses
- Note 2(q): Income taxes
- 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 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

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 by their characteristics and management's intention 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, when 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 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 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 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
- 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 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 and 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 considered 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 intends and is able 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 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 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 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, 2018, ATB held certain wholesale borrowings 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, certain wholesale borrowings, subordinated debentures, collateralized borrowings, and other liabilities.

c. Financial Instruments – Fair Value

Financial assets and 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.

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, loan assets, deposit obligations, and wholesale borrowings.

ATB's client derivative portfolio is not used to generate trading income through active assumption of market risk, but rather 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 interest income in the same period that the underlying hedged item affects net interest 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 or inducements 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. Where employees have annual contributions over the allowed maximum under the Income Tax Act, ATB provides the employees with a notional supplemental plan (NSP), where excess amounts are allocated. This non-registered plan gives employees 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.

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 by 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 fees associated with account servicing, investment management, credit cards, commitments, placements, underwriting, corporate finance, agencies, brokerages, advisory services, and research 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.

q. Income Taxes

Income tax expense consists of current and deferred taxes related to the operations of AltaCorp Capital Inc. (AltaCorp), ATB's subsidiary, and is recognized in the consolidated statements of income as part of ATB's payment in lieu of tax and comprehensive income.

Current income tax is the expected tax payable or recoverable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or recoverable in respect of previous years.

Deferred income tax, which can result from the carryforward of unused tax losses and credits, is the tax expected to be payable or recoverable on temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income and are measured using rates that are expected to be applied when they reverse.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent it is no longer more likely than not that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

r. Share Purchase Financing

Loans granted to purchase shares in AltaCorp are accounted for as an asset, provided the following criteria are met:

- The loan contains repayment terms and conditions similar to arm's-length market terms;
- The borrower has the ability to repay the loan;
- The borrower is subject to recourse in the event of defaulting on the loan; and
- Management intends to ensure repayment of the loan regardless of AltaCorp's share price.

If a share purchase loan does not meet the above criteria, it is accounted for as a reduction in the share capital of AltaCorp.

s. Business Combinations

Business combinations are accounted for using the acquisition method, which involves recognizing the identifiable assets, including intangible assets not previously recognized by the acquiree, and liabilities, including contingent liabilities, for the acquired business. The assets and liabilities are measured at their fair value on the date of acquisition with any transaction costs taken directly to the Consolidated Statement of Income. Goodwill is recorded if the acquisition cost exceeds the fair value of the identifiable net assets acquired. If the acquisition cost is less than the fair value of the net assets acquired, the fair value is remeasured, with any remaining difference recognized immediately in the Consolidated Statement of Income. Any subsequent fair value changes for contingent liabilities are recognized in the Consolidated Statement of Income.

The non-controlling interest is measured either at its fair value or based on its proportionate share of the identifiable net assets at the acquisition date, with the measurement method applied on a transaction-by-transaction basis.

Note 3 Summary of Accounting Policy Changes

Changes in Accounting Policies and Disclosures

IAS 7 Statement of Cash Flows

On April 1, 2017, ATB adopted the amendments to IAS 7 Statement of Cash Flows that improve the information presented about an entity's financing activities by providing additional disclosure about the change in liabilities arising from financing activities. ATB has separately disclosed issuances and repayments of its financing activities in the Consolidated Statement of Cash Flows.

Future Accounting Policy Changes

IFRS 9 Financial Instruments

In July 2014 the IASB issued the final version of IFRS 9 Financial Instruments, that 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 of financial assets, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The new requirements will be applied through an adjustment to opening retained earnings on our Consolidated Statement of Financial Position on April 1, 2018, the date of initial application, with no restatement to prior-period comparative results. As at March 31, 2018, the current estimates from adopting IFRS 9 is expected to result in an increase of approximately $47 million to retained earnings as at April 1, 2018, and is attributable to the expected credit losses under the new impairment requirements. There is no adjustment to opening retained earnings as a result of adopting the classification and measurement requirements.

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. Applying the contractual cash flow characteristics and business model tests as at April 1, 2018, is expected to result in certain securities previously classified as fair value through net income to be classified as FVOCI based on the assets' business model.

Impairment

Scope

IFRS 9 introduces a new impairment model based on expected credit losses (ECL). The model will apply to all financial assets, which includes financial assets classified at amortized cost, 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. Under the new model, ECL will be recognized in profit or loss before a loss event has occurred, which can result in earlier recognition of credit losses compared to the current model, where impairment losses are recognized only where there is objective evidence of impairment.

Expected Credit Loss Impairment Model

The expected credit losses will be measured at each reporting date based on a three-stage impairment model, and considers 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 and recognized at 12-month expected credit losses and remain at Stage 1.
- A financial asset will move to Stage 2 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 3 when it is credit impaired. In Stage 3, interest income is recognized on the carrying amount of the asset, net of the impairment allowance.

The IFRS 9 Stage 3 population is expected to remain largely consistent with the impaired loans population under IAS 39.

Measurement of Expected Credit Losses

ECLs will be measured as an unbiased, probability-weighted calculation, based on the asset's probability of default (PD), loss given default (LGD), and exposure at default (EAD), discounted to the reporting date. The calculation includes reasonable and supportable information about past events, current conditions, and relevant forward-looking macroeconomic information. In the process, three scenarios, baseline, optimistic and pessimistic, are probability-weighted based on their relative likelihood and are applied in the model calculation. The scenarios are updated quarterly and are subject to review and challenge by the newly established governance committee comprised of members from the economics, risk management, treasury, finance, internal audit, capital, foreign exchange, and energy areas.

Significant Increase in Credit Risk

A significant increase in credit risk will be assessed for both retail and non-retail exposures based on established thresholds for both a percentage and absolute change in credit risk since initial recognition. Retail exposures will be based on the beacon score and 12-month PD since initial recognition, and non-retail exposures will be assessed based on the internal risk rating (borrower risk rating or BRR) since initial recognition. The criteria for assessing significant increases in credit risk for both exposures are defined at the portfolio level and vary based on the exposure at origination. A financial asset can move between the stages, both forwards and backwards, depending on the deterioration or improvement in credit risk. The movement will be recorded in profit or loss and may increase the volatility of the loan loss provision when compared to IAS 39.

Hedge Accounting

IFRS 9 also introduces a new model that aims to simplify hedge accounting, expanding 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 for the annual period beginning April 1, 2018.

IFRS 9 includes an election to remain with the current IAS 39 hedge accounting requirements until IFRS 9 is amended to reflect the macro hedge accounting requirements determined through a separate project. ATB has elected to continue applying the hedge accounting requirements under IAS 39.

Transition

IFRS 9 is effective for ATB's fiscal year beginning on April 1, 2018. ATB established the conditions of and approach to the IFRS 9 compliance project with a comprehensive program that included the finance, risk management, and technology areas. As part of the overall project governance structure, we formed the IFRS 9 steering committee, jointly led by finance and risk management, with members from the technology and project management areas, that monitored the project progress and reviewed and approved approaches for significant issues and decisions. IFRS 9 overview sessions and project updates—including timelines, status of analysis, and documentation and system implementation—were provided to both the audit committee and senior management throughout the project.

The IFRS 9 project implementation plan included the following phases:

- Initiation and planning
- Identification and detailed assessment of key decision points
- Review and assessment of business requirements
- Development of IFRS 9 models
- Design and implementation of the IFRS 9 impairment solution

Significant models for impairment have been reviewed and validated, with the process controls continuing to be identified and developed. Training has been provided, which included an overview of the IFRS 9 project and impairment solution. IFRS 9 transition disclosures have also been completed.

