

cometogether





ATB Financial, with \$27.4 billion in assets, is the largest Alberta-based deposit-taking financial institution. We offer retail financial services, independent business and agriculture financial services, corporate financial services, and investor services.

Our over 5,300 associates provide financial products and services to more than 680,000 Albertans in 242 Alberta communities through a distribution network of 167 branches and 130 agencies, telephone and Internet banking, a Customer Contact Centre, and automated banking machines. A full range of wealth management products and services are provided under the banner of ATB Investor Services. ATB Financial was established in 1938 as Province of Alberta Treasury Branches and has been a provincial Crown corporation since 1997. ATB is focused on Albertans, and operates among the myriad of other Canadian financial institutions that conduct business in the province.

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Since 1938, ATB Financial has been connecting with people on multiple levels. We bring people together with technology. We connect associates with exciting community projects. We connect our customers with the resources they need to achieve their dreams.

Most importantly, we connect with people as people. When we come together, it's not just as customer and branch manager, but as two Albertans and two members of a like-minded community. We connect because we share the same beliefs, experiences, and challenges.

That deep level of connection crosses boundaries and allows us to make amazing things happen. In the last year, we've seen business and community come together to raise funds for important causes. We've seen the passion and purpose of our associates combine to provide value, advice, and

solutions to our customers. That same passion and purpose drives our associates to volunteer, climb mountains, and play important roles in the communities across the province. We've helped connect financing with the future, journeys with destinations, and dreams with reality.

We've also launched ATB Connect, an innovative technological platform that gives investors in rural communities equal access to investment expertise. Technology is a big part of how we bring people together, and it will become more important in the years to come.

Henry Ford once said that coming together is a beginning while working together is success. At ATB, we know that coming together is the crucial act that allows us to do great things—as individuals, as an organization, as communities, and as a province.

Message From Our Chairman of the Board, Bob Splane

This year's annual report theme, Come Together, reminds me of my five years of watching the ATB Board and associates bring ideas and resources together to enhance our future.

Five years ago, when I accepted the position of Chair, I was given a mandate from our owner, the Province of Alberta. I was asked to see that the Board select a progressive, visionary CEO to replace CEO Bob Normand, who was about to retire. The owner requested renewal of and more diversity on the Board. I was also asked to revitalize the small business and agriculture line of business, and to work with the Board to reengineer ATB's information system to minimize system failure risk and improve customer satisfaction and efficiency.

As I prepare to retire, I am pleased to say that the Board has substantially fulfilled our mandate. Personally, I consider placing Dave Mowat at the helm of this organization to be the greatest achievement during my tenure. Selecting new leadership is, in my opinion, the most important job entrusted to a board. It is gratifying to see the results Dave has created for ATB, and to know we did our job well.

In the past five years, ATB Financial has grown from an asset base of \$17.6 billion to \$27.4 billion, an increase of 55%, reflecting the need for our services in this growing province.

The Board has been renewed and includes an exciting mix of people who believe in Alberta and work as a team to get the job done. In following our Board matrix we ensure that we have experience and talent in key areas. This year we welcomed Jim Carter, former CEO of Syncrude; Jim Drinkwater, former Vice-President and Treasurer of Telus with treasury and pensions expertise; and information technology guru Patricia Glenn. We said goodbye to Linda Hohol, who retired after nine years of exceptional service to our organization.

The Independent Business & Agriculture line of business is being restructured and revitalized under excellent leadership. I look forward to seeing this line of business thrive in the future.

Reengineering ATB's information system was perhaps the most daunting aspect of our mandate. The goal was a system that would allow ATB to better serve customers and to increase efficiency. This type of project typically takes 10 years to complete. We are accomplishing it in less than half that time.

The launch of our new banking system will mark the end of a challenging project for our associates and the beginning of new challenges. In the coming year, ATB will turn its full attention to customers, helping them transition and providing the highest level of service. I am confident that the new banking system will lead to significant benefits for the Albertans we serve and for the organization.

Over the past year, the Board has also focused on governance and risk management. Our members attended governance courses, and we have improved our annual compliance process, making it more efficient and reducing the chance of breaches. Our Board Risk Committee has worked diligently with the Chief Risk Officer to make risk management a core discipline across the organization. ATB will maintain this discipline at the highest standards and comply with regulatory standards set for Canadian financial institutions.

In spite of the economic uncertainty in the wake of the recession, ATB saw retained earnings growth of 11% this year, adding to the value of Alberta's investment in the organization. We have always been committed to standing by Albertans during difficult economic times and we are

extremely proud that they have stood by us. Our future depends on customers like you, and we are honoured when we earn your trust.

The coming year will see renewed focus on enhancing the customer experience, but we will also focus on enhancing the experience of our associates because we recognize the value they bring to ATB.

I am personally grateful to our management, our associates, and, of course, our Board for their ingenuity and dedication in addressing the challenges of the past year.

Although I look forward to mentoring family members; volunteering in healthcare, higher education, and faith ministries; and playing more golf, I am also sad to leave. Over the last 40 years, I have served on approximately 20 boards. ATB has been the crowning jewel. The organization is a professional team with heart. I will miss the Board and associates, and I wish ATB great continued success.



Bob Splane
Chairman of the Board
May 25, 2011





Message From Our President and CEO, Dave Mowat

This year's annual report reflects how much work we've done at ATB to lay the foundation to successfully grow the business in the coming years—whether setting new ATB strategy and direction, focusing on leadership, or getting our new banking system ready to implement. We've seen a lot of plans, work, and technology come together of late.

But, at ATB, we're really about putting people first. That's why we want to emphasize how people—our associates and our customers—come together to produce wins for everyone. Our focus for the next few years will continue to be on how Albertans and ATB come together to achieve dreams that strengthen our people and our province.

ATB is at a turning point, thanks to the efforts of our associates who have truly gone above and beyond. After several years of building, testing, and training for the launch of our new banking system, we can finally concentrate all of our energies on taking ATB to the next level—providing leading-edge services to our customers, expanding our connection to communities across the province, and making ATB a growing source of pride for Albertans.

The investment of time and resources in our new banking system, combined with new leadership and innovative approaches in our four lines of business, will help us maintain all the strengths that make us classic Alberta for more than 680,000 customers. In the meantime, we'll use innovation, insights into our markets, leadership, and sophisticated processes to up our game.

We are building a modern, talented ATB with the very best tools at our disposal. And Albertans can count on ATB

remembering who “brought us to the dance.” That means we plan to be here to support our customers through the inevitable ups and downs of Alberta’s economy. Figuring out how to keep a business open during a down cycle is just as inspiring for us as financing a new business in an up cycle.

One of the important initiatives we have under way will transform the role of our branch managers to give them broader accountability and a strong presence in communities across the province. We’ll take steps to raise the volume on our brand to give people a current perspective on what we can do and what’s special and different about ATB. We’ll bring forward valuable innovations through our Emerge Team, significantly improve financial results through increased productivity, and continue to work closely with our regulator to make sure we meet our industry’s high standards.

We will continue to take steps to enhance our employee engagement to minimize turnover, and will drive forward with plans to attract the best new candidates and leaders with the right attributes for our organization. We will develop next-generation tools to quantify our reputation and measure how we’re being viewed by the marketplace. And we will work together to gain a deeper understanding of how relevance in our market, employee engagement, and strong brand reputation come together to create an enterprise that delivers on the promise we make to the people of Alberta: ownership of a strong, well-capitalized, profitable financial services company that understands and serves their unique needs.

We see a very strong future for Alberta. If you add up the fundamental benefits that we have in our province, it’s a very

good place to be in the world. I believe that our challenge as Albertans will be managing growth, continuing to learn to cope with the uncertainty of economic cycles, and strengthening our reputation around the world.

ATB’s role in the midst of what lies before us is to be an organization that brings a stabilizing influence to Albertans. Offering calm in the face of uncertainty and being a catalyst in the face of opportunity is what we’ve always done, what we do today, and what we intend to do in the years to come.

I want to close with a sincere thank you to our Board of Directors for the outstanding leadership, oversight, and governance they provide to all of us at ATB. I particularly want to offer my personal thanks to Bob Splane. Bob’s dogged determination to continually enhance the calibre of our organization and the oversight provided by our Board has been instrumental in helping us weather some challenges and always keep our eyes on the bigger picture: ATB’s potential to make a real difference to our customers and our province. With his shrewd business sense and his firm but gentle touch, he pushed for key initiatives and got the job done. Bob, ATB is a stronger organization today because of you.



Dave Mowat
President and CEO
May 25, 2011

Come Together. Associates and Customers.

At ATB, customers and associates come together through needing and providing services that fall under our four lines of business: Retail Financial Services, Corporate Financial Services, Independent Business & Agriculture, and Investor Services.

Retail Financial Services (RFS)

RFS is what most of our customers know as ATB Financial. Our branches and agencies, our Customer Contact Centre, and our direct sales teams offer a diverse range of products and services to help provide world-class solutions to our customers. RFS is also the key point of contact for most ATB customers and provides services and support for all our other lines of business.

Although the economy in fiscal 2010–11 proved to be more challenging than anticipated (limited consumer lending, decreased consumer spending, and a subdued housing market), RFS was still profitable.

In fiscal 2010–11, Retail Financial Services:

- Hired a new leader for this line of business
- Dedicated many resources (both time and people) to supporting development of our new banking system and to training our associates to be ready for system launch
- Began work to renew the business strategy and bring value to Albertans in the next 5 to 10 years
- Identified 4 strategic pillars; developed a strong leadership value proposition, associate value proposition, and customer value proposition; and researched opportunities for new channels and delivery methods

- Achieved a customer satisfaction rating of 84%
- Increased associate engagement from 81% to 83%, in spite of the challenging economy and the significant work dedicated to developing and testing our new banking system
- Continued to build our branch network with two new branches, Sylvan Lake and Medicine Hat Northlands; relocated and expanded Lethbridge Paramount and Red Deer North Gaetz Avenue; and expanded Lacombe and Lloydminster
- Continued work on transforming the role of the branch manager and collaborating with the other lines of business toward launching a pilot project in fiscal 2011–12

The coming years will be ones of strategic renewal. RFS will focus on people, processes, and systems in order to continue creating value for Albertans. The transition to an entirely new banking system will enable our business to provide more value to our customers and create more rewarding experiences for our associates. Focus, innovation, and value creation will be the drivers of RFS's future. (See 2011–12 Objectives on page 79 of the MD&A.)

RFS is a consumer market, so we have to bring value to all Albertans.

The secret to success will be determining how to drive lots of value that differentiates us from other financial institutions.

- Wellington Holbrook

Executive Vice-President, Retail Financial Services

Corporate Financial Services (CFS)

CFS's mandate is to support and partner with Alberta's mid- and senior-market companies, particularly in the energy, commercial (including real estate), and food and forestry sectors. These areas of specialization ensure that customers are served by experienced relationship management teams who are intimately versed in their industries.

In fiscal 2010–11, CFS:

- Grew our associate base from 104 last year to 139 today to support implementation of new products and our new banking system, as well as to supplement our capabilities in financial markets, syndications, and cash management
- Developed a robust training program for all CFS associates
- Began work on a compensation program that motivates and drives associate behaviours
- Continued to structure CFS to further align the organization with customers' needs
- Developed training for our new banking platform
- Continued formalizing our Alberta-wide real estate practice

- Penetrated key markets, such as Fort McMurray
- Formed a strategic partnership with AltaCorp Capital Inc., which offers a full spectrum of financial and advisory services to corporations in every stage of development
- Continued to roll out leadership assessment and development programs toward creating an "empowered environment"
- Increased our customer satisfaction to 97%
- Achieved an engagement score of 76%

This year CFS will begin its move from today's hard-earned position of "market relevance" to one of "market significance"; expand our presence through refined target marketing and segmentation and leveraging our new banking platform; grow our business by assessing, developing, and launching key products and services to our clients and prospects; and leverage our technology to provide industry-changing service and solutions to our clients. (See 2011–12 Objectives on page 82 of the MD&A.)

Our team has worked extremely hard over the past fiscal year—listening to clients and our market, and working with some of the best system architects from around the world to build from scratch a suite of cash management solutions that our clients will really embrace and value.

– Ian Wild

Executive Vice-President, Corporate Financial Services

Independent Business & Agriculture (IB & Ag)

IB & Ag delivers innovative products and solutions to independent business and agriculture customers through a truly unique Alberta advantage, with a team of associates dedicated to living the Alberta entrepreneurial spirit.

We thrive on giving back to the communities we serve while contributing to the overall success of ATB.

Fiscal 2010–11 was marked by some stops and starts for the provincial economy. The price of oil remained healthy, while natural gas prices were stuck in the doldrums. Large corporations enjoyed an increase in credit availability after the financial crisis, but smaller firms didn't enjoy more access to credit until late in 2010. Producers of high-quality crops enjoyed price increases due to floods in Australia and drought in central Asia, but poor growing conditions relegated much of Alberta's wheat and barley harvest to feed quality. Prices increased for both hogs and cattle, although they remained low compared to historical figures. Finally, the strong Canadian dollar led to more cattle and hog exports to the U.S. In spite of these challenges, growth looked more solid and sustainable for IB & Ag in the fourth quarter of fiscal 2010–11.

In fiscal 2010–11, IB & Ag:

- Completed its first year as a separate line of business
- Developed and launched a new strategy and organizational structure for all IB & Ag associates

- Worked with Retail Financial Services on transforming the role of the branch manager
- Dedicated many resources (time and people) to supporting implementation and testing of our new banking system
- Created a new customer survey with questions designed to measure alignment to our customer value proposition
- Launched our initial external marketing plan
- Created new and innovative products
- Increased associate engagement from 76% to 82%
- Increased our customer satisfaction score from 88% to 92%
- Decentralized loan pricing to empower associates in decision making
- Created new roles as well as consistency across roles, and set out to match customer portfolios with ATB experts
- Attracted top talent internally and externally in key roles
- Initiated a comprehensive review of associate roles, attributes, and compensation

This year IB & Ag will focus on retaining, attracting, and inspiring great associates; understanding our customers and unleashing their potential; running the business prudently; and providing a fair return to the organization. (See 2011–12 Objectives on page 81 of the MD&A.)

Investor Services (ATBIS)

As the wealth management arm of ATB, ATBIS is responsible for growing, protecting, and transferring wealth for ATBIS customers. We deliver unbiased investment advice, solid returns aligned with customer objectives, and attentive, dedicated personal service.

In fiscal 2010–11, ATBIS continued its trend of strong enterprise value growth, as the value of ATBIS grew by 47.5%, dramatically outpacing the industry. This increase was fuelled by 21.5% asset growth, improving industry conditions, and a more profitable asset mix.

In fiscal 2010–11, Investor Services:

- Increased assets under management and administration by \$1.1 billion to \$6.3 billion
- Established ATBIS as a leader in portfolio funds in Canada
- Grew mutual fund assets by 24.1% versus the industry growth rate of 7.1%
- Increased our customer base from 50,200 to 52,700
- Increased our revenue by 27.1% year over year
- Combined two of our regulated entities into one platform and regulatory structure

- Launched the first phase of our wealth management foundations technology program that has automated the client account opening process and will substantially improve efficiency for advisors, operations, and compliance
- Brought our investment advisors to clients in rural areas, through ATB Connect video conferencing technology
- Attained an associate engagement score of 76%
- Achieved a customer satisfaction score of 94%—our highest ever

With our substantial investments in technology over the past few years—Wealth Management Foundations, ATB Connect, Portfolio Management System, and Office Communicator Server—ATBIS is enabling our advisors to manage more clients and improve client loyalty. Consequently, this year ATBIS will focus on developing “master advisors” who consistently live up to our dream: “Understanding and helping people become better investors to realize their dreams in spite of inevitable and unpredictable changes.” (See 2011–12 Objectives on page 84 of the MD&A.)

Sustainable businesses generate consistent wins for customers, employees, and shareholders who invest in the business. ATBIS will continue its drive to be the market leader and become *the* place to work in the industry, and we will work hard to earn the loyalty of our clients.

- Sheldon Dyck
President, Investor Services

Come Together. Our Lines of Business and Strategic Service Units.

ATB's strategic service units, in addition to supporting our four lines of business, play an integral role in seeing associates and customers come together through projects, initiatives, and technology.