The governance framework was expanded to meet IFRS 9 requirements and included establishing the Alberta economic outlook committee that includes members from the economics, risk management, treasury, finance, internal audit, capital, foreign exchange, and energy areas. The committee's primary responsibilities includes reviewing, challenging and approving the key areas of judgment and assumptions that are used in forecasting multiple macroeconomic scenarios and the related probabilities for determining impairment under IFRS 9.

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, replacing 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 no expected impact to ATB.

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.

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 that 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.

IAS 23 Borrowing Costs

In December 2017, the IASB issued the Annual Improvements to IFRS Standards 2015–2017 Cycle that amends IFRS 3 Business Combinations and IFRS 11 Joint Arrangements, IAS 12 Income Taxes, and IAS 23 Borrowing Costs. The amendment to IAS 23 Borrowing Costs is the only amendment that is applicable to ATB. The amendment clarifies that once an asset is ready for use or sale, any outstanding borrowing costs to obtain the asset are included when calculating the capitalization borrowing rate.

ATB is currently assessing the impact of adopting the interpretation, which will be effective for annual periods beginning on or after January 1, 2019.

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.

IAS 19 Employee Benefits

In February 2018, the IASB issued Plan Amendment, Curtailment or Settlement for IAS 19 Employee Benefits. The amendment clarifies that if a plan amendment, curtailment, or settlement occurs, the calculation of the current service cost and net interest for the period following the remeasurement is based on assumptions used when the plan's net defined liability or asset is remeasured.

ATB is currently assessing the impact of adopting the amendment, which is effective for any plan amendments, curtailments, or settlements occurring in annual periods beginning on or after January 1 2019. Early adoption is permitted, but must be disclosed.

Note 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, 2018

($ 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	$ -	$ -	$ -	$ 285,527	$ -	$ -	$ 285,527	(1)
Interest-bearing deposits with financial institutions	-	1,110,848	-	-	-	-	1,110,848	(1)
Securities	-	4,760,130	-	-	-	-	4,760,130	(1)
Securities purchased under reverse repurchase agreements	-	-	-	50,096	-	-	50,096	(1)
Loans								
Business	-	-	-	21,439,814	-	-	21,439,814	
Residential mortgages	-	-	-	15,750,430	-	-	15,750,430	
Personal	-	-	-	6,711,755	-	-	6,711,755	
Credit card	-	-	-	718,065	-	-	718,065	
Allowance for credit losses	-	-	-	(509,024)	-	-	(509,024)	
	-	-	-	44,111,040	-	-	44,111,040	(2)
Other								
Derivative financial instruments	454,640	-	-	-	-	122,072	576,712	
Other assets	-	-	-	178,405	-	-	178,405	
	454,640	-	-	178,405	-	122,072	755,117	(1)
Financial liabilities								
Deposits								
Personal	-	-	-	-	13,585,867	-	13,585,867	
Business and other	-	-	-	-	19,097,906	-	19,097,906	
	-	-	-	-	32,683,773	-	32,683,773	(3)
Other								
Securities sold under repurchase agreements	-	-	-	-	790,827	-	790,827	(1)
Wholesale borrowings	-	514,980	-	-	4,141,489	-	4,656,469	(4)
Collateralized borrowings	-	-	-	-	8,408,453	-	8,408,453	(5)
Derivative financial instruments	429,232	-	-	-	-	243,930	673,162	(1)
Other liabilities	-	-	-	-	986,370	-	986,370	(1)
	429,232	514,980	-	-	14,327,139	243,930	15,515,281	
Subordinated debentures	-	-	-	-	331,199	-	331,199	(6)

1 Fair value estimated to equal carrying value.

2 Fair value of loans estimated at $45,191,597.

3 Fair value of deposits estimated at $32,305,240.

4 Fair value of wholesale borrowings estimated at $4,640,013.

5 Fair value of collateralized borrowings estimated at $8,379,961.

6 Fair value of subordinated debentures estimated at $334,565.

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 credit 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								
Securities sold under repurchase agreements	-	-	-	-	-	-	-	(1)
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 at $42,532,355.

3 Fair value of deposits estimated at $33,809,451.

4 Fair value of wholesale borrowings estimated at $2,939,481.

5 Fair value of collateralized borrowings estimated at $6,816,598.

6 Fair value of subordinated debentures estimated at $357,211.

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 with 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. For the year ended March 31, 2018 and 2017, there were no transfers of financial instruments between levels 1 and 2 or into and out of level 3.

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, 2018

($ in thousands)	Level 1	Level 2	Level 3	Total
Financial assets				
Interest-bearing deposits with financial institutions				
Designated at fair value through net income	$ -	$ 1,110,848	$ -	$ 1,110,848
Securities				
Designated at fair value through net income	4,737,190	-	22,940	4,760,130
Other assets				
Derivative financial instruments	-	576,712	-	576,712
Total financial assets	$ 4,737,190	$ 1,687,560	$ 22,940	$ 6,447,690
Financial liabilities				
Wholesale borrowings	-	514,980	-	514,980
Other liabilities				
Derivative financial instruments	-	673,162	-	673,162
Total financial liabilities	$ -	$ 1,188,142	$ -	$ 1,188,142

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
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				
Wholesale borrowings	-	-	-	-
Derivative financial instruments	212	338,880	-	339,092
Total financial liabilities	$ 212	$ 338,880	$ -	$ 339,092

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, 2017	**$ -**	**$ 6,272**
Total realized and unrealized gains included in net income	**-**	**4,500**
Total realized and unrealized gains included in other comprehensive income	**-**	**-**
Purchases and issuances	**-**	**12,168**
Sales and settlements	**-**	**-**
Fair value as at March 31, 2018	**$ -**	**$ 22,940**
Change in unrealized gains included in income with respect to financial instruments held as at March 31, 2018	**$ -**	**$ 4,500**

($ 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)

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:

- 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, 2018 ($ 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)	Financial collateral received/ pledged	Net amount
Financial assets						
Securities borrowed or purchased under reverse repurchase agreements	$ 50,096	$ -	$ 50,096	$ -	$ -	$ 50,096
Derivative financial instruments	576,712	-	576,712	387,632	13,973	175,107
Amounts receivable from clients and financial institutions	23,781	-	23,781	14,490	-	9,291
	$ 650,589	$ -	$ 650,589	$ 402,122	$ 13,973	$ 234,494
Financial liabilities						
Securities sold under reverse repurchase agreements	$ 790,827	$ -	$ 790,827	$ -	$ -	$ 790,827
Derivative financial instruments	673,162	-	673,162	387,632	175,892	109,638
Amounts payable to clients and financial institutions	22,625	-	22,625	14,490	-	8,135
	$ 1,486,614	$ -	$ 1,486,614	$ 402,122	$ 175,892	$ 908,600

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)	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						
Securities sold under reverse repurchase agreements	$ -	$ -	$ -	$ -	$ -	$ -
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

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.

Note 5 Financial Instruments – Risk Management

ATB has included certain disclosures required by IFRS 7 in the Risk Management section of the management's discussion and analysis (MD&A) relating to credit, market, and liquidity risks. These risks are an integral part of the 2018 consolidated financial statements.

Note 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 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 with financial institutions 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, 2018, the carrying value of interest-bearing deposits with financial institutions consists of $1,110.8 million (2017: $647.5 million) 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. The deposits are awaiting payment to their respective investors and are held in interest reinvestment accounts in connection with ATB's participation in the Canada Mortgage Bonds program. As at March 31, 2018, the amount of restricted cash is $124.1 million (2017: $103.3 million).