People and Marketing

In 2010–11, much of our focus was on getting our associates and customers ready for the launch of our new state-of-the-art banking system in 2011. Those efforts included:

- Determining and prioritizing the impacts of the new system on our customers
- Creating over 300,000 customized direct mail packages to communicate specific impacts by customer
- Creating a multi-channel campaign (direct mail, web, online banking, branch, telephone banking) to prepare for the periods before, during, and after conversion
- Involving associates in over 50,000 online and in-class training events to get them ready for the new system
- Communicating every step of the way with associates and making sure they understand the benefits of the new system and are ready for implementation

People and Marketing also:

- Worked with the lines of business and senior leadership to articulate nine attributes that define strong leadership and began to incorporate them into our people practices
- Began refining our compensation programs

- Redesigned atb.com into a cutting-edge website that seamlessly connects to other interactive media, including social media
- Focused on enhancing our external reputation with customers and all Albertans by remaining deeply connected with community initiatives and local projects
- Through Alberta Intelligence and Innovation, undertook over 150 market research projects with the sole purpose of understanding the needs of Albertans and using this insight to help their dreams and goals come to life

This year People and Marketing will lead and support associates and customers through implementation of our new banking system. We will elevate leadership across ATB, with a focus on the role of branch managers and on recruiting the right people. We will raise ATB's profile and presence across Alberta and create a consistent brand and voice for the organization. We will work toward capturing the full potential of our new banking system and all its features. With our new data-rich technology, we will step up our research to find out what our customers really need and raise the volume on what ATB can offer to Albertans.

Information Technology and Service Delivery

In 2010–11, ITSD was nose to the grindstone in preparation for implementing our new banking system. Our efforts included:

- Dedicating over 100 of our 240 associates to work on either building or supporting the development of our new banking system
- Implementing entirely new infrastructure to support our new banking software
- Realigning our team to balance the demands of supporting our existing technology world, while preparing for a new one
- Creating a support centre to monitor technical issues related to our new system deployment
- Strengthening our relationships with technology vendors IBM and Telus to support our new world-class system
- Building a very strong team of skilled professionals to upgrade the technical infrastructure and support the new technology

- Rolling out Office Communicator Server software and video conferencing, toward improving communications and saving travel expenses
- Maturing IT security practices to ensure superior protection of customers' information and associates' privacy now and into the future

This year ITSD will focus on successfully supporting our new world-class banking system to ensure reliability, stability, and availability of the business functions that serve ATB's customers. We will begin to decommission our legacy systems to ensure we're supporting only what we need to, which will drive down operating costs, and establish the support structure required for a smooth transition. Finally, and most importantly, we will begin to harvest valuable information from the system's data-rich environment in order to serve customers more effectively and efficiently than ever before.

ATB is implementing a world-class solution that's larger and more complex than any banking system implementation completed worldwide. ITSD will be responsible for keeping the system operating to meet the expectations of our associates and customers. With our new data-rich environment, we will focus on accessing the information and using it effectively in our decision making.

- Mike Redeker
Chief Technology Officer

As a financial institution, we face many different risks in almost every piece of our business. Our job isn't to eliminate risk, but to make sure we understand it and what we need to do to manage the risk and still achieve the objectives of the institution.

- Bob Mann
Chief Risk Officer

Risk Management

In 2010–11, besides dedicating human resources to working on our new banking system, Risk Management made significant strides in implementing a more rigorous risk governance framework for ATB. This included:

- Developing and implementing a Board-approved risk appetite statement that serves as the foundation of our risk management program
- Creating a fully functioning risk committee
- Enhancing our Board risk policy framework, including developing a “policy for ATB policies” that focuses on content rather than format and look
- Introducing enterprise-wide stress-testing
- Building out our market and liquidity risk management capabilities, including our Treasury Risk group, and launching a graduate training program to prepare students for special risk management roles at ATB

- Providing extensive support and assistance to our regulator, the Alberta Superintendent of Financial Institutions, in the initial development of a composite risk rating for ATB
- Making significant strides toward our goal of becoming compliant with certain key aspects of Basel II by the summer of 2011

This year Risk Management will continue to develop and enhance our risk management frameworks and practices, work toward transforming credit and risk management into a strong competitive advantage for ATB, strengthen and maintain our legal and regulatory compliance program, and leverage automation to adopt a more unified approach to governance, risk management, and compliance.

Finance and Administration

Besides dedicating 30% of our human resources to preparing the organization to launch our new banking system, Finance and Administration worked at prudently managing and containing the costs of that project. In 2010–11, Finance and Administration activities also included:

- Completing the framework and metrics to identify, realize, and measure the future benefits of our new banking system
- Directly supporting the build of financial modules for the new banking platform
- Developing key indicators and scorecards throughout the organization to measure our progress against other banks and improve our financial performance
- Preparing for implementation of International Financial Reporting Standards and streamlined planning and budgeting processes
- Building up our treasury capabilities, including launching our interest rate hedging framework, and leading Canada in adopting Basel III liquidity standards

- Committing to a long-term arrangement to keep our head office in downtown Edmonton
- Signing a major office lease in Calgary to consolidate the most of ATB's non-branch associates in a single location in fiscal 2012–13
- Developing service attributes and associated behaviours to ensure a high-performance service culture within Finance and Administration

This year Finance and Administration will elevate business process management by further developing our key treasury processes, automating manual processes, and leveraging the benefits of our new banking system. We will provide oversight to ensure that the anticipated benefits and efficiencies of the new banking system are achieved throughout the organization. We will execute the enterprise real estate strategy, improve the financial performance of ATB, and protect the interests of our stakeholders. Finally, we will continue to build a highly skilled and engaged team and a high-performing service culture.

The primary teams involved in transforming our banking system were Finance, Central Services, and Treasury. They've done a tremendous job of meeting their commitments to all lines of business while providing great support to the project. I am truly looking forward to having our new banking system in place. This world-class set of tools will be a key enabler for even greater customer service and will truly help us take our financial performance to the next level.

- Jim McKillop
Chief Financial Officer



Come Together. People and Expertise.

Connecting people with the expertise they need is paramount at ATB. In the past, people only had access to experts who were in their own community or who travelled there from one of our major cities. Now, ATB Investor Services (ATBIS) enables clients to make a wider range of connections so they get the strongest advice and best solutions for their unique needs.

ATB Connect allows associates, through video conferencing and state-of-the-art technology, to deliver services across the province. With these technologies now in place in several branches around Alberta, ATBIS portfolio managers can “virtually” meet with clients and their financial advisors.

Likewise, customers who don't have a full-time financial advisor at their local branch can come together via video and audio technology with an investment fund specialist or financial advisor at another location. It's a great way to connect—and it reduces travel.

Plans for ATB Connect in 2011 involve expanding the use of current locations to include ATB's other lines of business. ATBIS President Sheldon Dyck is thrilled that ATB can be a good role model for Albertans. “Associates can show how it's possible to make decisions that are great for our business, our customers, our people, and our environment, which is what sustainability is all about.”

“ATB Financial has given me tools and technology that enable me to connect with more ATB clients. Whether through the ATB Connect program or through the services we offer, ATB ensures we have the available resources to make our clients' dreams come true.

- Jill Pickrell

ATB Connect Insurance Specialist, Calgary, AB





ATB Connect: Bringing customers and advisors together
ATB Connect Insurance Specialist Jill Pickrell
speaks to a customer in Calgary.



Helping our customers every day
Daphne McDonagh relaxes between phone calls
and customer visits to the branch.

Talent and Career.

Daphne McDonagh, Customer Coordinator at the Calgary Trail Whitemud branch in Edmonton, suffered a severe brain injury in 1992 at just 15 years old. After two weeks on life support and 18 days in a coma, Daphne went through extensive rehabilitation. Initially, learning was challenging, but Daphne worked hard and learned to use tools to help her organize information so she could remember it.

After graduating from college and working in rehabilitation, Daphne joined ATB as a Customer Service Representative. Her methodical approach to learning and talent for teaching were quickly recognized, and Daphne became connected with the opportunity to train others. "The thorough and systematic way I carry out each task makes me a natural teacher for people who are just starting out," says Daphne.



“It’s my job to know our customers. I make sure to greet each one into the branch as though I were welcoming them into my own home for a great dinner party.”

-Daphne McDonagh
Customer Coordinator,
Calgary Trail Whitemud Branch, Edmonton, AB

People and Passion.

Financial Planner Brock Melnyk joined ATB as a post-secondary student and received financing to help him get a degree in finance from the University of Lethbridge. Today, he's President of the University of Lethbridge Alumni Association Calgary Chapter and has helped to quadruple attendance at the alumni's annual fundraising tournament.

Brock is passionate about giving back. He participates in and organizes many events, including the ATB Brock Melnyk Invitational Golf Tournament, which donates proceeds to ATB's Teddy for a Toonie program in support of the Alberta Children's Hospital in Calgary and the Stollery Hospital in Edmonton. "I think it is important that we give back, whether financially or with our time," says Brock. "There is always someone who needs it more than we do, and it is nice to be able to give a helping hand."



Bringing associates and customers together for golf and great causes ►

ATB Associate Brock Melnyk holds charity
close to his heart at Sirocco Golf Course, south of Calgary.





Bringing kids and culture together
Ronda and Greg Nedelec cheer on culture in Alberta with
Rabbit Hill Branch Manager Allan Michael at the Winspear
Centre for Music in Edmonton.

Business and Community.

When Ronda and Greg Nedelec shared their passion for a cause with Branch Manager Allan Michael, he immediately looked for ways to bring business and community together to make big things happen. Thanks to Allan, ATB Financial agreed to sponsor the yearly signature fundraising event

to support Kids Up Front Edmonton, which uses donated event tickets to provide access to sports, arts, and entertainment events to more than 150 registered agency partners in the City of Edmonton, like the Boys and Girls Clubs and Kids With Cancer.



“With the help of ATB Financial and its corporate sponsorship, Kids Up Front Edmonton had our most successful fundraiser ever. We can help a lot more kids as a result.”

- Ronda Nedelec
Customer, Edmonton, AB

Financing and Futures.

Chester Nagy, President of Plains Oil Ltd., has created significant employment opportunities in Alberta and brought leading-edge technology and manufacturing principles to Calgary. Chester is also very involved in the community, participating in numerous manufacturing and economic focus groups.

When Plains Oil needed financing that would allow them to move into a new, state-of-the-art manufacturing facility, ATB helped them make that connection. Today, Plains Oil's facility and equipment are a testament to the ability of Alberta manufacturers.

“Plains Fabrication has worked with ATB for 24 years, coming together in a way that perfectly illustrates our slogan: “Where customers & suppliers become partners in success.”

-Chester Nagy
Customer, Calgary, AB

Bringing dreams and futures together ►
ATB Financial has been an integral partner for
Chester Nagy's Plains Oil Ltd.





ATB and Those Who Need Us.

Bruce Golosky, a long-time ATB customer, left retirement to run a car wash in Spruce Grove. Always a people person, Bruce finds a way to really connect with his customers. Customer after customer comes into his office, making any excuse to visit with Bruce.

The ultimate networker, Bruce has personally brought—without exaggeration—countless customers together with ATB. Sometimes he's actually driven them right to the branch to meet our associates. Many need some minor help, others need to change their financial institution to ATB, and many got their start in business with the help of ATB. Bruce is very proud of all the people he has helped. He's proud, too, that ATB was able to deliver, providing great service to his friends.

◀ Turning customers into friends
Bruce Golosky sprays down the automatic bay of his car wash, ready for a new day and old customers.



People Around the World.

A passionate hiker, Steve Fedorchuk, Regional Vice-President, Calgary, decided to fulfil a lifelong dream and hike to Base Camp at Mount Everest in Nepal. He spent months training for the challenging climb, and, although it wasn't easy, proudly climbed to 5,550 metres above sea level.

But accomplishing a great feat wasn't the only reason Steve went to Nepal. He also connected with Durbash, the child he sponsors through World Vision. When Durbash's father asked Steve how much livestock Steve owned, there was an opportunity to explain Canadian life. Then Steve learned about his hosts' lives in Nepal. "It was a connecting experience: people from two countries getting to know each other," says Steve. "That was more than I expected."

Bringing dreams and cultures together ►
Steve Fedorchuk, RVP South Region, travelled 11,058 km
to meet his foster child, Durbash, in Nepal.



Since the beginning, ATB has been committed to serving and supporting Albertans. The people of our province guide us, compel us to be better, and drive us to deliver more value to our customers. We do that by aspiring to be as expert and sophisticated as any big bank, and as caring and connected to your community as any small business. We will always believe in what we do and who we're doing it for. That's our purpose, and our promise.

- Peggy Garritty

Senior Vice-President, Communications and Corporate Responsibility

Our Corporate Social Responsibility

ATB prides itself on its deep connection to communities across the province.
We passionately believe that we can make a difference.

The Board of Directors' Corporate Social Responsibility Policy reflects that strong commitment and provides overall direction for the organization. The policy focuses our priorities for corporate giving on three key areas: health and wellness, community and social development, and children and youth. Through countless activities across the province, we work hard to make a positive difference to Albertans in each of those areas.

In fiscal 2010–11, ATB built safe, affordable housing for Alberta families and helped youth in 4-H see that they can achieve even the biggest of dreams. We gave college students and business owners information and tools to contribute to a strong economic future for our province. As part of our commitment to celebrating Alberta's stories, we featured stories about ATB's customers, our associates, and the causes we support on our WeAreAlberta website. And we formalized our efforts to become more environmentally sustainable.

Together, these initiatives and activities contribute significantly to our goal of having Albertans love and respect ATB.

Charitable Giving – \$1.12 Million

Consistent with our policy, ATB donated to a variety of charitable causes and community initiatives across the province in fiscal 2010–11. We are very proud of a new initiative that began this year—ATB's Youth Education Support bursary program. Through an annual donation from ATB, six young Albertans who previously were cared for by the provincial government receive bursaries to support their post-secondary education, along with mentoring, support, advice, and a deep connection with leaders within ATB.

Charitable donations are provided at the corporate, regional, and branch levels and by each of the lines of business. Examples of this past year's charitable giving priorities include

Habitat for Humanity, Ronald McDonald House, and the Youth Emergency Shelter Society.

ATB is actively involved in many communities. This year ATB supported development of 11 community arenas, pools, recreation centres, and event halls, as well as nine parks and playgrounds. We also expanded our Junior ATB program to two more schools—one in Sylvan Lake and one in Hinton. The Junior ATB program allows elementary children to start and operate their own "bank" within their school, as a way of encouraging children to save. And we further support financial literacy through initiatives like Junior Achievement.

The following is a partial list of ATB's charitable donation recipients for this past year:

Airdrie Storm Bantam Football Club
Alberta Emerald Foundation
Art Gallery of Alberta
ATB Financial Youth Education Support Program,
in partnership with Alberta Children and Youth Services
Badlands Community Facility
Beaverlodge/West County Pool
Building Hope Compassionate Association
Calgary Health Trust
Canadian Red Cross – Pakistan relief efforts
Computers for Schools
Consort Sportex facility
Crime Stoppers
Crystal Kids Youth Centre
Easter Seals McQueen Residence
Fort Saskatchewan Community Hospital Foundation
Friends of the Sheep River Library Foundation
Habitat for Humanity – Calgary
Habitat for Humanity – Edmonton
Hair Massacure 2011
Haying in the 30s, in support of families of cancer patients
Junior Achievement
KidSport Alberta

Killam ACE Team – revitalization of Heritage Park
 Mayerthorpe Exhibition Centre
 Northern Spirit Light Show
 Parks Foundation Calgary – Radisson Heights playground
 Picture Butte Sportex building renovation
 Red Deer College Foundation
 Ronald McDonald House – Central Region
 St. Albert Mayor's Celebration of the Arts Gala – Sustained
 Commitment of the Arts Award
 Standard Community Hall
 Stirling Community Hall
 Sundre community events sign
 The Mustard Seed – Edmonton
 University of Alberta Faculty of Education – Camp Fyrefly
 University of Calgary School of Commerce
 West Springs School playground
 Whitecourt Recreation Centre
 YMCA Calgary Active Y Kids program
 Youth Emergency Shelter Society (YESS)

Corporate Fundraising Activities – \$1.1 Million

Every year, associates throughout ATB open their hearts (and wallets) to raise money for some very important community causes. For fiscal 2010–11, ATB's major fundraising programs supported these organizations and activities:

- **Teddy for a Toonie.** The past year marked the 11th anniversary of the Teddy for a Toonie campaign, which raises money for the Alberta Children's Hospital and the Stollery Children's Hospital. This year we raised \$600,000. The 2010 Teddy for a Toonie campaign received a Communitas Award for Excellence in Community Service for a Company Sponsored Volunteer Project.
- **United Way.** The 2010 United Way campaign saw ATB associates raising money and making personal donations to help out the less fortunate in their own communities. Associates also contributed through an online donation program. In just two short weeks, the campaign exceeded

our goal of \$600,000, raising a total of \$401,303, plus corporate match donation of \$228,697, bringing the grand total to \$630,000.