Note 7 Securities

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

As at March 31, 2018 *($ in thousands)*	**Within 1 year**	**1-5 years**	**Over 5 years**	**Total carrying value**
Securities measured at fair value through net income				
Issued or guaranteed by the Canadian federal or provincial government	**$ 2,181,625**	**$ 2,554,603**	**$ -**	**$ 4,736,228**
Other securities	**962**	**22,940**	**-**	**23,902**
Total securities measured at fair value through net income	**2,182,587**	**2,577,543**	**-**	**4,760,130**
Total securities	**$ 2,182,587**	**$ 2,577,543**	**$ -**	**$ 4,760,130**

As at March 31, 2017 *($ in thousands)*	Within 1 year	1-5 years	Over 5 years	Total carrying value
Securities measured at fair value through net income				
Issued or guaranteed by the Canadian federal or provincial government	$ 2,531,366	$ 2,447,040	$ -	$ 4,978,406
Other securities	-	6,272	-	6,272
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

Other Securities

These securities in the current year relate to investments made by AltaCorp and investments made to a broad range of private Alberta companies. There is no observable market price for the investments made to these private Alberta companies as at the balance sheet date. 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 6.0 to 8.0, the weighted average cost of capital of 18.0% to 20.0%, and the EBITDA multiple of 5.8 to 11.5. 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 $2.2 million (2017: $0.7 million). The estimate is also adjusted for the effect of the non-marketability of these investments.

Note 8 Loans

Credit Quality

ATB's loan portfolio consists of the following:

As at March 31, 2018		Allowances assessed		
($ in thousands)	**Gross loans**	**Individually**	**Collectively**	**Net carrying value**
Business	**$ 21,439,814**	**$ 278,927**	**$ 130,107**	**$ 21,030,780**
Residential mortgages	**15,750,430**	**5,732**	**10,129**	**15,734,569**
Personal	**6,711,755**	**22,655**	**37,589**	**6,651,511**
Credit card	**718,065**	**-**	**23,885**	**694,180**
Total	**$ 44,620,064**	**$ 307,314**	**$ 201,710**	**$ 44,111,040**

As at March 31, 2017		Allowances assessed		
($ in thousands)	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

The total net carrying value of the above loans includes those denominated in U.S. funds, totalling $758.7 million as at March 31, 2018 (2017: $766.6 million). As at March 31, 2018, the amount of foreclosed assets held for resale is $14.6 million (2017: $8.9 million).

Loans Past Due

The following loans are 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, 2018	**Residential**					**Percentage of**
($ in thousands)	**mortgages**	**Business**	**Personal**	**Credit card[1]**	**Total**	**total gross loans**
Up to 1 month	**$ 103,071**	**$ 73,192**	**$ 45,361**	**$ 36,252**	**$ 257,876**	**0.58%**
Over 1 month up to 2 months	**111,230**	**172,837**	**57,781**	**10,349**	**352,197**	**0.79%**
Over 2 months up to 3 months	**15,944**	**6,412**	**5,356**	**4,361**	**32,073**	**0.07%**
Over 3 months	**1,308**	**18,571**	**1,764**	**5,583**	**27,226**	**0.06%**
Total past due but not impaired	**$ 231,553**	**$ 271,012**	**$ 110,262**	**$ 56,545**	**$ 669,372**	**1.5%**

As at March 31, 2017	Residential					Percentage of
($ in thousands)	mortgages	Business	Personal	Credit card[1]	Total	total gross loans
Up to 1 month	$ 96,929	$ 315,414	$ 52,355	$ 32,975	$ 497,673	1.2%
Over 1 month up to 2 months	108,176	85,822	45,627	10,441	250,066	0.61%
Over 2 months up to 3 months	16,766	22,832	21,061	4,422	65,081	0.16%
Over 3 months	3,013	21,192	3,050	8,540	35,795	0.09%
Total past due but not impaired	$ 224,884	$ 445,260	$ 122,093	$ 56,378	$ 848,615	2.1%

[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 (or approximately 90 days) are removed from the credit card portfolio and transferred into the applicable impaired loan category.

As at March 31, 2018, $7.4 million (2017: $282.5 million) of the total loans past due up to one month are one day overdue, and no amounts were repaid the next business day (2017: $145.6 million).

Impaired Loans

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

As at March 31, 2018			
($ in thousands)	**Gross impaired loans**	**Allowances individually assessed**	**Net carrying value**
Business	**$ 476,605**	**$ 278,927**	**$ 197,678**
Residential mortgages	**79,190**	**5,732**	**73,458**
Personal	**57,744**	**22,655**	**35,089**
Total	**$ 613,539**	**$ 307,314**	**$ 306,225**

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

Note 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)*		**2018**		2017
Collectively assessed				
Balance at beginning of the year	**$**	**228,588**	$	207,136
(Recovery of) provision for loan losses		**(26,878)**		21,452
Balance at end of the year		**201,710**		228,588
Individually assessed				
Balance at beginning of the year	**$**	**281,100**	$	265,720
Write-offs		**(112,771)**		(197,748)
Recoveries		**16,227**		10,787
Discount of cash flows on impaired loans		**(9,126)**		(11,196)
Provision for loan losses		**131,884**		213,537
Balance at end of the year		**307,314**		281,100
Total	**$**	**509,024**	$	509,688

Note 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 and 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)	2018 Favourable position	2018 Unfavourable position	2017 Favourable position	2017 Unfavourable position
Contracts ineligible for hedge accounting				
Interest rate contracts				
Swaps	$ 29,300	$ (11,202)	$ 18,256	$ (23,875)
Futures	-	-	-	(212)
Other	32,690	(42,340)	36,102	(28,770)
	61,990	(53,542)	54,358	(52,857)
Embedded derivatives				
Market-linked deposits	-	(1,835)	-	(1,835)
	-	(1,835)	-	(1,835)
Foreign-exchange contracts				
Forwards	25,308	(17,907)	11,582	(10,582)
Cross-currency swaps	19,118	(24,362)	65,221	(32,302)
Commodity contracts				
Forwards	348,224	(331,586)	163,448	(148,230)
Total fair-value-ineligible contracts	392,650	(373,855)	240,251	(191,114)
Contracts eligible for hedge accounting				
Interest rate contracts				
Swaps	122,072	(243,930)	156,238	(93,286)
Total fair-value-eligible contracts	122,072	(243,930)	156,238	(93,286)
Total fair value	$ 576,712	$ (673,162)	$ 450,847	$ (339,092)
Less impact of master netting agreements	(387,632)	387,632	(245,607)	245,607
Less impact of financial institution counterparty collateral held / posted	(13,973)	175,892	(126,776)	-
Residual credit exposure on derivatives to ATB	$ 175,107	$ (109,638)	$ 78,464	$ (93,485)

The residual credit exposure presented above includes contracts with financial institutions and client counterparties. For the residual amounts above, $175.2 million (2017: $78.5 million) of the derivative asset and $107.8 million (2017: $57.1 million) of the derivative liability exposure relates to client counterparties.

ATB has recognized an unrealized loss of $3.6 million in profit and loss during the year (2017: unrealized loss of $4.5 million) relating to accounting for ineffectiveness arising from its cash flow hedges.