- **Edmonton Christmas Bureau.** This is the 13th year that ATB has partnered with the charity to provide festive food hampers for disadvantaged people within the Edmonton region. Through the generosity of ATB customers and associates, we raised \$45,000 for this cause.
- **Toys for Teens.** For the third year, ATB Financial partnered with 660 News, Jack FM, and the Salvation Army for the Toys for Teens initiative. Calgary region branches collected more than 1,800 toys and raised over \$27,000 for this charity.

Associate Volunteer Activities – \$0.48 Million

Each year, ATB's associates roll up their sleeves and get directly involved as volunteers in countless community events and causes. In fiscal 2010–11, ATB associates volunteered approximately 19,000 hours to support community initiatives.

Corporate Sponsorships – \$4.9 Million

ATB sponsors hundreds of events across the province, all designed to visibly support community projects and events and to raise awareness of the value ATB brings to customers and communities. In fiscal 2010–11, we sponsored the following organizations and events:

- **Art Gallery of Alberta and ATB Young Artists Competition.** ATB, in partnership with the Art Gallery of Alberta, sponsored the ATB Young Artists Competition, the Alberta Early Masters Series, and the 7th Annual Alberta Biennial of Contemporary Art.
- **Untapped Alberta.** In the fall of 2010, Untapped Alberta—created by ATB Financial, the Alberta Foundation for the Arts, Alberta Music, and Big Rock Brewery—brought Alberta's best rock, folk, country, electronic, R&B, and reggae artists to all corners of the province. In March 2011,

the 2010 edition of the Untapped Alberta concert series earned ATB the Edmonton Mayor's Award for Innovative Support by a Business for the Arts.

- **All-Albertan Song Contest.** With CKUA and Alberta Music, ATB created the All-Albertan Song contest in support of the Untapped Alberta concert series. The contest winner was Danny Vacon of Calgary-based rock band The Dudes.
- **Lethbridge Dragon Boat Festival.** Every year since 2002, ATB Financial has been the presenting sponsor and a participant in the Lethbridge Rotary Dragon Boat Festival.
- **Calgary Stampede and other Alberta rodeos.** Alberta hosts over 30 rodeos each year, and ATB is proud to connect to our western roots by supporting this true Alberta sport in many communities.
- **Other sponsorships.** Throughout fiscal 2010–11, we supported the 4-H Clubs in Alberta, the ATB Financial Charity Shootout, the ATB Financial Classic (part of the Canadian Golf Tour), the Edmonton Oilers, the Edmonton Oil Kings, Golf 2010 (including the Hockey Alberta

Foundation Golf Classic, ATB STARS Invitational, and Kids Kottage Golf Classic), the Grande Prairie Street Performers Festival, Lids for Kids, the Medicine Hat Esplanade, the Ponoka Stampede, and Chad Harden (Calgary Stampede chuckwagon driver).

Environmental Sustainability

In fiscal 2010–11, ATB took two major steps toward becoming more "green." We created the Executive Environmental Committee and hired a senior manager of environment and sustainability.

We also took steps to develop ATB's first environmental policy and plan with a target of reducing our carbon footprint by 30% by December 2012. ATB's Governance and Conduct Review Committee will review the policy annually so we stay on track to achieve that target and expand our environmental efforts.

For more information on any of ATB's corporate social responsibility achievements and initiatives, watch for ATB's full corporate social responsibility report, available on atb.com in September 2011.

ATB Financial

2010–11 Highlights

Operating Results

For the years ended March 31	2011	2010	2009	2008	2007
Operating results (\$ in thousands)					
Net interest income	\$ 738,712	\$ 674,688	\$ 647,345	\$ 659,410	\$ 571,805
Adjusted other income ⁽¹⁾	251,278	220,783	259,682	185,995	179,661
Adjusted operating revenue ⁽¹⁾	989,990	895,471	907,027	845,405	751,466
Provision for (recovery of) credit losses	28,452	58,947	42,712	12,906	(5,211)
Non-interest expenses	732,524	671,516	633,087	549,381	482,289
Net income before payment in lieu of tax and ABCP	229,014	165,008	231,228	283,118	274,388
Payment in lieu of tax ⁽²⁾	52,674	37,951	-	-	-
Adjusted net income ⁽³⁾	176,340	127,057	231,228	283,118	274,388
Recovery of (provision for loss) on ABCP, net of payment in lieu of tax ⁽⁴⁾	22,176	413	(224,816)	(253,133)	-
Net income	\$ 198,516	\$ 127,470	\$ 6,412	\$ 29,985	\$ 274,388
Financial position (\$ in thousands)					
Net loans	\$ 22,943,184	\$ 22,534,603	\$ 21,602,235	\$ 19,443,517	\$ 16,994,329
Total assets	\$ 27,388,063	\$ 25,429,018	\$ 26,514,143	\$ 23,343,153	\$ 20,294,718
Total deposits	\$ 23,982,145	\$ 22,579,167	\$ 23,881,246	\$ 21,175,716	\$ 18,252,838
Equity	\$ 1,963,713	\$ 1,809,357	\$ 1,758,684	\$ 1,668,452	\$ 1,623,383
Key performance measures based on adjusted net income (%)⁽⁵⁾					
Adjusted return on average assets	0.68	0.48	0.93	1.3	1.4
Adjusted operating revenue growth	10.6	(1.3)	7.3	12.5	21.6
Adjusted other income to operating revenue	25.4	24.7	28.6	22.0	23.9
Operating expense growth	9.1	6.1	15.2	13.9	15.3
Adjusted efficiency ratio	74.0	75.0	69.8	65.0	64.2
Net interest spread	2.95	2.68	2.69	3.07	3.06
Credit losses to average loans	0.12	0.26	0.21	0.07	(0.03)
Net impaired loans to total gross loans	(0.22)	(0.40)	(0.54)	(0.61)	(0.62)
Net loan growth	1.8	4.3	11.1	14.4	14.5
Performing loan growth ⁽⁶⁾	4.2	6.0	16.0	14.4	14.4
Total asset growth	7.5	(4.0)	14.1	16.3	15.0
Total deposit growth	6.2	(5.5)	12.8	16.0	15.0
Investor Services' assets under management and administration (\$ in thousands)	\$ 6,256,313	\$ 5,149,924	\$ 3,878,178	\$ 4,037,418	\$ 3,716,420

Other Information

	Branches	Agencies	ABMs	Associates ⁽⁷⁾
2011	167	130	270	5,363
2010	165	131	265	4,958
2009	164	133	264	4,870
2008	157	134	251	4,764
2007	154	134	244	4,332

¹ Adjusted other income and adjusted operating revenue are non-GAAP measures that exclude recoveries or losses on asset-backed commercial paper (ABCP).

² Total payment in lieu of tax was \$59,298 in 2011 and \$38,075 in 2010.

³ Adjusted net income is a non-GAAP measure that excludes recoveries or losses on ABCP, net of payment in lieu of tax.

⁴ Recovery on ABCP before payment in lieu of tax was \$28,800 in 2011 and \$537 in 2010.

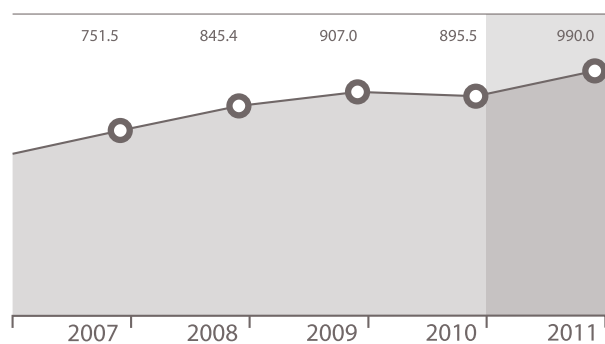
⁵ These key performance measures exclude the recovery (provision for loss) on ABCP, net of PILOT. (Refer to notes 9 and 27, respectively, of the consolidated financial statements.)

⁶ Performing loans exclude the impact of securitization, impaired loans and loan loss provisions.

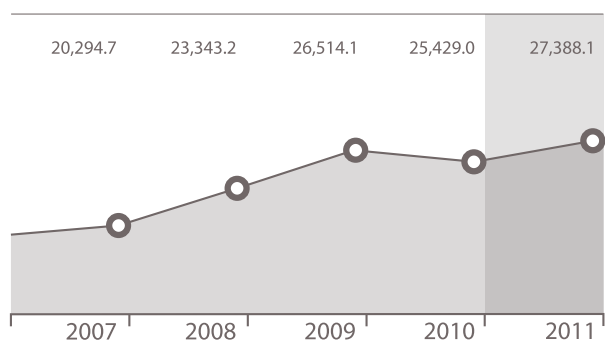
⁷ Number of associates includes casual and commissioned associates.

Key Financial Measures

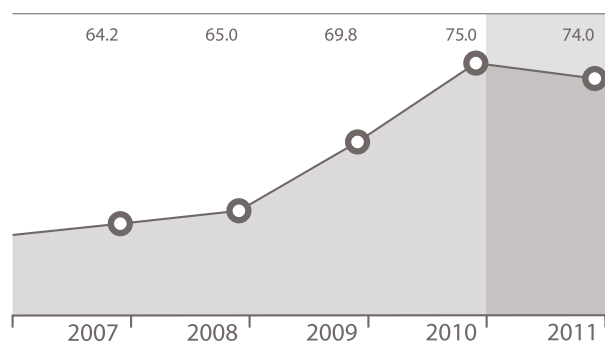
Adjusted Operating Revenue (\$ in millions)



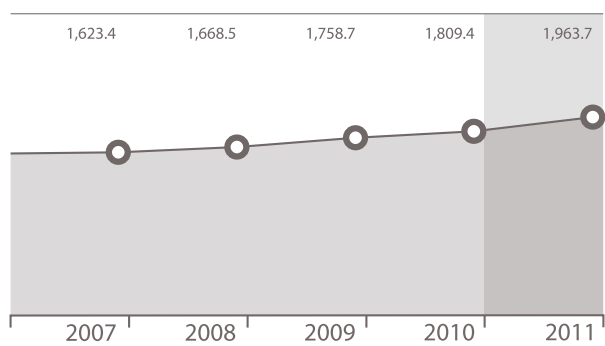
Total Assets (\$ in millions)



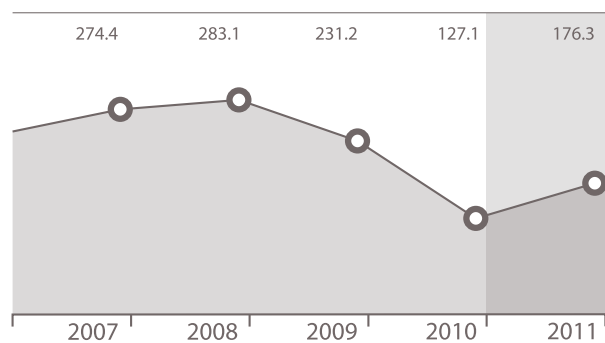
Adjusted Efficiency Ratio (in %)



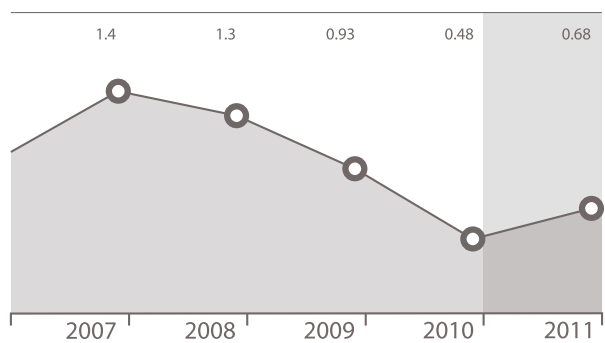
Equity (\$ in millions)



Adjusted Net Income (\$ in millions)



Adjusted Return on Average Assets (in %)



Our Corporate Governance

ATB believes in the importance of a strong Board of Directors (Board) and effective corporate governance policies and practices for leading and managing its affairs. ATB has voluntarily adopted best practices in governance relevant to ATB, including disclosure aligned with National Instrument 58-101 Disclosure of Corporate Governance Practices (NI 58-101). ATB thus makes the following governance documents publicly available on its website:

- Directors' Code of Conduct and Ethics
- The Board Charter
- The position description for the Chairman of the Board
- The terms of reference for the Board, and for each of the following:
 - Audit Committee
 - Risk Committee
 - Governance and Conduct Review Committee
 - Human Resources Committee
 - Strategic Planning Committee
- Statements that compare ATB's governance practices for the Board and Audit Committee to the requirements of the following documents:
 - Disclosure of Corporate Governance Practices (NI58-101)
 - Audit Committees (NI 52-110)
- The Mandate and Roles Document, including the required public accountability documents
- Annual and quarterly financial statements (including management's discussion and analysis)
- Key policies related to corporate governance practices approved by the Board, including the following:
 - Communication and Disclosure Policy
 - Corporate Social Responsibility Policy
 - Safe Disclosure Policy
 - Enterprise Risk Management Policy
- Directors' Independence Standards and the Report on Directors' Independence

- The annual Disclosure of Directors' Attendance at Board and Committee Meetings, and individual directors' annual compensation

Mandate

ATB is a Crown corporation with regulatory requirements similar to those of the chartered banks and credit unions. The legislative mandate of ATB, as established in the Alberta Treasury Branches Act (the ATB Act) and Regulation, generally is to provide Albertans with access to financial services and enhance competition in the financial services marketplace in Alberta. Pursuant to the Alberta Public Agencies Governance Act, ATB and the Minister of Finance and Enterprise have signed the Mandate and Roles Document, which reflects a common understanding of the respective roles and responsibilities of each party in fulfilling the mandate. As a fundamental principle, the Mandate and Roles Document states, "ATB shall foster competition for financial services throughout Alberta to promote access to financial services and strong financial services providers by operating on sound financial institution and business principles 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."

Board of Directors

The Board consists of 13 directors, all of whom are independent. The Board periodically examines best practices in corporate governance and ethical business conduct for both Crown and publicly traded corporations. The Board then determines which practices are appropriate for ATB, approves relevant policies, oversees management in implementing appropriate practices, and receives reports and assurances from management.

Every year the Governance and Conduct Review Committee reviews questionnaires completed by the directors to determine independence, any related party matters, and potential conflicts of interest. This process ensures that directors are independent in character and judgment and that any business or other relationship or circumstance that could potentially affect the exercise of independent judgment has been disclosed and reviewed. The questionnaires also include an evaluation of the effectiveness of the Board's activities, including an assessment of committee performance and a peer assessment of individual director performance. The Board Chair meets privately with each director and makes a full report to the Board. Further, the Audit Committee conducts an annual review of the Board's effectiveness, including an assessment of the financial literacy of its members.

Ethical Conduct

The Board sets the tone for ATB's commitment to honesty, integrity, and trustworthiness in the conduct of ATB's business operations through the Directors' Code of Conduct and Ethics, which supplements the requirements of the ATB Act and Board Bylaw #2: Related Party. Annually, each director confirms his or her compliance with this code of conduct. In addition, the Board has been instrumental since 1998 in developing standards for ethical business conduct for associates. In 2009, the Board approved the new Code of Conduct and Ethics for associates (the Code of Conduct), which 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.

Ethical issues are monitored by ATB's Ethics Committee, which also oversees the Code of Conduct training program for all associates and the annual confirmation of the compliance process. Each of ATB's associates is required to complete the training program in order to reinforce the values expected from all who work at ATB. To further enhance the ethics process, the Board has approved the Safe Disclosure Policy. Under this policy, ATB has arrangements with an external service provider who manages anonymous email, telephone, and web-based complaints. Complaints are investigated under the direction of the Ethics Committee with oversight by the Governance and Conduct Review Committee, the Chairman of the Board, or both, depending upon the nature of the complaint. The outcome of each complaint is reported to the Governance and Conduct Review Committee or the Audit Committee, or to both.