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

As at March 31, 2018 ($ in thousands)	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	Total
Cash inflows	$ 389,275	$ 334,566	$ 254,567	$ 181,534	$ 94,383	$ 159,856	$ 1,414,181
Cash outflows	(502,754)	(443,222)	(348,812)	(264,785)	(164,206)	(364,912)	(2,088,691)
Net cash flows	$ (113,479)	$ (108,656)	$ (94,245)	$ (83,251)	$ (69,823)	$ (205,056)	$ (674,510)

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)

The non-trading interest rate risk, which is hedged with interest rate swaps, has a maximum maturity of 10 years as at March 31, 2018 (March 31, 2017: 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:

As at March 31, 2018 *($ in thousands)*	**Ineligible for hedge accounting**	**Eligible for hedge accounting**	**Residual term of contract** Within 3 months	3–12 months	1–5 years	Over 5 years	**Total**
Over-the-counter contracts							
Interest rate contracts							
Swaps	**$ 3,601,890**	**$ 19,412,575**	**$ 2,770,293**	**$ 4,088,289**	**$ 12,603,066**	**$ 3,552,817**	**$ 23,014,465**
Other	**2,271,123**	**-**	**97,842**	**409,875**	**1,048,759**	**714,647**	**2,271,123**
Embedded derivatives							
Market-linked deposits	**422,857**	**-**	**-**	**422,840**	**17**	**-**	**422,857**
Foreign-exchange contracts							
Forwards	**3,280,264**	**-**	**2,674,575**	**431,341**	**174,348**	**-**	**3,280,264**
Cross-currency swaps	**1,058,731**	**-**	**-**	**171,497**	**606,994**	**280,240**	**1,058,731**
Commodity contracts							
Forwards	**2,501,998**	**-**	**619,150**	**1,149,115**	**733,733**	**-**	**2,501,998**
Exchange-traded contracts							
Interest rate contracts							
Futures	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**$ 13,136,863**	**$ 19,412,575**	**$ 6,161,860**	**$ 6,672,957**	**$ 15,166,917**	**$ 4,547,704**	**$ 32,549,438**

As at March 31, 2017 *($ in thousands)*	Ineligible for hedge accounting	Eligible for hedge accounting	Residual term of contract 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
Commodity contracts							
Forwards	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

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 $0.02 million as at March 31, 2018 (2017: $0.07 million).

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:

	2018			2017		
As at March 31 *($ in thousands)*	**Replacement cost**	**Credit equivalent amount**	**Risk-adjusted balance**	Replacement cost	Credit equivalent amount	Risk-adjusted balance
Contracts ineligible for hedge accounting						
Interest rate contracts						
Swaps	**$ 29,300**	**$ 36,110**	**$ 7,222**	$ 18,255	$ 23,396	$ 4,679
Other	**32,690**	**39,967**	**15,602**	36,102	42,099	20,487
Foreign-exchange contracts						
Forwards	**25,308**	**46,676**	**14,699**	11,582	26,624	9,226
Cross-currency swaps	**19,118**	**48,827**	**11,998**	65,222	166,967	34,614
Commodity contracts						
Forwards	**348,224**	**480,873**	**176,552**	163,297	289,429	89,741
Contracts eligible for hedge accounting						
Interest rate contracts						
Swaps	**122,072**	**166,647**	**33,329**	156,389	214,404	42,881
Total	**$ 576,712**	**$ 819,100**	**$ 259,402**	$ 450,847	$ 762,919	$ 201,628

Note 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	Equipment under finance lease	Land	Total
Cost										
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
Balance as at April 1, 2017	**$ 237,182**	**$ 85,175**	**$ 101,524**	**$ 78,930**	**$ 2,301**	**$ 9,623**	**$ 246,200**	**$ -**	**$ 7,328**	**$ 768,263**
Acquisitions	**4,195**	**12,466**	**1,267**	**4,737**	**5,879**	**8,789**	**3,456**	**3,919**	**-**	**44,708**
Disposals	**-**	**-**	**-**	**(2,127)**	**(2,345)**	**(9,381)**	**(2,413)**	**-**	**-**	**(16,266)**
Balance as at March 31, 2018	**$ 241,377**	**$ 97,641**	**$ 102,791**	**$ 81,540**	**$ 5,835**	**$ 9,031**	**$ 247,243**	**$ 3,919**	**$ 7,328**	**$ 796,705**
Depreciation										
Balance as at April 1, 2016	$ 130,729	$ 48,185	$ 68,269	$ 49,791	$ -	$ -	$ 79,400	$ -	$ -	$ 376,374
Depreciation for the year	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
Balance as at April 1, 2017	**$ 138,388**	**$ 53,003**	**$ 70,353**	**$ 57,894**	**$ -**	**$ -**	**$ 85,875**	**$ -**	**$ -**	**$ 405,513**
Depreciation for the year	**12,594**	**19,894**	**2,190**	**8,986**	**-**	**-**	**17,776**	**1,198**	**-**	**62,638**
Disposals	**-**	**-**	**-**	**(2,126)**	**-**	**-**	**(2,412)**	**-**	**-**	**(4,538)**
Balance as at March 31, 2018	**$ 150,982**	**$ 72,897**	**$ 72,543**	**$ 64,754**	**$ -**	**$ -**	**$ 101,239**	**$ 1,198**	**$ -**	**$ 463,613**
Carrying amounts										
Balance as at March 31, 2017	$ 98,794	$ 32,172	$ 31,171	$ 21,036	$ 2,301	$ 9,623	$ 160,325	$ -	$ 7,328	$ 362,750
Balance as at March 31, 2018	**$ 90,395**	**$ 24,744**	**$ 30,248**	**$ 16,786**	**$ 5,835**	**$ 9,031**	**$ 146,004**	**$ 2,721**	**$ 7,328**	**$ 333,092**

For the year ended March 31, 2018, depreciation expense charged to the Consolidated Statement of Income for premises and equipment was $62.6 million (2017: $62.9 million). No impairment write-downs were recognized during the year ended March 31, 2018 (2017: nil). A gain of $10.9 million (2017: a loss of $0.05 million) was recognized during the year for the disposal of capital assets.

Note 12 Software and Other Intangibles

($ in thousands)	Purchased software	Software under development	Other intangibles	Total
Cost				
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
Balance as at April 1, 2017	**$ 455,987**	**$ 37,585**	**$ 193**	**$ 493,765**
Acquisitions	**57,369**	**61,118**	**4**	**118,491**
Disposals	**-**	**(32,893)**	**-**	**(32,893)**
Balance as at March 31, 2018	**$ 513,356**	**$ 65,810**	**$ 197**	**$ 579,363**
Accumulated Amortization				
Balance as at April 1, 2016	$ 183,367	$ -	$ -	$ 183,367
Amortization for the year	58,149	-	18	58,167
Disposals	(22,385)	-		(22,385)
Balance as at March 31, 2017	$ 219,131	$ -	$ 18	$ 219,149
Balance as at April 1, 2017	**$ 219,131**	**$ -**	**$ 18**	**$ 219,149**
Amortization for the year	**67,400**	**-**	**18**	**67,418**
Disposals	**-**	**-**	**-**	**-**
Balance as at March 31, 2018	**$ 286,531**	**$ -**	**$ 36**	**$ 286,567**
Carrying amounts				
Balance as at March 31, 2017	$ 236,856	$ 37,585	$ 175	$ 274,616
Balance as at March 31, 2018	**$ 226,825**	**$ 65,810**	**$ 161**	**$ 292,796**

For the year ended March 31, 2018, amortization expense charged to the Consolidated Statement of Income for software and intangibles was $67.4 million (2017: $58.2 million). No impairment write-downs were recognized during the year ended March 31, 2018 (2017: nil).

Note 13 Other Assets

Other assets consist of the following:

As at March 31 *($ in thousands)*	**2018**	2017
Prepaid expenses and other receivables	**$ 194,444**	$ 179,874
Accrued interest receivable	**60,612**	49,835
Other	**117,794**	20,954
Total	**$ 372,850**	$ 250,663

Of the $117.8 million included in other assets is $95.2 million for an amount owed to ATB for a liquidity management product we sold before March 31, 2018 (March 31, 2017: nil), for which we have not received funds.

Note 14 Deposits

Deposit balances consist of the following:

As at March 31, 2018 *($ 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	**$ 8,265,724**	**$ 3,104,840**	**$ 1,333,977**	**$ 456,824**	**$ 132,823**	**$ 291,291**	**$ 388**	**$ 13,585,867**
Business and other	**15,349,278**	**3,156,416**	**327,657**	**111,391**	**41,818**	**37,379**	**73,967**	**19,097,906**
Total	**$ 23,615,002**	**$ 6,261,256**	**$ 1,661,634**	**$ 568,215**	**$ 174,641**	**$ 328,670**	**$ 74,355**	**$ 32,683,773**

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

The total deposits presented above include $1.2 billion (2017: $1.4 billion) denominated in U.S. funds.