Nomination and Selection of New Board Candidates

The Chairman of the Board 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, and a review of Board size, composition, and tenure. The Governance and Conduct Review Committee ensures that the Board selection process complies with the Alberta Public Agencies Governance Act and the Mandate and Roles Document. Recruitment is publicly advertised and takes into consideration general qualifications, legal requirements, business experience, independence, and future needs of the Board. Directors may be appointed to one-, two-, or three-year terms, with a ten-year tenure limit. New directors were selected in May 2011 to fill vacancies. The new appointments take effect on June 15, 2011.

Board Committees

The Board has five formal committees: the Audit Committee, the Risk Committee, the Governance and Conduct Review Committee, the Human Resources Committee, and the Strategic Planning Committee. The terms of reference for each of these committees are made publicly available on ATB's website. From time to time, various special purpose committees of the Board will be formed. All the committees have the ability to engage outside advisors at the expense of ATB.

Supervisory Framework

The Minister of Finance and Enterprise (the Minister) is responsible as supervisor for ATB. The powers of the Minister as supervisor include the examination of the business and affairs of ATB to ensure compliance with legislation, to ensure that ATB is in sound financial condition, and to require ATB to implement any measure the Minister considers necessary to maintain or improve ATB's financial safety and soundness. In furtherance of this supervisory authority, the Minister has implemented the Legislative Compliance Management Guideline, pursuant to which the Board of Directors has adopted the Legislative Compliance Management Policy. The key focus of the guideline and related policy is to ensure that a compliance framework is followed. Annually, ATB provides a formal report to the Minister pursuant to Section 23.2 of the Alberta Treasury Branches Regulation.

Our Directors and Officers

Board of Directors

Garnet Altwasser

Chair, Risk Committee
Audit Committee

Governance and Conduct Review Committee

Doug Baker

Chair, Audit Committee
Risk Committee

Governance and Conduct Review Committee

Jim Carter

Audit Committee
Human Resources Committee

Jim Drinkwater

Risk Committee
Human Resources Committee

Arthur Froehlich

Chair, Governance and Conduct Review Committee
Risk Committee

Patricia Glenn

Human Resources Committee
Strategic Planning Committee

Joan Hertz

Chair, Strategic Planning Committee
Audit Committee
Governance and Conduct Review Committee

Linda Hohol (retired December 2010)

Chair, Risk Committee
Audit Committee

Governance and Conduct Review Committee

Bern Kotelko

Human Resources Committee
Risk Committee

Colette Miller

Audit Committee
Human Resources Committee

Mike Percy

Audit Committee
Strategic Planning Committee

Bob Splane

Chair of the Board
Risk Committee
Governance and Conduct Review Committee

Wayne Wagner

Chair, Human Resources Committee
Governance and Conduct Review Committee
Strategic Planning Committee

Officers

Dave Mowat

President and Chief Executive Officer

Bob Mann

Chief Risk Officer

Stuart McKellar

Vice-President, Legal
Corporate Secretary

Jim McKillop

Chief Financial Officer

Omar Rehman

Vice-President, Internal Audit

Management's Discussion and Analysis

Introduction and Index

This section of the annual report presents management's discussion and analysis (MD&A) of the consolidated results of operations and financial position of Alberta Treasury Branches (operating as ATB Financial or ATB) for the year ended and as at March 31, 2011. The MD&A is current as at May 25, 2011, and, unless otherwise indicated, all amounts presented are reported in thousands of Canadian dollars and are derived from the consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles (GAAP). These statements may be found beginning on page 109 of this annual report.

ATB Financial is not a chartered bank under the Bank Act of Canada, but is a financial institution incorporated under Alberta statute and operates in Alberta only. Any reference to the term *banking* in this annual report is intended to convey a general description of the financial services provided by ATB to its customers. (Refer to the Introduction to ATB section on page 50 of this MD&A for more details.)

50	Introduction to ATB	74	Off-Balance-Sheet Arrangements
52	Economic Outlook	76	Review of Business Segments
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		101	Quarterly Operating Results
		108	Annual Supplementary Information

Caution Regarding Forward-Looking Statements

This annual report includes forward-looking statements. ATB may 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 strategies or actions planned 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 have an adverse effect on ATB's future results, as there is a significant risk that forward-looking statements will not prove to be accurate.

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

Non-GAAP Measures

Adjusted net income, adjusted return on average assets, adjusted operating revenue growth, operating expense growth, adjusted efficiency ratio, net interest spread, net interest margin, average assets, average earning assets, net loan growth, total asset growth, and total deposit growth do not have standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other financial institutions. (Refer to the glossary on page 158 for further details.)

Introduction to ATB

Overview

ATB Financial is a full-service financial institution headquartered in Edmonton, Alberta, Canada. ATB commenced operations in 1938 and, today, with total assets of \$27.4 billion, is the largest Alberta-based deposit-taking financial institution.

ATB is a cornerstone in communities throughout Alberta. In fact, we are the sole financial institution in more than 100 Alberta communities. Our access points currently include 167 branches and 130 agencies in 242 communities throughout the province, plus our own Customer Contact Centre based in Calgary. Services are also available through 270 automated banking machines across the province, Internet banking, and telephone banking. A workforce of over 5,300 associates provides personal, independent business, agriculture, corporate, and investor financial services to more than 680,000 Albertans and Alberta-based businesses.

History and Regulatory Framework

ATB was established by the Government of Alberta to extend basic financial services to Albertans, and our first branch, located in Rocky Mountain House, opened in September 1938. ATB became a provincial Crown corporation on October 8, 1997, under the authority of the Alberta Treasury Branches Act, Chapter A-37, 1997, and Alberta Treasury Branches Regulation 187/1997 (the ATB Act and ATB Regulation, respectively). In January 2002, we launched our new corporate identity, ATB Financial. This identity confirms the business we are in—providing a full range of financial services across Alberta—and reconfirms our commitment to the people of our province.

As Crown corporations, ATB and our subsidiaries operate under a regulatory framework established pursuant to the provisions of the ATB Act and ATB Regulation. The legislation was modelled on the statutes and regulations governing other Canadian financial institutions and is updated

periodically. The Minister of Finance and Enterprise (the Minister) has also approved a number of guidelines similar to those issued by the Office of the Superintendent of Financial Institutions (OSFI), which supervises federally regulated deposit-taking institutions. A mandate and roles document between the Minister and ATB provides policy guidance to ATB in conducting our affairs in accordance with the expectations of the Government of Alberta. We also operate within the framework of other Alberta provincial legislation that affects the operations of provincial Crown corporations and provides consumer protection and privacy. Certain ATB subsidiaries provide wealth management services and are also subject to regulatory oversight by the Investment Industry Regulatory Organization of Canada (IIROC) and the Alberta Securities Commission.

ATB operates under the direction of a board of directors appointed by the Lieutenant-Governor in Council. ATB's Board of Directors (the Board) has approved risk management standards and business policies broadly comparable to those of other Canadian financial institutions.

Under the guidance of the Minister, our regulator, the Alberta Superintendent of Financial Institutions (ASFI), has provided us with a draft framework that will require us to comply with the international capital measurement framework promulgated by the Bank of International Settlements, known widely as the Basel II Framework. ATB has taken substantive steps to implement the Basel II Framework for measuring its capital adequacy and is working with ASFI as it develops a replacement to the existing ATB capital directive in line with Basel II standards.

ATB and all of its subsidiaries place significant emphasis on compliance with all applicable laws and regulations. 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.

Overview of Strategies and Priorities

Fiscal 2011–12 will be a turning point for ATB. After investing time and resources into building our new banking system during the economic downturn, we now shift our focus to optimizing the capabilities of the new system and converting its potential into real, tangible results. We are on track to take ATB to the next level over the course of our five-year plan, leveraging new internal capabilities and strong leadership across our four lines of business:

- Retail Financial Services
- Independent Business & Agriculture
- Corporate Financial Services
- Investor Services

Moving forward, we will maintain all the strengths that make us classic Alberta for more than 680,000 Albertans, but at the same time will use innovation, insights into our markets, leadership, and sophisticated processes to provide leading-edge services for our customers. ATB is a well-

respected financial institution, and we're well known for our deep connection and commitment to communities across the province. We will expand that connection and raise the volume on ATB's brand and reputation to attract more customers, increase market share, and make ATB a growing source of pride for Albertans. As we embark on this exciting new chapter for ATB, our goals are to be:

- *The place to work*
- Number one in every market we choose
- Loved and respected by Albertans

From a financial perspective, we anticipate only modest growth in the first year of the plan as we fully integrate the new banking system. During the subsequent years of our five-year plan, we expect to realize the benefits of our investments in people, leadership, ideas, processes, and technology to significantly grow the business and take ATB to the next level.

Economic Outlook

All references to years contained in the Economic Outlook and Implications for ATB section are to calendar years, unless otherwise stated.

Economic Outlook and Implications for ATB

As an Alberta-based financial institution, ATB regularly monitors the provincial, national, and international economies and considers their potential to impact ATB's customers and our operations. The recent performance of the Alberta economy is outlined in the table below.

Our outlook for the upcoming fiscal year and beyond, prepared as at April 20, 2011, is as follows.

While the global economy posted strong improvements over the second half of 2010, developments in early 2011 have raised doubt about the momentum of growth going forward. The earthquake and tsunami in Japan were, above all else, a human tragedy, and the crisis surrounding the country's nuclear reactors poses other serious threats. It is still too early to gauge the economic impact of the Japanese situation with certainty, but such events have a negative effect on investor confidence and competition for global capital. Interest rates should start to rise, even in the U.S., as the Japanese

government's requirements for more borrowed capital will increase.

On the other side of the global economy, the continued unrest and civil uprisings in the Middle East have been particularly destabilizing for energy prices. While the toppling of the government in Egypt has raised more questions about the future of democracy in that country, troubles in Libya, Bahrain, and other Middle Eastern states are increasing concerns about global oil supply. If the unrest moves to Saudi Arabia, global oil prices could spike even higher.

Adding to the global uncertainty are questions regarding global inflation (especially in food and energy prices), the sovereign debt troubles plaguing Europe, and the U.S. housing market. Combined, these key areas have caused severe swings in global equity markets over the first half of the month of April. Continued volatility would be negative for Alberta.

Alberta Economy at a Glance

	Reference period		Previous year
Unemployment rate ⁽¹⁾	Mar 2011	5.70%	7.40%
Housing starts in urban areas (annualized rates) ⁽¹⁾	Mar 2011	19,200	30,100
Building permits (\$ in millions) ⁽¹⁾	Feb 2011	1,478	988
Manufacturing shipments (\$ in billions) ⁽¹⁾	Feb 2011	5.49	4.81
New motor vehicle sales (# vehicles) ⁽¹⁾	Feb 2011	16,970	17,424
Consumer Price Index	Mar 2011	124.5	122.1
Retail sales (\$ in billions) ⁽¹⁾	Feb 2011	5.24	4.95
Wholesale trade (\$ in billions) ⁽¹⁾	Feb 2011	5.49	4.92

¹ seasonally adjusted

Oil and Gas

At the end of this fiscal year, prices were averaging well above US\$100 a barrel, and could go even higher. Strong and rising prices for crude oil were the primary reason Alberta was lifted out of recession in 2010, and they continue to be the main factor driving the provincial economy in 2011. With prices above US\$80 per barrel (even before the tensions in the Middle East), oilsands activity came bounding back to

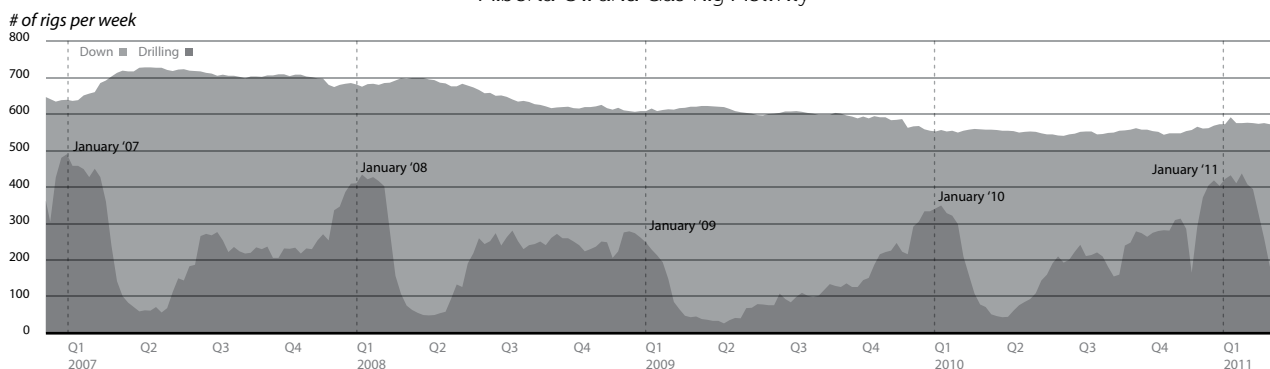
life. Most of the major players have confirmed they will go ahead with planned projects, and a general willingness to reinvest capital seems to be returning to the sector. Access to financing has generally improved, as evidenced by narrowing corporate bond spreads, although capital still remains a problem for some junior companies. Cost escalations are once again posing a significant challenge to some projects.

Conventional crude drilling activity has also returned quite strongly, particularly in the first quarter of 2011 (the winter months always being the busiest for drilling because access roads to well sites freeze up). Through the first 12 weeks of 2011, there was an average of 400 active drilling rigs in Alberta, up from approximately 300 last year and only 220 in 2009.

During the middle of the last decade, natural gas was responsible for most of the conventional energy activity in Alberta. However, owing to pricing, oil is responsible for the current surge. From 2003 to 2006, less than a quarter of the wells drilled in Alberta were oilwells, but in 2010 the proportion rose to 48%. In 2011, there is a good chance it will be over 50%.

Natural gas prices remain the single largest challenge for Alberta's economy in 2011. With prices sagging within the range of \$3 to \$4/GJ, gas producers in the province are hard pressed to see much of a return on investment. Some gas companies are drilling and producing at a loss, only to show some cash flow. Other companies, however, are busy buying gas properties with the expectation that prices will eventually return. The nuclear crisis in Japan could be a significant factor going forward. If North American appetite for new nuclear facilities wanes because of the situation in Japan, there could be a surprisingly strong renewed demand for alternative energy sources, including natural gas. So far, prices remain weak.

Alberta Oil and Gas Rig Activity



Source: Canadian Association of Oilwell Drilling Contractors

Agriculture

Agriculture posted a strong recovery in 2010 with prices for grains and oilseeds reaching higher levels than the previous year. Among other factors, production setbacks in Russia due to severe heat and fire, along with flooding in Australia, pushed global supplies much lower. As a result, receipts for Alberta wheat, canola, and barley farmers have risen significantly in recent months. Moisture levels throughout the province are generally good, which bodes well for crop conditions moving into late spring. While revenue for crops may be higher this year, input costs such as fuel and fertilizer are also rising, which may erode overall net farm income.

Livestock prices have also seen some gains in the past six months, rising from disappointing lows in 2009 and early 2010. Cattle numbers throughout the province continue to see a general international decline, at least for now, as the industry continues its cyclical rationalization. For Alberta cattle exports to the U.S., which are a significant component of the Canadian beef market, maintaining sales to this market without price reduction is becoming a growing challenge. A high Canadian dollar and new labelling legislation are major contributors, putting Canadian beef at a relative disadvantage in the U.S. market. In response to these and other competitive elements, the number of cattle on Alberta farms has fallen

steadily from its peak in 2005, with the trend widely expected to continue, barring any significant changes in global markets or export legislation. The situation in Alberta's hog industry

also remains challenging, although slightly higher prices in recent months have helped.

Currency Exchange Rates

The Canadian dollar surged above parity with its U.S. counterpart in late 2010, and has continued to strengthen in early 2011, reaching a cost of over US\$1.05. Much of the increase has been prompted by a softer U.S. dollar, which has weakened against most global currencies over the past few years as the Federal Reserve's policy of quantitative easing (i.e., supplying more cash into the economy) has pushed exchange rates lower. High commodity prices, especially for oil and gold, and a better fiscal situation for Canada's federal government have also helped lift the Canadian dollar.

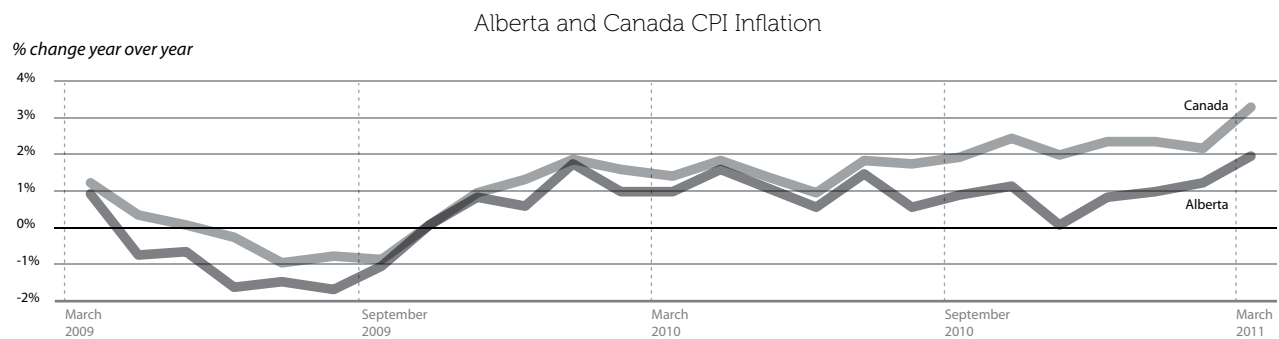
In Alberta and nationally, the strong dollar has negatively affected relative prices for exports such as natural gas, oil, and agriculture products, prompting the Bank of Canada to warn against the impacts of the high-flying Canadian dollar. With the medium-term outlook still somewhat bullish, the strong Canadian dollar will continue to be a drag on the national and provincial economies.

Interest Rates

The Bank of Canada started to increase its overnight interest rate in mid-2010, in keeping with its commitment, and raised rates by 25 basis points in each of June, July, and September. In the final quarter of 2010, softening conditions in the U.S. prompted the Bank of Canada to pause; as of April 2011, the overnight rate remains at 1.00%.

While the Bank of Canada is seeing expansion in the Canadian economy this year, it has expressed concern about the strong Canadian dollar and the dampening effect it may have on

growth. Inflation remained well contained throughout 2010 and into early 2011; however, this trend may be reversing. Headline inflation jumped to 3.3% in March, up from 2.2% in February. Although economists were expecting inflation to pick up over the latter half of the year, an increase of this magnitude was unexpected. Moving forward, if the increase in March proves to be anything more than a one-time surge (and given commodity prices, it looks to have staying power), interest rates will be on the rise sooner than previously anticipated.



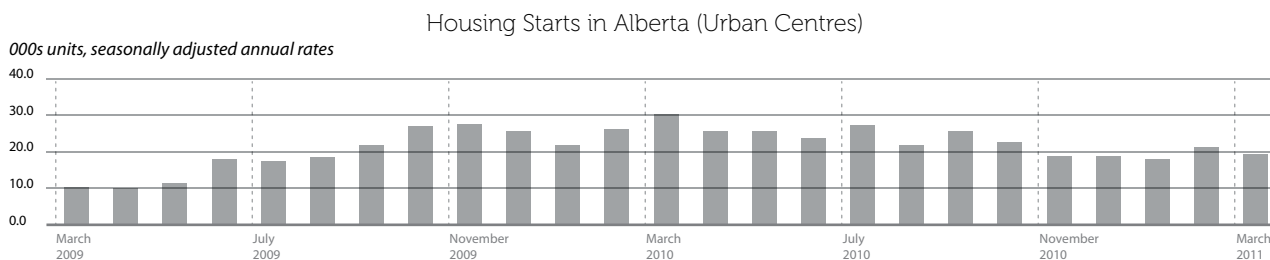
Construction and Real Estate

Alberta's residential real estate market was more or less flat in 2010. Prices and housing starts rose early in the year as some buyers rushed into the market, anticipating mortgage rate hikes that did not materialize. As a result, much of the home market was tapped out and, by late spring and summer, prices and housing starts began to decline. A small rebound in the fall saw some gains, and although housing starts were weak, prices finished off the year approximately where they began.

The first quarter of 2011 has already seen some slight gains in housing starts and prices in both Calgary and Edmonton. Interest rates continue to be favourably low, although changes to the Canada Mortgage and Housing Corporation mortgage lending rules pertaining to amortization could take some of the steam out of the market. Helping to lift the market, however, will be stronger employment gains and rising consumer confidence. If mortgage rate increases are kept at bay until later in the year, the overall housing market should remain fairly healthy and balanced in 2011.

Non-residential real estate will experience a slowdown in 2011, but the softening will not be as severe as originally expected. The surge in commercial office projects in Calgary has resulted in an enormous expansion of office space in the city's downtown core over the past few years. It was feared that this expansion could push office vacancies to well above 20%, which would pose a serious challenge to landowners and developers. However, the economic expansion appears to be lifting demand for office space, and now vacancy rates in Calgary are not expected to spike quite so severely.

Institutional construction spending (e.g., government investments in infrastructure, schools, hospitals) is also expected to soften in 2011 with the termination of the federal government's stimulus spending program in March 2011. However, the provincial government has expressed intentions to maintain its planned levels of spending on capital projects.



Source: Statistics Canada, The Daily, April 8, 2011

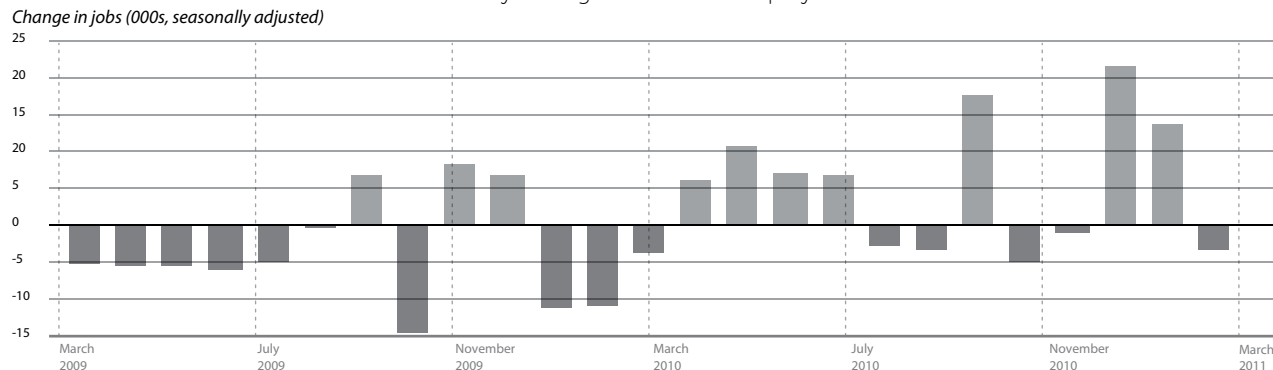
Labour Market

Overall employment gains in 2010 were subdued and uneven, and Alberta lagged behind most of the rest of the country in terms of recapturing jobs shed over the recession.

At one point last year, the unemployment rate rose to 7.7%, the highest in many years. It would have risen even higher, but the overall labour market (i.e., the number of people

working or looking for work) flatlined. Interprovincial out-migration in 2009 and 2010 has seen some job-seekers return home to other provinces, reducing the unemployment rate in Alberta. This, combined with strong employment gains in both January and February, has caused the unemployment rate to fall to 5.7% as of March.

Monthly Change in Alberta's Employment



Growth Prospects

Last year represented a distinct turning point for Alberta's economy, which rose out of the sharp contraction of 2009 and posted growth estimated in the range of 3.0% to 3.5%. In 2011, growth is expected to rise moderately, led primarily by strong crude oil prices. Conventional crude drilling and investments in the oilsands—along with the secondary and tertiary services and manufacturing that feed into these sectors—will be the main engines of growth.

Agriculture will also be a leading segment of the economy, though starting from a softer and much lower absolute level than the energy sector.

Labour shortages are already a challenge for some sectors and regions, particularly the oilsands, Fort McMurray, and east-central parts of the province. The labour market will improve over the year, moving into a fairly balanced position with an unemployment rate of close to 5.5%. This shift will gradually improve consumer confidence, retail sales, and the housing market—although conditions may still appear soft compared to the pre-recession years of 2006 and 2007.

Challenges

The most significant challenge facing Alberta in 2011 is stubbornly soft natural gas prices. With continental supply still keeping U.S. inventories full to the brim, and demand for gas unchanging as the U.S. economy crawls back to health, gas prices will probably stay low for the duration of the year. However, the Japanese nuclear crisis, which will without question temper the global appetite for additional nuclear power capacity, could prove to be a wild card. Although it is still too early to tell, a solid rejection of nuclear power could boost natural-gas-fired electricity in the U.S. and pull prices higher.

Other risks to Alberta's economy stem from a fragile global economy. Investor nervousness has resulted in major up-and-down swings on global equity markets, negatively

affecting consumer confidence (including in Alberta). The Japanese government's need for up to US\$250 billion in additional borrowing could push up global interest rates, and the possibility of a double-dip recession in the U.S. can no longer be counted out. Turmoil in the Middle East, skyrocketing food prices, and the ongoing sovereign debt situation in Europe all add levels of uncertainty and instability.

While none of these issues directly affect Alberta's economy, the province is vulnerable to the indirect impacts. Spiking oil prices may be favourable in the short term, but if the spike is followed by a crash, it would mean a net negative in the medium and long terms for the province. Swings in equity markets and interest rates would also have negative effects.

Implications for ATB

The pace of recovery in Alberta's economy has a number of implications for ATB.

In 2011, a few factors could pose challenges to the residential mortgage market. The potential for rising interest rates in the second half of the year, as well as the tighter CMHC insurance conditions that came into effect this spring, could slow activity, particularly at the entry-level and lower-price end of the market. Real estate prices could soften in some markets around the province, particularly in Calgary, where inventory—especially of condominiums—remains high. However, with the economy gaining speed and interprovincial migration rising, the housing market should stay relatively balanced and stable. Still, the range of possible outcomes is wide. Mortgage lenders will have to be vigilant in monitoring developments in the market—both positive and negative—throughout 2011.

Higher interest rates later in the year will also have material impacts for many of ATB's customers. Companies that are particularly reliant on debt financing will see their cost of funds increase, affecting their bottom lines and tempering their demand for capital investment. However, the broader economic recovery will translate into higher demand for the same companies' products, forcing them to hire more staff and incur more expenses to meet demand. Overall, it is likely that the demand for funds will increase with the economic recovery, despite somewhat higher interest rates. As a result, more companies may draw down on operating lines of credit, increasing ATB's corporate loan utilization levels.

According to the most recent survey by the Bank of Canada, conditions in the credit markets improved significantly in 2010 and early 2011; many financial institutions are reporting more favourable lending conditions, including less strict loan covenants and lower interest rate spreads. For large corporations, which have access to bond and equity markets, credit conditions have improved and are generally back to pre-recession norms. For smaller businesses, which cannot

directly access capital markets for funds, financing conditions have stabilized, but credit can still be tough to access.

Our MasterCard services will continue to benefit from the broader economic recovery in the province. Over the first quarter of 2011, retail activity continues to make gains and is now only slightly below the all-time retail-sales highs reached in March 2008. Higher incomes, rising employment levels, and generally improving consumer confidence are expected to continue to drive sales higher in 2011. The increase in sales should translate into higher fees generated.

The strong Canadian dollar is also expected to play a dominant role in the economy this year, having already risen solidly above par with its U.S. counterpart in early 2011. Although ATB does not operate in the U.S. or report in U.S. funds, a strong Canadian dollar will affect many of ATB's customers who trade with U.S. firms. As has been the case for the past few years, a strong Canadian dollar will force Alberta companies to seek out further efficiencies and keep costs down in order to remain competitive in foreign markets. Also, because most productivity-enhancing technology in Canada is imported from abroad, a strong Canadian dollar will lower the costs of these technologies. Firms may import more machinery and equipment to take advantage of the favourable cost environment.

Gradually rising interest rates could also begin to induce Albertans to demand more interest-dependent investment products, which have had very low yields over the past year. Vehicles such as GICs, short-term bonds, and broader money market instruments yielded very low returns last year, but are set to increase as early as July, when the Bank of Canada is expected to start to raise overnight interest rates. This shift will probably change the relative demand for these types of products going forward, as the rates they offer become more competitive with income from other sources, such as dividends or capital gains.

2010–11 Performance

We have exceeded our targets on five measures, met our targets on two measures, and missed our target on one measure. Detailed analysis of our 2010–11 consolidated operating results and our financial position as at March 31, 2011, can be found on pages 59 and 67, respectively.

(%)	2011 target	2010–11 results achieved
Adjusted return on average assets	0.40–0.60	0.68 exceeded target
Net interest spread	2.90–3.05	2.95 met target
Adjusted other income to operating revenue	25.0–27.0	25.4 met target
Adjusted operating revenue growth	8.5–10.5	10.6 exceeded target
Credit losses to average loans	0.20–0.30	0.12 exceeded target
Adjusted efficiency ratio	75.0–77.0	74.0 exceeded target
Performing loan growth ⁽¹⁾	6.5–8.5	4.2 missed target
Retail deposit growth	2.0–3.0	5.1 exceeded target

¹ Excludes the impact of securitization program.

2011–12 Objectives

(%)	2012 target
Adjusted return on average assets	0.55–0.75
Net interest spread	2.95–3.10
Adjusted other income to operating revenue	22.0–24.0
Adjusted operating revenue growth	10.0–13.0
Credit losses to average loans	0.20–0.30
Adjusted efficiency ratio	73.0–75.0
Performing loan growth	4.0–6.0
Retail deposit growth	2.5–3.5

As detailed in the critical accounting policies and estimates on page 89 of this MD&A, ATB has historically reported its financial results based on Canadian generally accepted accounting principles. Effective fiscal 2011–12, ATB will be required to report based on International Financial Reporting Standards (IFRS). As a result of this change, ATB has presented all fiscal 2011–12 targets based on IFRS. The targets for the upcoming year should not be compared to the targets for fiscal 2010–11.

Overall, we expect adjusted net income¹ for fiscal 2011–12 to be between \$165 million and \$195 million.

We anticipate that growth opportunities in fiscal 2011–12 will

be limited as the business focuses on completing and stabilizing our new banking platform. Non-interest expenses will be impacted by the stabilization phase of our banking system implementation, continued development of the ATB brand, and continued business growth. Anticipated increases in the prime interest rate will trigger higher net interest income and growth in other income will be attributable to the Investor Services line of business as it continues to grow its portfolio. We expect the adjusted efficiency ratio in fiscal 2011–12 to be in line with the level achieved in fiscal 2010–11. (Refer to the Review of 2010–11 Consolidated Operating Results section of this MD&A for further details.)

¹ Adjusted net income is a non-GAAP measure defined as net income excluding any recoveries or losses on ATB's asset-backed commercial paper portfolio, net of payment in lieu of tax.

Review of 2010–11 Consolidated Operating Results

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

Adjusted Net Income

The following commentary refers to adjusted net income. Adjusted net income is a non-GAAP (Canadian generally accepted accounting principles) measure defined as net income excluding any recoveries or losses on ATB's asset-backed commercial paper portfolio, net of payment in lieu of tax. Any other reference to "adjusted" in this commentary means excluding the impact of any recoveries or losses on ATB's asset-backed commercial paper portfolio. (Refer to the Recovery on Asset-Backed Commercial Paper section of this MD&A and note 9 to the consolidated financial statements for further details.)

For the year ended March 31, 2011, ATB earned adjusted net income of \$176.3 million, up 38.8% from the \$127.1 million earned in fiscal 2009–10. The improvement over the prior year was due to higher net interest income of \$64.0 million, a \$30.5 million increase in adjusted other income, and a \$30.5 million decrease in the provision for credit losses. These positive year-over-year variances were partially offset by a \$61.0 million increase in non-interest expenses.

Adjusted Return on Average Assets

Adjusted return on average assets for fiscal 2010–11 was 0.68%, up from 0.48% in the prior year. The major factor driving this increase was a 38.8% increase in adjusted net income and a 1.4% decrease in average earning assets.

(\$ in thousands)	2011	2011 vs 2010 Increase (decrease)		2010
Net income	\$ 198,516	\$ 71,046	55.7%	\$ 127,470
Adjusted net income	176,340	49,283	38.8%	127,057
Average total assets	\$ 26,111,613	\$ (358,697)	(1.4)%	\$ 26,470,310
Return on average assets	0.76%	0.28%	58.3%	0.48%
Adjusted return on average assets	0.68%	0.20%	41.7%	0.48%

Outlook for Fiscal 2011–12 – Adjusted Return on Average Assets

We are targeting a return on average assets of between 0.55% and 0.75% for fiscal 2011–12. This target is based on anticipated adjusted net income of \$165 million to \$195 million and average total assets in excess of \$29.6 billion. These objectives reflect our expectations for increased net interest income (through a forecasted increase in volume-derived revenue), offset by higher non-interest expenses and provisions for credit losses.