As at March 31, 2018, deposits by various departments and agencies of the Government of Alberta included in the preceding schedule totalled $61.9 million (2017: $108.9 million).

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, 2018, the fee was $49.4 million (2017: $47.6 million), with $41.6 million (2017: $42.8 million) recorded to non-interest expenses for deposits and the remainder to net interest income for wholesale borrowings.

Note 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 associated CMB collateralized borrowing liabilities. Accordingly, these swaps are recognized on an accrual basis and not fair valued through ATB's Consolidated Statement of Income. The notional amount of these swaps as at March 31, 2018, is $7.8 billion (2017: $6.4 billion).

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.

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)*	**2018**	2017
Principal value of mortgages pledged as collateral	**$ 6,947,936**	$ 6,099,603
ATB mortgage-backed securities pledged as collateral through repurchase agreements	**983,153**	365,706
Principal value of credit card receivables pledged as collateral	**620,851**	606,544
Total	**$ 8,551,940**	$ 7,071,853
Associated liabilities	**$ 8,408,453**	$ 6,812,660

Note 16 Other Liabilities

Other liabilities consist of the following:

As at March 31 *($ in thousands)*	Note	**2018**	2017
Accounts payable and accrued liabilities		**$ 632,390**	$ 667,804
Accrued interest payable		**110,287**	103,627
Payment in lieu of tax and income taxes payable	20	**81,436**	45,038
Due to clients, brokers, and dealers		**74,363**	75,773
Accrued pension-benefit liability	19	**63,045**	89,286
Achievement notes	24	**59,152**	54,555
Deposit guarantee fee payable		**49,379**	47,628
Total		**$ 1,070,052**	$ 1,083,711

Note 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	2018	2017
June 30, 2017	3.3%	**$ -**	$ 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**	32,298
June 30, 2022	1.6%	**45,038**	-
Total		**$ 331,199**	$ 344,441

Note 18 Salaries and Benefits

The following table discloses the amounts earned by board members and key senior executives in the year ended March 31, 2018:

	2018								2017	2016
($ in thousands)	**Base salary [1]**	**Incentive plan Short-term [2]**	**Incentive plan Long-term [3]**	**Other cash benefits [4]**	**Other non-cash benefits [5]**	**Sub-total**	**Retirement and other post-employment benefits [6]**	**Total**	Total	Total
Brian Hesje										
Chair of the Board	**$ 70**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 70**	**$ -**	**$ 70**	$ 63	$ 62
Board members [7]	**464**	**-**	**-**	**-**	**-**	**464**	**-**	**464**	410	383
Dave Mowat [8]										
President and Chief Executive Officer	**500**	**875**	**811**	**22**	**14**	**2,222**	**2,899**	**5,121**	1,587	3,671
Curtis Stange [9]										
Chief Customer Officer	**350**	**510**	**526**	**15**	**12**	**1,413**	**76**	**1,489**	1,125	1,054
Robert McGee [9]										
Chief Financial Officer and Head of Operations	**375**	**410**	**533**	**16**	**13**	**1,347**	**74**	**1,421**	1,102	866
Wellington Holbrook [9]										
Chief Transformation Officer	**325**	**474**	**492**	**1**	**14**	**1,306**	**73**	**1,380**	1,003	973
Chris Turchansky										
President, Investor Services	**289**	**277**	**293**	**6**	**21**	**886**	**64**	**950**	814	733
Robert Bennett										
Executive Vice-President, Retail Financial Services	**289**	**252**	**303**	**12**	**22**	**878**	**47**	**925**	826	807
Lorne Rubis [9]										
Chief Evangelist	**290**	**187**	**334**	**-**	**20**	**831**	**58**	**889**	777	789
Teresa Clouston [9]										
Executive Vice-President, Business and Agriculture	**250**	**232**	**229**	**14**	**17**	**742**	**50**	**793**	400	-
Peggy Garritty										
Chief Reputation and Brand Officer	**275**	**180**	**304**	**15**	**10**	**784**	**51**	**835**	710	676
Lisa McDonald										
Chief Risk Officer	**250**	**164**	**250**	**14**	**14**	**692**	**36**	**728**	-	-
Elizabeth Stretch [9]										
Chief People Officer	**250**	**161**	**248**	**17**	**12**	**688**	**43**	**731**	208	-
Tim Gillespie										
Executive Vice-President, Corporate Financial Services	**233**	**162**	**197**	**22**	**20**	**634**	**31**	**665**	302	-

[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 includes the grant awarded for the year and the appreciation for the year, applied to maturing grants. Payment of the year's grant is deferred for up to three years and will include appreciation or depreciation annually based on ATB's long-term risk adjusted return on capital (RAROC) performance and depends on the employee's continued employment with ATB.

[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, 2018.

[7] The board consists of 13 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] A reorganization occurred in September 2016. A number of senior executives changed positions and four executives were added to the team.

Retirement and Other Post-Employment Benefits (OPEB)

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.)

	2018					2017	2016
($ in thousands)	**Registered plan service cost**	**Supplemental and other post-employment benefit service costs [1]**	**Notional plan service costs**	**Interest and costs [2]**	**Total**	Total	Total
Dave Mowat [3]							
President and Chief Executive Officer	**$ -**	**$ 438**	**$ -**	**$ 2,461**	**$ 2,899**	$ (532)	$ 1,776
Curtis Stange							
Chief Customer Officer	**6**	**62**	**8**	**-**	**76**	77	70
Robert McGee							
Chief Financial Officer and Head of Operations	**6**	**65**	**3**	**-**	**74**	67	27
Wellington Holbrook							
Chief Transformation Officer	**6**	**60**	**7**	**-**	**73**	75	71
Chris Turchansky							
President, Investor Services	**7**	**50**	**7**	**-**	**64**	65	60
Robert Bennett							
Executive Vice-President, Retail Financial Services	**6**	**35**	**6**	**-**	**47**	45	59
Lorne Rubis							
Chief Evangelist	**9**	**43**	**6**	**-**	**58**	60	56
Teresa Clouston							

Executive Vice-President, Business and Agriculture	**10**	**39**	**1**	**-**	**50**	18	-
Peggy Garritty							
Chief Reputation and Brand Officer	**10**	**38**	**3**	**-**	**51**	49	34
Lisa McDonald							
Chief Risk Officer	**15**	**20**	**1**	**-**	**36**	-	-
Elizabeth Stretch							
Chief People Officer	**13**	**28**	**2**	**-**	**43**	13	-
Tim Gillespie							
Executive Vice-President, Corporate Financial Services	**12**	**17**	**2**	**-**	**31**	11	-

[1] As the SRP and the OPEB provided are unfunded obligations and 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, 2018, 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.

The accrued SRP and OPEB obligation for each executive is as follows:(1)

($ in thousands)	Accrued obligation March 31, 2017	Change in accrued obligation	**Accrued obligation March 31, 2018**
Dave Mowat (1)			
President and Chief Executive Officer	$ 9,329	$ (9,329)	**$ -**

[1] For the president and chief executive officer, the change in the accrued obligation is primarily a result of being paid his entitled SPP pension benefits as a lump sum during the fiscal year upon his retirement.

Note 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, 2018, 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 amended the ATB Plan to change the annual contributions in the DC component effective January 1, 2015, and to close the DB component to 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. Since 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.

Since June 27, 2014, any promotion to management positions joins the plan under the DC provision and any pension benefit earned in the PSPP is 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, currency, interest rate, and market risks. ATB, in conjunction with the human resources and retirement committees, 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	**2018**		
($ in thousands)	**Registered plan**	**Supplemental and other**	**ATB's share of PSPP**
Active	**$ 163,635**	**$ 2,185**	**$ 141,521**
Deferred	**21,987**	**952**	**38,103**
Pensioners and beneficiaries	**230,853**	**6,474**	**133,035**
Total defined benefit obligation	**$ 416,475**	**$ 9,611**	**$ 312,659**

As at March 31	2017		
($ in thousands)	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

Breakdown of Plan Assets

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

	2018		2017	
As at March 31 *($ in thousands)*	**Non-quoted on an active market**	**Quoted on an active market**	Non-quoted on an active market	Quoted on an active market
Bonds				
Provinces, municipal corporations, and other public administrations	**$ -**	**$ 84**	$ -	$ 89
Other issuers	**-**	**311,215**	-	249,467
Shares	**-**	**117,165**	-	170,600
Cash and money market securities	**-**	**2,930**	-	(442)
Total fair value of plan assets	**$ -**	**$ 431,394**	$ -	$ 419,714

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 with 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, 2018, total cash paid or payable for employee benefits—cash contributed by ATB for 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 $56.8 million (2017: $44.2 million).

Contributions expected during the upcoming year are $6.4 million (2017: $4.5 million) for the DB portion of the ATB plan, $0.4 million (2017: $0.4 million) for the unfunded SRP and CPS, and $12.3 million (2017: $14.3 million) for the PSPP.

Pension Plan Obligation Maturity Profile

For 2018, the weighted-average financial duration of the main group plans was approximately 16 years (2017: 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, and the notional supplemental plan (NSP) consist of the following:

As at March 31				
($ in thousands)		**2018**		2017
Registered plan				
Fair value of plan assets	**$**	**431,394**	$	419,714
Projected benefit obligation		**(416,475)**		(411,472)
Net pension-benefit asset(1)	**$**	**14,919**	$	8,242
Supplemental and other				
Unfunded projected benefit obligation, representing the plan funding deficit	**$**	**(9,611)**	$	(19,203)
Net pension-benefit liability(1)	**$**	**(9,611)**	$	(19,203)
ATB's share of PSPP				
Fair value of plan assets	**$**	**250,046**	$	226,682
Projected benefit obligation		**(312,659)**		(301,618)
Net pension-benefit liability(1)	**$**	**(62,613)**	$	(74,936)
Notional supplemental plan liability	**$**	**(5,740)**	$	(3,389)
Total net pension-benefit liability(1) (2)	**$**	**(63,045)**	$	(89,286)

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	Registered plan				Supplemental and other				ATB's share of PSPP			
($ in thousands)		**2018**		2017		**2018**		2017		**2018**		2017
Actuarial (gain) loss on plan assets	**$**	**(10,408)**	$	(13,199)	**$**	**-**	$	-	**$**	**(10,225)**	$	4,490
Effect of changes in demographic assumptions		**-**		-		**-**		(236)		**-**		-
Effect of changes in financial assumptions		**6,107**		1,337		**255**		468		**8,003**		4,151
Experience loss (gain) on plan liabilities		**(973)**		16,422		**(278)**		196		**(12,667)**		(22,180)
Amount recognized in other comprehensive loss	**$**	**(5,274)**	$	4,560	**$**	**(23)**	$	428	**$**	**(14,889)**	$	(13,539)
Beginning balance, accumulated other comprehensive loss		**67,177**		62,617		**4,678**		4,250		**165**		13,704
Ending balance, accumulated other comprehensive loss (income)	**$**	**61,903**	$	67,177	**$**	**4,655**	$	4,678	**$**	**(14,724)**	$	165

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	Registered plan		Supplemental and other		ATB's share of PSPP	
($ in thousands)	**2018**	2017	**2018**	2017	**2018**	2017
Change in fair value of plan assets						
Fair value of plan assets at beginning of the year	**$ 419,714**	$ 405,546	**$ -**	$ -	**$ 226,682**	$ 218,832
Contributions from ATB	**2,162**	3,083	**12,661**	2,785	**13,492**	13,756
Contributions from employees	**-**	262	**-**	-	**-**	-
Interest income	**15,753**	15,614	**-**	-	**8,708**	8,643
Actuarial gain (loss) on plan assets	**10,291**	13,892	**-**	-	**10,225**	(4,490)
Benefits paid	**(15,507)**	(16,870)	**(12,661)**	(2,785)	**(9,061)**	(10,059)
Actual plan expenses	**(1,019)**	(1,813)	**-**	-	**-**	-
Fair value of plan assets at end of the year	**$ 431,394**	$ 419,714	**$ -**	$ -	**$ 250,046**	$ 226,682
Change in defined benefit obligation						
Projected benefit obligation at beginning of the year	**$ 411,472**	$ 394,472	**$ 19,203**	$ 16,804	**$ 301,618**	$ 304,511
Effect of changes in demographic assumptions	**-**	-	**-**	(236)	**-**	-
Effect of changes in financial assumptions	**6,107**	1,337	**255**	468	**8,003**	4,151
Experience (gain) loss on plan liabilities	**(973)**	16,422	**(278)**	196	**(12,667)**	(22,180)
Current-service costs	**-**	729	**438**	761	**13,481**	13,501
Contributions from employees	**-**	262	**-**	-	**-**	-
Past-service costs	**-**	-	**3,150**	3,345	**-**	-
(Gain)/loss on settlements	**-**	-	**(1,030)**	-	**-**	-
Interest expense	**15,376**	15,120	**534**	650	**11,285**	11,694
Benefits paid	**(15,507)**	(16,870)	**(12,661)**	(2,785)	**(9,061)**	(10,059)
Defined benefit obligation at end of the year	**$ 416,475**	$ 411,472	**$ 9,611**	$ 19,203	**$ 312,659**	$ 301,618
Net pension-benefit asset (liability)	**$ 14,919**	$ 8,242	**$ (9,611)**	$ (19,203)	**$ (62,613)**	$ (74,936)

Defined-Benefit Pension Expense

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

As at March 31	Registered plan		Supplemental and other		ATB's share of PSPP	
($ in thousands)	**2018**	2017	**2018**	2017	**2018**	2017
Current-service costs	**$ -**	$ 729	**$ 438**	$ 761	**$ 13,481**	$ 13,501
Past-service costs	**-**	-	**3,150**	3,345	**-**	-
(Gain)/loss on settlements	**-**	-	**(1,030)**	-	**-**	-
Interest expense	**15,376**	15,120	**534**	650	**11,285**	11,694
Interest income	**(15,753)**	(15,614)	**-**	-	**(8,708)**	(8,643)
Administrative expenses and taxes	**1,136**	1,120	**-**	-	**-**	-
Net pension-benefit expense recognized	**$ 759**	$ 1,355	**$ 3,092**	$ 4,756	**$ 16,058**	$ 16,552

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	
	2018	2017	**2018**	2017	**2018**	2017
Accrued benefit obligation as at March 31						
Discount rate at end of the year	**3.6%**	3.8%	**3.6%**	3.8%	**3.6%**	3.8%
Rate of compensation increase(1)	**-**	3.8%	**-**	3.8%	**3.3%**	3.8%
Defined benefit expense for the year ended March 31						
Discount rate at beginning of the year	**3.8%**	3.9%	**3.8%**	3.9%	**3.8%**	3.9%
Rate of compensation increase(1)	**-**	3.8%	**-**	3.8%	**3.5%**	3.8%
ATB's share of PSPP contributions	**-**	-	**-**	-	**3.7%**	3.7%

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, 2018, and the related expense for the year then ended:

As at March 31, 2018		Registered plan		Supplemental and other		ATB's share of the PSPP	
($ in thousands)		**Benefit obligation**	**Benefit expense**	**Benefit obligation**	**Benefit expense**	**Benefit obligation**	**Benefit expense**
Discount rate							
Impact of:	1.0% increase	**$ (56,364)**	**$ (2,767)**	**$ (1,097)**	**$ 40**	**$ (44,813)**	**$ (3,983)**
	1.0% decrease	**71,993**	**2,048**	**1,342**	**(55)**	**44,813**	**3,087**
Inflation rate							
Impact of:	1.0% increase	**38,114**	**1,372**	**19**	**-**	**23,847**	**2,156**
	1.0% decrease	**(33,631)**	**(1,210)**	**(18)**	**(1)**	**(23,947)**	**(2,156)**
Rate of compensation increase							
Impact of:	0.25% increase	**2,074**	**75**	**88**	**3**	**7,272**	**977**
	0.25% decrease	**(2,013)**	**(72)**	**(78)**	**(3)**	**(7,272)**	**(977)**
Mortality							
Impact of:	10.0% increase	**(7,434)**	**(267)**	**(152)**	**(6)**	**N/A(1)**	**N/A(1)**
	10.0% decrease	**8,157**	**294**	**168**	**7**	**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.