Operating Results – Other Key Performance Measures

(%)	2011		2010 Actual
	Actual	Target	
Net interest spread	2.95	2.90–3.05	2.68
Adjusted other income to operating revenue	25.4	25.0–27.0	24.7
Credit losses to average loans	0.12	0.20–0.30	0.26
Adjusted efficiency ratio	74.0	75.0–77.0	75.0

Net interest spread for fiscal 2010–11 was 2.95%, higher than the prior year's spread of 2.68% and in line with the year's target range of 2.90% to 3.05%. Fluctuations in the level of interest rates as well as the mix of earning assets affect ATB's net interest spread (i.e., the spread between ATB's deposit and loan products). (Refer to the Net Interest Income section of this MD&A for further details.)

The ratio of adjusted other income to operating revenue was 25.4%, an increase from the 24.7% recorded in the prior year and within the year's target range of 25.0% to 27.0%. This increase was driven by a 13.8% increase in adjusted other income.

The provision for credit losses to average loans improved to 0.12% from 0.26% in fiscal 2009–10 and exceeded the target of 0.20% to 0.30%. ATB continues to benefit from its emphasis on strong credit and effective loss-limitation practices.

The adjusted efficiency ratio was 74.0% this fiscal year, an improvement over the prior year's ratio of 75.0%. This is better than the fiscal year's target ratio of 75.0% to 77.0%. (Refer to the Non-Interest Expense section of this MD&A for further details.)

Total Adjusted Operating Revenue

Total adjusted operating revenue consists of net interest income and adjusted other income. ATB experienced a \$94.5 million (10.6%) increase in adjusted operating revenue. Net interest income increased by \$64.0 million (9.5%) over the year and adjusted other income increased by \$30.5 million (13.8%).

(\$ in thousands)	2011	2011 vs 2010		2010
		Increase (decrease)		
Net interest income	\$ 738,712	\$ 64,024	9.5%	\$ 674,688
Adjusted other income	251,278	30,495	13.8%	220,783
Adjusted operating revenue	\$ 989,990	\$ 94,519	10.6%	\$ 895,471

Outlook for Fiscal 2011–12 – Adjusted Operating Revenue

Our expectation for fiscal 2011–12 is an increase in adjusted operating revenue of 10.0% to 13.0%. This target reflects an expected increase in net interest income resulting from an expected increasing interest rate environment and anticipated higher adjusted other income driven by our Investor Services business.

Net Interest Income

Net interest income represents the difference between interest earned on assets, such as securities and loans, and interest paid on liabilities, such as deposits.

Net Interest Income, Margin, and Spread Earned

(\$ in thousands)	Average balances		Interest		Average rate (%)	
	2011	2010	2011	2010	2011	2010
Assets						
Interest-bearing deposits with financial institutions, and securities	\$ 2,036,119	\$ 2,849,858	\$ 35,033	\$ 43,567	1.7	1.5
Loans						
Residential mortgages	7,966,799	7,696,895	330,521	333,445	4.1	4.3
Personal	5,513,830	5,197,538	250,672	169,387	4.5	3.3
Other	9,565,508	9,391,618	470,451	484,713	4.9	5.2
	23,046,137	22,286,051	1,051,644	987,545	4.6	4.4
Total earning assets	25,082,256	25,135,909	1,086,677	1,031,112	4.3	4.1
Non-earning assets	1,029,357	1,334,401	-	-	-	-
Total assets	\$ 26,111,613	\$ 26,470,310	\$ 1,086,677	\$ 1,031,112	4.2	3.9
Liabilities and equity						
Deposits						
Demand	\$ 6,041,336	\$ 6,159,391	\$ 16,578	\$ 7,234	0.27	0.12
Notice	5,792,964	5,862,709	52,325	34,541	0.90	0.59
Fixed-term	11,488,965	11,813,638	265,660	306,428	2.3	2.6
Total deposits	23,323,265	23,835,738	334,563	348,203	1.4	1.5
Non-interest-bearing liabilities	528,281	493,368	-	-	-	-
Subordinated debentures	61,888	47,900	2,537	2,107	4.1	4.4
Capital investment notes	228,051	127,837	9,682	5,432	4.2	4.2
Securities sold under repurchase agreements	127,424	198,364	1,183	682	0.93	0.34
Equity	1,842,704	1,767,103	-	-	-	-
Total liabilities and equity	\$ 26,111,613	\$ 26,470,310	\$ 347,965	\$ 356,424	1.3	1.3
Net interest margin	n/a	n/a	\$ 738,712	\$ 674,688	2.83	2.55
Net interest spread	n/a	n/a	n/a	n/a	2.95	2.68

Net Interest Margin

Net interest margin is the ratio of net interest income to average total assets for the year. Net interest margin increased from 2.55% last year to 2.83% for fiscal 2010–11, reflecting the rising interest rate environment over the last year.

Net Interest Spread

ATB's net interest spread for fiscal 2010–11 was 2.95% compared to a targeted range of 2.90% to 3.05% and a fiscal 2009–10 level of 2.68%. ATB met its targeted levels through a combination of higher interest rates and increased loan balances.

Overall net interest income increased \$64.0 million with \$24.4 million due to volume changes and \$39.6 million due to rate changes.

Changes in Net Interest Income

(\$ in thousands)	2011 vs 2010			2010 vs 2009		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	volume	rate	net change	volume	rate	net change
Assets						
Interest-bearing deposits with financial institutions, and securities	\$ (14,001)	\$ 5,467	\$ (8,534)	\$ (7,301)	\$ (44,946)	\$ (52,247)
Loans						
Residential mortgages	11,198	(14,122)	(2,924)	(339)	(62,211)	(62,550)
Personal	14,380	66,905	81,285	21,220	(95,538)	(74,318)
Other	8,552	(22,814)	(14,262)	47,102	(21,862)	25,240
Total loans	34,130	29,969	64,099	67,983	(179,611)	(111,628)
Change in interest income	\$ 20,129	\$ 35,436	\$ 55,565	\$ 60,682	\$ (224,557)	\$ (163,875)
Liabilities						
Deposits						
Demand	\$ 324	\$ (9,668)	\$ (9,344)	\$ (796)	\$ 32,043	\$ 31,247
Notice	630	(18,414)	(17,784)	(12,058)	49,396	37,338
Fixed-term	7,507	33,261	40,768	42,349	85,671	128,020
Total deposits	8,461	5,179	13,640	29,495	167,110	196,605
Subordinated debentures	(573)	143	(430)	569	(60)	509
Capital investment deposits	(4,255)	5	(4,250)	(5,432)	-	(5,432)
Securities sold under repurchase agreements	659	(1,160)	(501)	(595)	131	(464)
Change in interest expense	\$ 4,292	\$ 4,167	\$ 8,459	\$ 24,037	\$ 167,181	\$ 191,218
Change in net interest income	\$ 24,421	\$ 39,603	\$ 64,024	\$ 84,719	\$ (57,376)	\$ 27,343

Outlook for Fiscal 2011–12 – Net Interest Spread

Our target for fiscal 2011–12 is to earn net interest spread in the range of 2.95% to 3.10%. This target reflects our expectation that the Canadian prime interest rate will increase over the next fiscal year and our anticipation of additional net interest income as we continue to implement our hedging programs in the current interest rate environment. This rising interest rate environment is expected to induce the movement of client borrowing from the traditionally leaner-spread variable-rate products to fixed-rate products. Competition for deposits within the industry is expected to persist through the entire year, which will slow the recovery of spreads on deposit products.

Adjusted Other Income

Adjusted other income consists of all operating revenue not classified as net interest income, except for adjustments to asset-backed commercial paper (ABCP), which is disclosed as a separate line item within operating revenue.

(\$ in thousands)	2011	2011 vs 2010 Increase (decrease)		2010
Service charges	\$ 68,835	\$ (2,065)	(2.9)%	\$ 70,900
Investor Services	54,956	12,616	29.8%	42,340
Card fees	51,809	2,471	5.0%	49,338
Securitization income	25,626	7,353	40.2%	18,273
Credit fees	22,136	1,979	9.8%	20,157
Insurance	14,647	2,014	15.9%	12,633
Foreign exchange	8,406	(2,851)	(25.3)%	11,257
Gain (loss) on derivative financial instruments, net	2,437	13,877	121.3%	(11,440)
Sundry	2,426	(4,899)	(66.9)%	7,325
	\$ 251,278	\$ 30,495	13.8%	\$ 220,783

Other income was \$251.3 million for fiscal 2010–11, an increase of \$30.5 million (13.8%) over last year's \$220.8 million. This increase was driven by a \$12.6 million escalation in Investor Services income, a \$7.4 million rise in securitization income, and a \$13.9 million gain on derivative financial instruments.

Investor Services income grew to \$55.0 million, a 29.8% increase over the \$42.3 million recorded last year. This change was driven by the 21.5% boost in assets under administration, improved industry conditions, and a more profitable asset mix.

ATB securitized \$948.3 million in residential mortgages during the year, an amount slightly below the prior year. The resulting gain on sale of \$24.0 million was significantly smaller than the prior year's gain of \$32.7 million. This decrease was largely due to a change in the rate and term of mortgages sold; however, year over year,

securitization income was positively impacted by changes in the fair value of retained interests from previous securitization transactions. Last year the revaluation resulted in an \$18.4 million loss compared to a \$2.5 million loss in the current year. (Refer to note 12 to the consolidated financial statements for further details.)

ATB experienced a gain on derivatives of \$2.4 million compared to an \$11.4 million loss in the prior year. This change is due to a combination of factors, including the impact of hedging strategies and increases to client derivative income.

The ratio of adjusted other income to operating revenue was 25.4%, slightly higher than the 24.7% from 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.

Outlook for Fiscal 2011–12 – Adjusted Other Income to Operating Revenue

Our targeted ratio of adjusted other income to operating revenue for fiscal 2011–12 is 22.0% to 24.0%. This target reflects our expectation that growth in adjusted other income will be limited as improvements in Investor Services fees will be partially offset by a reduction in credit fees. The decrease in this ratio is accentuated by the fact that net interest income is expected to reflect a strengthening interest rate environment, resulting in a 9.0% to 11.0% increase in net interest income.

Recovery on Asset-Backed Commercial Paper

The majority of ATB's ABCP portfolio has been designated as held-for-trading and, as a result, must be recorded at fair value. As detailed in note 9 to the consolidated financial statements, there is no active market for the majority of these notes and the fair value is derived from a model with market inputs. The \$28.8 million recorded during the year compares

favourably to the \$0.54 million recorded in the prior year. The increase is due to the impact of both an improving economy and the passage of time.

ATB considers these fair value adjustments to be outside the scope of normal business activities and has reported most financial measures in this MD&A excluding this income.

Provision for (Recovery of) Credit Losses

ATB's results for fiscal 2010–11 include a \$28.5 million provision for credit losses compared to \$58.9 million for the prior year. The decrease in our net provision was driven by a \$42.6 million net decrease in the general loan loss allowance offset by an increase of \$12.1 million in new specific provisions.

(\$ in thousands)	2011	2011 vs 2010 Increase (decrease)		2010
New specific provisions	\$ 55,293	\$ 15,370	38.5%	\$ 39,923
Reversal of previous allowances	(3,725)	(261)	(7.5)%	(3,464)
Recoveries of prior writeoffs	(8,824)	(3,046)	(52.7)%	(5,778)
Specific provisions for credit losses	42,744	12,063	39.3%	30,681
General allowance	(14,292)	(42,558)	(150.6)%	28,266
	\$ 28,452	\$ (30,495)	(51.7)%	\$ 58,947
Credit losses to average loans	0.12%	(0.14)%	(53.8)%	0.26%

The ratio of the annual provision for credit losses to average net total loans was 0.12% for fiscal 2010–11, down from last year's ratio of 0.26%. The credit loss experience through the economic downturn was much less than expected.

ATB has always maintained, and continues to emphasize, strong credit and effective loss-limitation practices, which serve to minimize credit losses. (Please see the Risk Management section of this MD&A for further details.)

Outlook for Fiscal 2011–12 – Credit Losses to Average Loans

We expect our annual credit loss provisions to return to a normalized run rate in fiscal 2011–12, and therefore the low level of this ratio is not expected to continue. As the economy enters into the early stages of expansion, resumed balance growth will lead to an increase in the general loan loss allowance, resulting in a target range of 0.20% to 0.30% for the ratio of credit losses to average loan balances.

Non-Interest Expenses and Efficiency

Non-interest expenses consist of all expenses incurred by ATB except for interest expenses, provision for (recovery of) credit losses, and ATB's recovery on ABCP.

<i>(\$ in thousands)</i>	2011	2011 vs 2010 Increase (decrease)		2010
Salaries and employee benefits	\$ 400,704	\$ 32,874	8.9%	\$ 367,830
Data processing	76,200	3,606	5.0%	72,594
Premises and occupancy	74,595	2,366	3.3%	72,229
Equipment, software, and other intangibles	46,189	5,127	12.5%	41,062
Professional and consulting costs	44,006	11,079	33.6%	32,927
Marketing and supplies	30,949	2,107	7.3%	28,842
Deposit guarantee fee	24,530	824	3.5%	23,706
Communication	21,962	1,968	9.8%	19,994
ATB agencies	8,218	43	0.53%	8,175
Other	5,171	1,014	24.4%	4,157
	\$ 732,524	\$ 61,008	9.1%	\$ 671,516
Adjusted efficiency ratio	74.0%	(1.0)%	(1.3)%	75.0%

Non-interest expenses amounted to \$732.5 million for fiscal 2010–11, an increase of \$61.0 million or 9.1% compared to the fiscal 2009–10 total of \$671.5 million.

The most significant change this year was in salaries and employee benefits costs, which increased by \$32.9 million. The rise reflects planned increases in salaries and benefits, along with higher staffing levels to support the growth in our lines of business, and the development of our marketing and information technology functions.

Premises and occupancy costs are \$2.4 million higher, reflecting planned office space increases. Equipment, software, and other intangibles grew by \$5.1 million over the prior year, owing to rises in amortization costs for computer hardware and software.

Professional and consulting costs increased by \$11.1 million over the prior year, primarily due to expenditures associated with the development of our new banking system.

Adjusted Efficiency Ratio

The adjusted efficiency ratio, which is the ratio of non-interest expenses to adjusted operating revenue, is a key performance metric. ATB uses this ratio to measure its effectiveness at managing expenses and generating operating revenue;

a lower ratio indicates greater efficiency at generating income. ATB's adjusted efficiency ratio was 74.0% and represents an improvement over last year's ratio of 75.0%.

Outlook for Fiscal 2011–12 – Adjusted Efficiency Ratio

We have targeted the adjusted efficiency ratio for fiscal 2011–12 to be within a range of 73.0% to 75.0%. We do not foresee significant gains in operating revenue from our new banking system in the next fiscal year, as it will be implemented during the year and a period of stabilization is expected. Additionally, we anticipate growing infrastructure to support cash-management and marketing activities that were deferred prior to the go-live of our new banking system. The adjusted efficiency ratio is expected to improve significantly over time, as cost efficiencies and revenue growth are realized from our fully integrated banking system and expected increases in the net interest spreads occur.

Review of March 31, 2011 Consolidated Financial Position

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

Financial Position – Overview and Key Performance Measures

Key Performance Measures

(%)	2011		2010
	Actual	Target	Actual
Performing loan growth ⁽¹⁾	4.2	6.5–8.5	6.0
Retail deposit growth	5.1	2.0–3.0	(4.7)

⁽¹⁾ Excludes the impact of securitization program.

ATB's performing loan growth for fiscal 2010–11 was 4.2%, which is below our targeted growth of 6.5% to 8.5%. The lower than planned levels achieved were primarily due to the slowdown in residential home sales during the fiscal year and increased competitive pressures.

In fiscal 2010–11, ATB was above its targeted retail deposit growth of 2.0% to 3.0%, with an actual increase in balances of \$1.0 billion or 5.1%. This is a direct result of current deposit attraction and retention strategies implemented by management during the year.