Note 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, 2018, ATB accrued a total of $81.1 million (2017: $45.0 million) for payment in lieu of tax. The amount outstanding as at March 31, 2017, was settled on June 30, 2017, 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.)

Included in ATB's payment in lieu of tax are income taxes relating to AltaCorp with the provision varying from what is calculated by applying the combined statutory Canadian federal and provincial income tax rate:

As at March 31, 2018 *($ in thousands)*		
Statutory income tax rate		**27%**
Expected income tax expense	**$**	**1,008**
Effect of:		
Small business deduction		**(484)**
Non-allowable expenses		**64**
Total income tax expense	**$**	**588**
Current income tax expense	**$**	**835**
Deferred income tax recovery		**(247)**
Total income tax expense	**$**	**588**

The components of the deferred income tax asset and liability are as follows:

As at March 31, 2018 *($ in thousands)*		
Deferred income tax asset:		
Non-capital loss carryforwards	**$**	**231**
Deferred leasehold inducement		**109**
Start-up costs		**2**
Donations		**-**
Deferred income tax liability:		
Property and equipment		**(100)**
Share issuance costs		**5**
Net deferred income tax asset	**$**	**247**

Note 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.) 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, 2018, are nil (2017: nil) and $0.5 million (2017: $0.5 million), respectively.

During the year, ATB leased certain premises from the Government of Alberta. For the year ended March 31, 2018, the total of these payments was $0.4 million (2017: $0.3 million). 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, 2018, wholesale borrowings were $4.7 billion (2017: $2.9 billion) payable to the Minister.

Key management personnel are defined as those 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, except for banking products and services for key management personnel that are subject to approved guidelines governing all employees. As at March 31, 2018, $8.3 million (2017: $6.7 million) in loans were outstanding. Key management personnel have deposits provided at standard market rates. As at March 31, 2018, $0.6 million (2017: $0.9 million) 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, 2018, $2.8 million (2017: $2.5 million) in achievement notes were outstanding to this group. No termination payments (2017: $1.4 million) were made to key management personnel during the year.

Note 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 as some asset or service) 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 $15.7 billion (2017: $14.6 billion). 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)*		**2018**		2017
Loan guarantees and standby letters of credit	**$**	**564,130**	$	541,237
Commitments to extend credit		**19,584,772**		18,716,044
Total	**$**	**20,148,902**	$	19,257,281

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)		**2018**		2017
Assets pledged to:				
Bank of Canada	**$**	**413,379**	$	399,419
Clearing and Depository Services Inc.		**16,000**		16,000
Total	**$**	**429,379**	$	415,419

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 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)		**2018**		2017
2018	**$**	**-**	$	52,553
2019		**58,733**		38,270
2020		**33,650**		30,931
2021		**21,883**		23,178
2022		**15,749**		17,735
2023		**13,558**		14,160
Thereafter		**70,599**		80,448
Total	**$**	**214,172**	$	257,275

The total expense for premises and equipment operating leases charged to the Consolidated Statement of Income for the year ended March 31, 2018, is $5.3 million (2017: $5.2 million).

Finance Lease Commitments

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

As at March 31 *($ in thousands)*	**2018**	2017
Future minimum lease payments:		
Not later than 1 year	**$ 30,496**	$ 28,339
Later than 1 year but not later than 5 years	**114,721**	118,254
Later than 5 years	**158,224**	181,624
Total future minimum lease payments	**303,441**	328,217
Less finance charges not yet due	**93,624**	108,178
Present value of finance lease commitments	**$ 209,817**	$ 220,039

Note 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:

	Term to maturity/repricing								
As at March 31, 2018 *($ in millions)*	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
Assets									
Cash resources and securities	$ -	$ 5,888,526	$ 5,888,526	$ -	$ 5,888,526	$ -	$ -	$ 318,075	$ 6,206,601
Loans	6,466,927	19,262,262	25,729,189	4,559,754	30,288,943	13,157,061	767,150	(102,114)	44,111,040
Other assets	-	-	-	-	-	-	-	1,575,450	1,575,450
Derivative financial instruments[1]	-	-	7,924,275	1,555,000	9,479,275	7,027,300	2,906,000	-	19,412,575
Total	$ 6,466,927	$ 25,150,788	$ 39,541,990	$ 6,114,754	$ 45,656,744	$ 20,184,361	$ 3,673,150	$ 1,791,411	$ 71,305,666
Liabilities and equity									
Deposits	16,108,635	411,457	16,520,092	5,268,982	21,789,074	2,914,547	199	7,979,953	32,683,773
Securities sold under repurchase agreements	790,827	-	790,827	-	790,827	-	-	-	790,827
Wholesale borrowings	2,051,515	-	2,051,515	925,000	2,976,515	400,000	1,300,000	(20,046)	4,656,469
Collateralized borrowings	341,780	1,768,992	2,110,772	483,382	2,594,154	3,339,161	2,477,046	(1,908)	8,408,453
Other liabilities	74,503	-	74,503	-	74,503	-	-	1,668,711	1,743,214
Subordinated debentures	73,122	-	73,122	-	73,122	258,077	-	-	331,199
Equity	-	-	-	-	-	-	-	3,279,156	3,279,156
Derivative financial instruments[1]	-	-	13,620,700	1,350,000	14,970,700	4,126,875	315,000	-	19,412,575
Total	$ 19,440,382	$ 2,180,449	$ 35,241,531	$ 8,027,364	$ 43,268,895	$ 11,038,660	$ 4,092,245	$ 12,905,866	$ 71,305,666
Interest-rate-sensitive gap	$ (12,973,455)	$ 22,970,339	$ 4,300,459	$ (1,912,610)	$ 2,387,849	$ 9,145,701	$ (419,095)	$ (11,114,455)	
as percentage of assets	(18.2%)	32.2%	6.0%	(2.7%)	3.3%	12.8%	(0.59%)	(15.6%)	

[1] Derivative financial instruments are included in this table at the notional amount.

	Term to maturity/repricing								
As at March 31, 2017 *($ in thousands)*	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
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
Securities sold under repurchase agreements	-	-	-	-	-	-	-	-	-
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 this table 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:

As at March 31, 2018	**Within 3 months**	**3–12 months**	**Total within 1 year**	**1–5 years**	**Over 5 years**	**Total**
Total assets	**3.3%**	**2.7%**	**3.2%**	**2.8%**	**2.5%**	**3.0%**
Total liabilities and equity	**1.4%**	**1.3%**	**1.4%**	**1.2%**	**2.3%**	**1.4%**
Interest-rate-sensitive gap	**1.9%**	**1.4%**	**1.8%**	**1.6%**	**0.2%**	**1.6%**

As at March 31, 2017	Within 3 months	3–12 months	Total within 1 year	1–5 years	Over 5 years	Total
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%

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)*	**2018**	2017
Impact on net earnings in succeeding year from:		
Increase in interest rates of:		
100 basis points	**$ 39,371**	$ 41,067
200 basis points	**76,137**	79,812
Decrease in interest rates of:		
100 basis points(1)	**(48,732)**	(36,141)
200 basis points(1)	**(105,026)**	(33,853)

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 $74.0 million and $126.9 million, respectively.