Total Assets

ATB's total assets were over \$27.4 billion as at March 31, 2011, an increase of almost \$2.0 billion, or 7.7%, from \$25.4 billion as at March 31, 2010. This increase in total assets was driven

by growth in cash and liquid securities, which increased by \$1.3 billion, and net loans, which increased by \$408.6 million over the course of the fiscal year.

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)	2011	2011 vs 2010		2010
		Increase (decrease)		
Cash and items in transit	\$ 210,401	\$ (9,223)	(4.2)%	\$ 219,624
Interest-bearing deposits with financial institutions	1,123,779	448,203	66.3%	675,576
Securities ⁽¹⁾	1,310,109	822,661	168.8%	487,448
Cash and securities	\$ 2,644,289	\$ 1,261,641	91.2%	\$ 1,382,648
As a percentage of total assets	9.7%	4.3%	79.4%	5.4%

⁽¹⁾ Includes unencumbered liquid securities.

Cash and items in transit vary because of changes in customer product preferences and the timing of certain interbank activities such as foreign currency clearing, cheque clearing, and other transit items. Securities and interest-bearing deposits with financial institutions increased over the prior year as ATB managed its liquidity position. (Refer to the Risk Management section of this MD&A 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 8 and 21 to the statements for further details.)

Loans

ATB uses performing loan growth as the basis for its key performance measure. Performing loans, which exclude the impacts of securitization, impaired loans and loan loss provisions, grew 4.2% in fiscal 2010–11. Another measure is net loans, which include the impacts of securitization, impaired loans and loan loss provisions. ATB ended the year

with growth of 1.8% for our net loans, an increase of \$408.6 million from the previous year to an ending balance of \$22.9 billion as at March 31, 2011. Our loan portfolio and the related allowances for credit losses are discussed in greater detail in the Risk Management section of this MD&A.

Loans and Allowances

(\$ in thousands)	2011	2011 vs 2010 Increase (decrease)		2010
Gross loans	\$ 23,169,189	\$ 412,173	1.8%	\$ 22,757,016
Less: specific allowances	(35,177)	(17,884)	(103.4)%	(17,293)
Loans, net of specific allowances	23,134,012	394,289	1.7%	22,739,723
Less: general allowances	(190,828)	14,292	7.0%	(205,120)
Net loans	\$ 22,943,184	\$ 408,581	1.8%	\$ 22,534,603

Outlook for Fiscal 2011–12 – Performing Loan Growth

We are targeting overall growth in our performing loan balance of 4.0% to 6.0% in fiscal 2011–12, based primarily on our expectation of normalized commercial loan growth for the year. Additionally, the improving economic environment is expected to generate more consistent retail lending across product categories, with agriculture and independent business loans contributing a sizable share to overall performing loan growth.

Remaining Assets

ATB's remaining assets are composed primarily of software and other intangibles, derivative financial instruments, premises and equipment, and accrued interest receivable. (Refer to notes 13, 14, 15, and 20 to the statements for further details.)

(\$ in thousands)	2011	2011 vs 2010 Increase (decrease)		2010
Software and other intangibles	\$ 297,008	\$ 95,241	47.2%	\$ 201,767
Derivative financial instruments	271,886	45,377	20.0%	226,509
Premises and equipment	183,881	(4,950)	(2.6)%	188,831
Accrued interest receivable	126,800	12,200	10.6%	114,600
Prepaid expenses and other receivables	87,687	43,225	106.6%	44,462
Cheques and other items in transit	66,400	9,700	17.1%	56,700
Accrued pension-benefit assets	51,398	17,979	53.8%	33,419
Other	15,261	1,034	7.3%	14,227
	\$ 1,100,321	\$ 219,806	25.0%	\$ 880,515

The \$95.2 million rise in software and other intangibles is primarily due to ATB's investment in the new banking system currently under development.

Derivative financial instruments, which grew \$45.4 million, had an increase in client-related transactions, partially offset by a decrease in the fair value of derivatives associated with ATB's interest rate risk management.

Prepaid expenses and other receivables increased by \$43.2 million to a year-end balance of \$87.7 million.

The majority of this change is a payment to Canada Mortgage and Housing Corporation to cover unscheduled prepayments on securitized mortgages.

Outlook for Fiscal 2011–12 – Capital Expenditures

Once our new banking system is implemented in fiscal 2011–12, we will spend an additional six months ensuring that the operating environment, new business processes, and changes in our organization are stabilized.

A long-range road map strategy and a prioritization process for major projects—primarily additional modules—will be completed as implementation and stabilization of the new system is achieved. In fiscal 2011–12, we anticipate beginning critical applications such as a treasury module and a non-retail lending platform for Independent Business & Agriculture and Corporate Financial Services.

Investor Services will continue to develop its wealth management foundation technology platform in the next fiscal year. This technology will improve the efficiency of our advisors and is required in order to achieve the levels of growth planned in this line of business.

Our ongoing facilities investments reflect our real estate strategy as well as our requirements for ATB's evolving channel strategy. Corporate housing leasehold investments for both Calgary and Edmonton are multi-year projects that will begin in fiscal 2011–12.

Total capital expenditures budgeted for fiscal 2011–12 are \$78 million, including \$33 million for facilities construction and renovations, \$21 million for information technology infrastructure, and \$24 million for enhancements to customer-facing and corporate-support technology, together with associated process improvements.

Deposits

ATB has two principal sources of deposits: retail deposits, which consist of personal, business, and commercial, and wholesale deposits, which consist primarily of bearer deposit notes and midterm notes issued on our behalf by the Government of Alberta and sold to other financial institutions.

Deposits by Category

(\$ in thousands)	Payable on demand	Payable after notice	Payable on fixed date	Total	Percentage of total
2011					
Retail					
Personal	\$ 1,751,404	\$ 3,793,020	\$ 5,015,513	\$ 10,559,937	44.0%
Business and other	4,338,950	2,287,986	3,795,117	10,422,053	43.5%
Wholesale	-	-	3,000,155	3,000,155	12.5%
	\$ 6,090,354	\$ 6,081,006	\$ 11,810,785	\$ 23,982,145	100.0%
	25.4%	25.4%	49.2%	100.0%	
2010					
Retail					
Personal	\$ 1,645,167	\$ 3,745,527	\$ 5,036,439	\$ 10,427,133	46.2%
Business and other	4,826,130	2,045,770	2,672,140	9,544,040	42.3%
Wholesale	-	-	2,607,994	2,607,994	11.5%
	\$ 6,471,297	\$ 5,791,297	\$ 10,316,573	\$ 22,579,167	100.0%
	28.7%	25.6%	45.7%	100.0%	

During fiscal 2010–11, total deposits increased to \$24.0 billion, which amounts to growth of 6.2% year over year.

Retail deposits increased by \$1.0 billion to \$21.0 billion during the year, a direct result of current deposit attraction and retention strategies implemented by management during the year.

Wholesale deposits are used as a source of funds to supplement retail deposits in supporting our lending activities, and the balances outstanding can swing significantly over the course of each year to compensate for fluctuations in our retail deposit balances. Our operating agreement with the Government of Alberta currently limits the total volume of such deposits to \$6.0 billion.

Outlook for Fiscal 2011–12 – Retail Deposit Growth

We are targeting a retail deposit growth rate of 2.5% to 3.5% for fiscal 2011–12. Although competition for available deposits continues to be significant, the increasing interest rate environment is expected to stimulate growth in deposits from our clients. Continued investment in people, training, and marketing activities will enable us to better serve Albertans and will also lead to stronger deposit growth.

Remaining Liabilities

ATB's remaining liabilities are composed primarily of securities sold under repurchase agreements, accounts payable and accrued liabilities, derivative financial instruments, and capital investment notes. (Refer to notes 17, 18, 20, and 28 to the statements for further details.)

(\$ in thousands)	2011	2011 vs 2010 Increase (decrease)		2010
Securities sold under repurchase agreement	\$ 341,557	\$ 341,557	100.0%	\$ -
Accounts payable and accrued liabilities	290,504	(98,131)	(25.3)%	388,635
Derivative financial instruments	254,411	107,519	73.2%	146,892
Capital investment notes	230,972	5,978	2.7%	224,994
Accrued interest payable	120,229	(5,280)	(4.2)%	125,509
Subordinated debentures	67,467	22,291	49.3%	45,176
Payment in lieu of tax	59,298	21,223	55.7%	38,075
Deposit guarantee fee	25,499	1,793	7.6%	23,706
Cheques and other items in transit	17,900	1,400	8.5%	16,500
Other	34,368	3,361	10.8%	31,007
	\$ 1,442,205	\$ 401,711	38.6%	\$ 1,040,494

The securities sold under repurchase agreements of \$341.6 million are new this year and are related to ATB's participation in Canada Mortgage and Housing Corporation's Canada Mortgage Bond securitization program.

The change in derivative financial instrument liabilities of \$107.5 million to \$254.4 million is primarily due to increased volume of client-related transactions and a decrease in the fair value of derivatives associated with ATB's interest rate risk management.

Regulatory Capital

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

As a Crown corporation, ATB and its subsidiaries operate under a regulatory framework established pursuant to the Alberta Treasury Branches Act and associated regulation and guidelines. The capital adequacy requirements for ATB are defined in a guideline authorized by the Minister of Finance and Enterprise, 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, notional (or deemed) capital (which reduces quarterly by 25.0% of net income), eligible portions of the general allowance for credit losses, subordinated debentures, and capital investment notes (to a maximum of \$500 million).

Regulatory Capital and Capital Ratios

(\$ in thousands)	2011	2011 vs 2010 Increase (decrease)		2010
Tier 1 capital				
Retained earnings	\$ 1,975,739	\$ 198,516	11.2%	\$ 1,777,223
Tier 2 capital				
Eligible portions of:				
Subordinated debentures	33,658	24,582	270.8%	9,076
Capital investment deposits	134,188	(45,807)	(25.4)%	179,995
General allowance for credit losses	181,700	9,043	5.2%	172,657
Notional capital	518,503	(49,630)	(8.7)%	568,133
	868,049	(61,812)	(6.6)%	929,861
Total regulatory capital	\$ 2,843,788	\$ 136,704	5.0%	\$ 2,707,084
Total risk-weighted assets	\$ 20,765,694	\$ 1,033,471	5.2%	\$ 19,732,223
Risk-weighted capital ratios (%)				
Tier 1 capital ratio	9.5%	0.50%	5.6%	9.0%
Total regulatory capital ratio	13.7%	0.0%	0.0%	13.7%
Assets-to-capital multiple	9.6	0.2	2.1%	9.4

Our Tier 1 capital ratio was 9.5% and total capital ratio was 13.7% of risk-weighted assets as at March 31, 2011.

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

Risk-Weighted Assets							
(\$ in thousands)	Risk-weighted percentage	2011		2011 vs 2010		2010	
		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	\$ 1,285,680	\$ 224,756	\$ 89,641	66.3%	\$ 855,000	\$ 135,115
Securities	0–100	2,058,878	638,125	17,595	2.8%	1,158,900	620,530
Residential mortgages	0–100	7,811,191	2,726,886	94,481	3.6%	7,977,129	2,632,405
Other loans	0–100	15,131,993	13,879,791	521,873	3.9%	14,557,474	13,357,918
Other assets	20–100	1,100,321	1,025,583	216,556	26.8%	880,515	809,027
Total balance sheet amounts		27,388,063	18,495,141	940,146	5.4%	25,429,018	17,554,995
Off-balance-sheet amounts							
Guarantees and letters of credit	0–100	12,303,392	2,056,575	3,862	0.2%	11,098,074	2,052,713
Derivative financial instruments	0–50	22,564,002	213,978	89,463	71.8%	6,164,031	124,515
Total off-balance-sheet amounts		34,867,394	2,270,553	93,325	4.3%	17,262,105	2,177,228
Total risk-weighted assets		\$ 62,255,457	\$ 20,765,694	1,033,471	5.2%	\$ 42,691,123	\$ 19,732,223

Outlook for Fiscal 2011–12 – Regulatory Capital

Over fiscal 2011–12, 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 services institution.

Off-Balance-Sheet Arrangements

In the normal course of operations as a financial institution, ATB participates in a variety of financial transactions that, under Canadian generally accepted accounting principles (GAAP), are either not recorded on the consolidated balance sheet or are recorded at amounts different from the full notional or contract amount. These transactions include:

- Assets under administration and assets under management
 - Derivative financial instruments
 - National Housing Association mortgage-backed securities and Canada Mortgage Bond programs
 - Credit instruments
 - Contractual obligations
 - Guarantees
 - The margin-funding facility required as part of ATB's investment in asset-backed commercial paper as a Master Asset Vehicle (MAV) 1 note holder
- (Refer to note 9 to the statements for further details.)

Assets Under Administration and Assets Under Management

Assets under administration and assets under management include client investments managed and administered by ATB's subsidiary entities, commonly known as ATB Investor Services, and residential mortgage loans under management related to securitization operations.

Client accounts under administration and management increased from \$5.2 billion to \$6.3 billion during the year. This increase was due to a combination of strong sales and improved markets.

Derivative Financial Instruments

ATB enters into various over-the-counter derivative contracts in the normal course of business, including interest rate swaps and options, equity and commodity options, and foreign-exchange and commodity forwards. 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' own risk management programs.

All derivative financial instruments, including embedded derivatives and those qualifying for hedge accounting, are classified as held for trading and measured at fair value on the consolidated balance sheet. Although transactions in derivative financial instruments are expressed as notional values, it is the fair value and not the notional amount that is recorded on the consolidated balance sheet. 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 20 to the statements for further details.)

National Housing Association Mortgage-Backed Securities and Canada Mortgage Bond Programs

ATB securitizes residential mortgage loans by selling loans or packaged loans in the form of mortgage-backed securities through the Canada Mortgage Bond (CMB) program. As required by Canada Mortgage and Housing Corporation, ATB manages the mismatch between the amortizing mortgage pool and the CMB, and takes on the reinvestment risk relative to principal payments received. ATB uses these securitization programs to diversify its funding sources. (Refer to note 12 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, credit card authorized limits, and so forth. To the extent that a customer's authorized limit on a facility exceeds the outstanding balance drawn as at March 31, 2011, 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 that have extended commitment terms. (Refer to note 21 to the statements for further details.)

Contractual Obligations

During its normal daily operations, ATB enters into various contractual obligations to make future payments in respect of certain purchase transactions and operating leases. (Refer to note 21 to the statements for details.) We are also obligated to make future interest payments in respect of our subordinated debentures. (Refer to note 18 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 Canadian Institute of Chartered Accountants in Accounting Guideline 14. The principal types of guarantees are standby letters of credit and performance guarantees. (Refer to note 21 to the statements for further details.)

MAV Margin-Funding Facility

MAV 1 note holders are required to provide a margin-funding facility (MFF) to cover possible collateral calls on the leveraged super-senior trades underlying the individual notes. (Refer to note 9 to the statements for further details.) Advances under this facility are expected to bear interest at a rate based on the bankers' acceptance rate. If ATB fails to fund any collateral under this facility, the notes held by ATB could be terminated or exchanged for subordinated notes. ATB's share of the MFF credit commitment is \$551.5 million, for which ATB will not receive a fee. To recognize the fair value of this commitment, \$25.3 million has been recorded in other liabilities. As at March 31, 2011, no amount has been funded under the MFF.

Review of Business Segments

Operating Results by Segment

ATB is organized into four customer-focused lines of business: Retail Financial Services (RFS), Independent Business & Agriculture (IB & Ag), Corporate Financial Services (CFS), and Investor Services (ATBIS). In prior years, RFS and IB & Ag operated as a single line of business referred to as Personal and Business Financial Services (PBFS). Effective April 1, 2010, PBFS was separated to better serve our customers. The current year's results have been presented separately for the two new business segments, but ATB is not able to present separate prior-year comparatives. For this reason, the following discussion will compare the combined results for RFS and IB & Ag to the past results for PBFS.

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, with the exception of financial instruments standards and Accounting Guideline 4-related adjustments, which are recorded at the strategic service units (corporate) level only. Since these results are based on ATB's internal management structure, they may not be directly comparable to those of other financial institutions.

Determination of Segmented Reporting

The manner in which ATB determines the revenues, expenses, assets, and liabilities attributable to the various lines of business is disclosed in note 26 to the statements.