Note 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 Investor Services (ATBIS) executives]
- Receive cash distributions, if any, based on the formula set out in the note

Upon an employee's termination, a 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 $3.2 million (2017: $2.7 million) of these notes, which are recorded in other liabilities in the Consolidated Statement of Financial Position. During the current year, $2.6 million (2017: $14.8 million) of the notes were redeemed. An expense of $2.1 million (2017: $4.6 million income) 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, 2018. As at March 31, 2018, the liability for these notes was $59.2 million (2017: $54.6 million). During the year, $0.8 million (2017: $3.1 million) in distribution payments were accrued for payment to achievement note holders.

Note 25 Capital Management

ATB measures and reports capital adequacy to ensure we meet the minimum levels set out by our regulator, the Alberta Superintendent of Financial Institutions, while supporting the continued growth of our business.

As a Crown corporation, ATB and its subsidiaries operate under a regulatory framework established pursuant to the ATB 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 capital was made available to ATB. This amount reduces by 25% of net income each quarter. Effective April 1, 2017, software and other intangibles was deducted from total capital.

As at March 31, 2018, 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)*		**2018**		2017
Tier 1 capital				
Retained earnings	**$**	**3,453,844**	$	3,179,285
Tier 2 capital				
Eligible portions of:				
Subordinated debentures		**111,193**		132,395
Wholesale borrowings		**1,420,000**		1,300,000
Collective allowance for loan losses		**201,710**		228,588
Notional capital		**148,977**		217,617
Total Tier 2 capital		**1,881,880**		1,878,600
Deductions from capital				
Software and other intangibles		**292,796**		-
Total capital	**$**	**5,042,928**	$	5,057,885
Total risk-weighted assets	**$**	**35,381,827**	$	32,985,934
Risk-weighted capital ratios				
Tier 1 capital ratio		**9.8%**		9.6%
Total capital ratio		**14.3%**		15.3%

Note 26 Shares

ATB's subsidiary, AltaCorp Capital Inc., issues share capital as follows:

(a) Authorized:

Unlimited number of Class A voting common shares without nominal or par value;

Unlimited number of Class B non-voting common shares without nominal or par value

(b) Issued:

(in thousands)	**Shares**	**Value**
Class A shares		
Balance, as at January 2, 2018	**3,386**	$ **4,414**
Shares issued during the year	**-**	**-**
Balance, as at March 31, 2018	**3,386**	$ **4,414**

(in thousands)	**Shares**	**Value**
Class B shares		
Balance, as at January 2, 2018	**2,574**	$ **281**
Shares issued during the year	**-**	**-**
Shares repurchased during the year	**(5)**	**(2)**
Share purchase loan	**-**	**4**
Balance, as at March 31, 2018	**2,569**	$ **283**

Note 27 Business Combinations

Significant Acquisitions

On January 2, 2018, ATB acquired 100% of the voting shares of AltaCorp Capital Inc. (AltaCorp), a full-service brokerage firm that provides advisory and institutional financial services. The acquisition, which required no cash consideration, was made possible by AltaCorp repurchasing and extinguishing the remaining outstanding voting shares. Effectively, ATB's total ownership in AltaCorp increased from 29.7% to 56.8% and has been accounted for using the acquisition method.

See note 28 for the operating revenue and net income earned by AltaCorp since acquisition. No acquisition related costs were incurred. ATB expects the full amount of the acquired receivables to be collected.

The following table summarizes the assets acquired and liabilities assumed on the date of acquisition based on the finalized purchase price allocation, with the fair values measured on observable market inputs, which includes recent market transactions of comparable companies:

As at January 2, 2018

($ in thousands)

Assets acquired		
Cash and cash equivalents	**$**	**3,770**
Securities		**20,332**
Property and equipment		**964**
Other assets		**7,359**
Less liabilities assumed		
Other liabilities		**17,085**
Subordinated debt		**10,000**
Non-controlling interest		**2,136**
Total net assets acquired	**$**	**3,204**

Non-Controlling Interests

The following tables summarizes the information relating to ATB's non-controlling interests (NCI):

As at March 31, 2018

($ in thousands)

NCI percentage		**43.2%**
Net assets	**$**	**3,177**
Net assets attributable to NCI		**1,372**
Operating revenue		**15,829**
Net income		**3,177**
Other comprehensive income		**-**
Total comprehensive income		**3,177**
Net income allocated to NCI		**1,372**
OCI allocated to NCI		**-**
Cash flows from operating activities		**11**
Cash flows from investing activities		**(14)**
Cash flows from financing activities		**49**
Net increase (decrease) in cash and cash equivalents	**$**	**46**

Note 28 Segmented Information

ATB has organized its operations and activities around the following five areas of expertise that differ in products and services offered:

- 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.
- AltaCorp Capital Inc. provides advisory and institutional financial services, including corporate mergers and acquisitions, equity financings, debt capital markets, acquisitions and divestitures, equity research, sales and trading, market making, and private wealth management.

The strategic service units comprise business units of a corporate nature, such as investment, risk management, and treasury operations, as well as expenses 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 provision for loan losses are allocated based on the individual underlying impaired loan balances, and collectively assessed provision 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	AltaCorp Capital Inc.	Total
March 31, 2018							
Net interest income (loss)	**$ 455,801**	**$ 314,049**	**$ 329,465**	**$ 702**	**$ 22,425**	**$ (62)**	**$ 1,122,380**
Other income	**87,022**	**78,460**	**74,529**	**194,314**	**10,319**	**15,891**	**460,535**
Total operating revenue	**542,823**	**392,509**	**403,994**	**195,016**	**32,744**	**15,829**	**1,582,915**
Provision for loan losses	**24,211**	**27,093**	**53,702**	**-**	**-**	**-**	**105,006**
Non-interest expenses	**506,289**	**224,709**	**110,613**	**143,631**	**124,393**	**12,064**	**1,121,699**
Income (loss) before payment in lieu of tax	**12,323**	**140,707**	**239,679**	**51,385**	**(91,649)**	**3,765**	**356,210**
Payment in lieu of tax	**-**	**-**	**-**	**11,819**	**69,244**	**588**	**81,651**
Net income (loss)	**$ 12,323**	**$ 140,707**	**$ 239,679**	**$ 39,566**	**$ (160,893)**	**$ 3,177**	**$ 274,559**
Total assets	**$ 22,786,823**	**$ 8,576,908**	**$ 12,680,946**	**$ 168,706**	**$ 7,669,444**	**$ 10,264**	**$ 51,893,091**
Total liabilities	**$ 12,925,048**	**$ 9,320,768**	**$ 9,460,114**	**$ 121,694**	**$ 16,779,224**	**$ 7,087**	**$ 48,613,935**
March 31, 2017							
Net interest income	$ 440,980	$ 287,198	$ 316,105	$ 459	$ 39,573	$	
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	467,133	210,372	105,640	123,601	137,658	-	1,044,404
(Loss) income before payment in lieu of tax	(38,329)	63,744	224,564	46,707	(100,868)	-	195,818
Payment in lieu of tax	-	-	-	10,743	34,295	-	45,038
Net (loss) income	$ (38,329)	$ 63,744	$ 224,564	$ 35,964	$ (135,163)	$ -	$ 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

Note 29 Comparative Amounts

Certain comparative amounts have been reclassified to conform to the current period's presentation.