(\$ in thousands)	Retail Financial Services	Independent Business & Agriculture	Personal and Business Financial Services	Corporate Financial Services	Investor Services	Corporate units	Total
For the year ended March 31, 2011							
Net interest income	\$ 337,570	\$ 193,275	\$ 530,845	\$ 166,905	\$ 5,190	\$ 35,772	738,712
Other income (loss)	90,710	62,740	153,450	61,076	52,205	(15,453)	251,278
Recovery on ABCP	-	-	-	-	-	28,800	28,800
Total operating revenue	428,280	256,015	684,295	227,981	57,395	49,119	1,018,790
Provision for (recovery of) credit losses	32,918	5,819	38,737	(1,350)	-	(8,935)	28,452
Non-interest expenses	386,692	121,785	508,477	40,468	70,686	112,893	732,524
Payment in lieu of tax	-	-	-	-	-	59,298	59,298
Net income (loss)	\$ 8,670	\$ 128,411	\$ 137,081	\$ 188,863	\$ (13,291)	\$ (114,137)	\$ 198,516
Increase (decrease) from 2010							
Net interest income			58,814	12,109	295	(7,194)	64,024
Other income (loss)			(4,487)	6,211	11,927	16,844	30,495
Recovery on ABCP			-	-	-	28,263	28,263
Total operating revenue			54,327	18,320	12,222	37,913	122,782
Provision for (recovery of) credit losses			(10,990)	(17,728)	-	(1,777)	(30,495)
Non-interest expenses			30,325	4,638	11,833	14,212	61,008
Payment in lieu of tax			-	-	-	21,223	21,223
Net income			\$ 34,992	\$ 31,410	\$ 389	\$ 4,255	\$ 71,046
For the year ended March 31, 2010							
Net interest income			472,031	154,796	4,895	42,966	674,688
Other income (loss)			157,937	54,865	40,278	(32,297)	220,783
Recovery on ABCP			-	-	-	537	537
Total operating revenue			629,968	209,661	45,173	11,206	896,008
Provision for (recovery of) credit losses			49,727	16,378	-	(7,158)	58,947
Non-interest expenses			478,152	35,830	58,853	98,681	671,516
Payment in lieu of tax			-	-	-	38,075	38,075
Net income (loss)			\$ 102,089	\$ 157,453	\$ (13,680)	\$ (118,392)	\$ 127,470

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

Retail Financial Services (RFS)

Overview

Across the province, RFS is the face of ATB that most of our customers identify with. Our network of branches and agencies, our Customer Contact Centre, and our direct sales teams offer a diverse range of products and services to help provide world-class solutions to our customers. With approximately 3,000 associates, RFS is also the key point of contact for the majority of ATB customers and provides the foundation, in both services and support, for all the other ATB lines of business.

Business Plan Summary

This year proved to be more challenging than anticipated, but even though we were not able to meet targeted loan volumes, RFS still grew in profitability. As expected, the economy and the job market both improved slightly; however, this improvement did not translate into either sustained or elevated consumer lending activity. Consumer lending as a whole was depressed, owing partly to a change in consumer behaviour and most significantly to a subdued housing market.

RFS has made a significant investment in ATB's new banking system in the form of both time and people. As RFS will be a main beneficiary of the system, we have put a considerable amount of energy into ensuring its successful implementation. Our commitment to the banking transformation will continue in fiscal 2011–12, with our focus moving from implementation to stabilization and sustainment.

The coming years will be ones of strategic renewal. We will focus on people, processes, and systems in order to continue creating value for Albertans. The transition to an entirely

new banking system will enable our business to provide more value to our customers and create more rewarding experiences for our associates. Focus, innovation, and value creation will be the drivers of RFS's future.

2010–11 Accomplishments

ATB's new banking system, which is by far the biggest project ever undertaken at ATB, is slated for implementation in fiscal 2011–12. This project was a priority for RFS associates in fiscal 2010–11, and once it is complete, it will allow our business to provide even better service to our customers. RFS associates played an integral role in resourcing and supporting the project, and received a significant amount of training to prepare for the launch. Our associates are eager to put their new learning and skills to work.

In spite of the heavy focus on preparing for the new banking system, associates were again able to deliver great customer experiences and achieve an outstanding 84% on our customer satisfaction score.

RFS also continued to be a great place to work. Associate engagement climbed from 81% to 83%, an impressive feat given the challenging economic times and the significant impact of implementing the new banking system.

RFS continued to build our branch network last year in an effort to stay connected to the communities in which we serve. We extended our reach to Albertans by opening two new branches, Sylvan Lake and Medicine Hat Northlands; relocated and expanded our Lethbridge Paramount and Red Deer North Gaetz Avenue locations; and expanded the Lacombe and Lloydminster branches. We are continually looking for opportunities to build and expand branches where Albertans need us most.

2011–12 Objectives

Our objectives for the coming year are as follows:

- Focus on unlocking the full potential of our new banking system. It will offer capabilities and features fundamental to executing our business strategies, and in turn allow us to better serve Albertans.
- Invest in our leadership based on attributes that are unique to ATB. By reinventing the role of the branch manager, and recruiting and developing leaders within the ranks of our retail group, we will help our associates to make more significant impacts in their communities and create a more rewarding work environment. We will also continue to strive for a culture that is based on performance, accountability, and recognition of achievement.
- Enrich the career experiences of our associates by better connecting roles and opportunities with the value we can bring to our customers. New and innovative training for ATB associates will be introduced, including on-the-job training.
- Help our clients move their lives forward in the best ways possible. We will be looking to serve our customers using approaches that are different from our traditional offerings. We want to provide unique, premium solutions to Albertans by connecting our advice to key life events.
- Look at banking differently than any other institution by offering clients a customized experience and solutions that are not only appealing, but seamless and effortless. We will try to rethink the traditional branch strategy, review the rural and urban markets, and increase ATB's agility by proactively responding to threats and opportunities in the marketplace.

RFS is the foundation of our enterprise and the key point of contact for all ATB customers, through the branch network and other channels, such as online banking. Ensuring that our strategic direction aligns with and complements the strategic direction of the entire organization will be paramount.

Independent Business & Agriculture (IB & Ag)

Overview

Our early focus on building infrastructure in the areas of people and technology has put us in a strong position to push forward and focus on results. We expect fiscal 2011–12 to be the beginning of a pivotal time for our line of business as we begin to leverage this groundwork and capitalize on our momentum.

Business Plan Summary

IB & Ag delivers innovative products and solutions to independent business and agriculture customers through a truly unique Alberta advantage, with a team of associates dedicated to living the Alberta entrepreneurial spirit. We thrive on giving back to the communities we serve while at the same time contributing to the overall success of ATB.

Our value propositions are the basis of our strategic direction and guide us in the execution of our plan.

Customer Value Proposition (CVP)

Building on seven decades of partnering with Alberta business, we live Alberta's entrepreneurial spirit the same way you do. Our team of experts demonstrate they care and will take the time to save you time, providing innovative solutions that help make you successful. This inspires us to understand your business—imagine unleashing your potential!

Associate Value Proposition (AVP)

Imagine making decisions that make a difference.

ATB Independent Business & Agriculture is a team of experts inspired by leaders who invest in you to help you grow and develop in our organization. Through relationships with our partners, you create innovative solutions to help our customers' dreams come true. We make it easy to spend time on the work you love to do. Get paid and have fun!

2010–11 Accomplishments

Since establishing our four strategic priorities, we have made significant progress in bringing them to life. The successful completion of our organizational design has put us in a position to better execute on our priorities and improve our focus on creating value for our customers. We are truly at the end of the beginning. Our next steps will be to focus on our target markets and begin the ascent to attaining market leadership.

Early Wins

With respect to our CVP, we achieved the following:

- Began building out target market offers
- Created a new customer survey with questions aligned to our CVP
- Launched our initial external marketing plan
- Created innovative products

With respect to our AVP, we achieved the following:

- Decentralized loan pricing to empower associates in decision making
- Created consistency across roles and realigned portfolios for optimization between complexities and capabilities
- Attracted top talent internally and externally in key roles
- Initiated a comprehensive review of role design, attributes, and compensation

With respect to support for our new banking platform, we achieved the following:

- Comprehensively assessed customer impacts and action plans
- Designed and developed new and enhanced product offerings
- Completed conversion planning, training, and testing for the new system

2011–12 Objectives

IB & Ag has an excellent opportunity to build the best independent business and agriculture offering in the world. To do so, we'll focus on the following four key strategic priorities:

- Retain, attract, and inspire great associates.
- Understand our customers and unleash their potential.
- Be prudent in running the business.
- Provide a fair return to the organization.

Corporate Financial Services (CFS)

Overview

CFS began operations in fiscal 2001–02 with the strategic objective of establishing our presence as a relevant lender serving the Alberta business marketplace. The initial goal was to show that CFS strongly supported the ATB promise to “be there for Albertans.” By 2006, we recognized that we were close to achieving our first set of objectives and embarked on a renewal process resulting in a redefined strategic plan and vision. The significant global credit pressures of 2008 and 2009, and the resulting lack of capital available for Alberta businesses, once again allowed CFS and ATB to demonstrate our commitment to providing financial support to our local market.

As CFS continues to press forward with a renewed vision and related strategies, our strategic aim is to move from today’s hard-earned position of “market relevance” to one of “market significance.” To achieve this shift, CFS will continue to improve our financial performance by broadening our client base while deepening product penetration. To this end, we will take every opportunity to leverage the capabilities of our new technology to bring our banking model to a larger audience of qualified Alberta corporations.

Business Plan Summary

This business plan will leverage CFS’s recently earned advantages, including an established reputation in the business community, world-class supporting technology, and a renewed clear line of sight to new opportunities. Our focus is on embracing the capabilities of the new banking system, developing our associates as we expand the depth and breadth of our product offerings, and further penetrating the fabric of the Alberta business environment. The outcome will be sustained profitability with minimum volatility in risk exposures.

2010–11 Accomplishments

CFS continued to add to its team of industry, market, and solution specialists over the course of the last fiscal year, growing to 139 associates from 104 in the previous year. Much of this growth was made through strategic investments in the growing real estate practice, in cultivating a strong presence in Fort McMurray, and in developing enhanced capacity for our Financial Markets, Cash Management, and Syndications groups. The additions to the team also contributed to a significant year-over-year increase in our level of client satisfaction.

During the past fiscal year, the line continued to positively grow its revenue-generating capacity. In 2010–11, CFS’s operating revenue climbed to \$228 million, an increase of 8.7% over the previous year.

2011–12 Objectives

CFS will continue to focus on our existing strategy in fiscal 2011–12, pursuing the following goals:

- Drive our position from relevance to significance through continued development of our human capital and expansion of our product offerings into the mid- and senior markets.
- Expand our presence through refined target marketing and segmentation and by leveraging the new banking platform.
- Develop our business by assessing, developing, and launching key products and services to our clients and prospects with the end goal of being number one in our chosen markets.
- Leverage available technology to enable our team to provide industry-changing levels of service and new solutions for our clients.

Investor Services (ATBIS)

Overview

As a key component of ATB's overall business, ATBIS offers our customers world-class wealth management expertise. ATBIS continues to work towards its dream: to be the world leader in understanding and helping people become better investors so they realize their dreams in spite of inevitable and unpredictable challenges. In fiscal 2010–11, we continued our trend of strong enterprise-value growth as the value of ATBIS grew by 47.5%, dramatically outpacing the industry. This increase was fuelled by 21.5% asset growth, improving industry conditions, and a more profitable asset mix.

Business Plan Summary

ATBIS's results are due to the competitive advantage we have developed. At the heart of ATBIS's business plan is our ability to hire advisors that have the right attributes, a unique skill that has been recognized worldwide. Advisors are supported by ATB Connect and, with our recent and ongoing investments in productivity and capacity, our model enables advisors and specialists to leverage the range of expertise within Investor Services and provide tailored, best-in-class portfolio solutions that are aligned to sound methodology and the ATBIS investment philosophy.

Going forward, we will expand our team's capabilities by accelerating the professional development of our existing advisors, from apprentice to journeyman to master advisor, through deep observation and study of masterful techniques, coaching, mentoring, and accreditation. This focus on mastery—along with increasing emphasis on outcome-based wealth management, which centres on helping our customers live the lives they want to live, regardless of the numbers on their statements—will promote continuing customer satisfaction, retention, and referrals from existing ATBIS customers.

We continue to acquire market share and receive top customer and associate satisfaction ratings. The recent enhancements to our processes, technology, and service delivery model will help us continue this trend. ATBIS is on track to become the market leader in Alberta within five years and is helping to redefine the investment industry.

2010–11 Accomplishments

Assets under management and administration increased by \$1.1 billion during the year to \$6.3 billion as at March 31, 2011. The 21.5% increase was less than last year's 32.8% as a result of operating a larger business and the significant market recovery in fiscal 2009–10. Market growth accounts for approximately \$454 million (41.0%) of the increase, and gathering of client net assets accounts for the remaining \$652 million (59.0%) of the increase. The largest portion of the assets under management and administration are mutual fund assets. Mutual fund assets in ATBIS grew by 24.1% during fiscal 2010–11 versus the industry growth rate of 7.1% during the same period. ATBIS added another 1,800 clients during the year and now serves over 52,700 Albertans.

As expected, given the improvement in the markets combined with a shift by clients to a more equity-based asset mix, our revenue increased by 27.1%. Meanwhile, our expenses increased by 20.1% year over year as we continued our investment in infrastructure. ATBIS employee engagement once again achieved the level of the best employers in Canada despite challenging market conditions and a rapid pace of change within the organization.

Fiscal 2010–11 also saw ATBIS launch the first phase of our wealth management foundations technology program, which has automated the process of opening client accounts and will substantially improve efficiency for our advisors, operations, and compliance functions. During the year, two of our regulated entities were combined into one platform and regulatory structure, which will considerably

simplify our operations and provide the correct foundation for continued growth. Additionally, we recorded our highest-ever level of customer satisfaction, a reflection of our ongoing commitment to dedicated personal service.

ATBIS firmly established itself as the Canadian leader in portfolio funds in 2010, delivering best-in-class returns for our investors. Many firms have five-star funds and win awards, but it is usually a handful of the 50 or so products they offer that achieve this level of performance. ATBIS has delivered superlative performance across the entire family of portfolios we offer.

2011–12 Objectives

Our strategic priorities are classified into four pillars supporting our dream statement:

- **Relevance.** ATBIS aims to touch the lives of and make dreams come true for more Albertans than we reach today. As ATBIS becomes a bigger business and significantly diversifies ATB's income sources, we grow increasingly relevant for our parent company. As we continue to use and expand our video-enabled face-to-face technology, ATB Connect, our customers, no matter where they are located, can connect with the best advisor to solve problems and help make their dreams come true.
- **Mastery.** Mastery is the simple objective of not settling for "average" levels of performance, but having every advisor at ATBIS reach a level of excellence. The keys to mastery are:
 - Hiring inspired associates with the right attributes
 - Deep observation and study of what produces excellence
 - World-class teaching, coaching, and mentoring
 - Demonstration of increasing excellence
 - Experimentation and learning
- **Simplicity.** Our aim is to spend most of our effort on the things that help us understand clients, help them become better investors, and help them realize their dreams. All other activities need to be automated, outsourced, or eliminated. This means continuing to improve and streamline our processes, often using new, world-class technology, and limiting efforts that consume time but don't add value to customers or associates. The first phase of our major foundational project has substantially reduced the effort and complexity involved in getting new ATBIS accounts opened, improved our insight into current clients, and streamlined our back-office processes. ATBIS is also an early adopter of computer-video technologies that enhance collaboration and communication between our associates and our clients.
- **Sustainability.** Sustainable businesses generate consistent wins for clients, employees, and shareholders who invest in the business. ATBIS will soon be through a major investment cycle that was necessary to enable our quick growth. In addition to our rapidly increasing enterprise value, market share growth, and customer loyalty, ATBIS will soon be able to generate high returns on capital and begin paying annual dividends to Achievement Note holders.

Strategic Service Units

ATB's strategic service units (formerly referred to as "other business units") are dedicated to supporting our lines of business and include corporate or head-office business

units whose results are either not directly attributable to an operating segment or are strictly corporate in nature.

People and Marketing

Business Plan Summary

People and Marketing is a unique team. We link together three critically important audiences—ATB's associates (Human Resources), our customers (Marketing), and Albertans in communities across the province (Communications and Corporate Responsibility)—and develop strategies to put people first.

The work of People and Marketing is directly connected to ATB's three goals:

- Being number one in every market we choose is the primary focus of the Marketing team, and its strategies are designed to work with the lines of business to increase market share.
- Being *the* place to work is what the Human Resources (HR) team is all about. Through its focus on leadership and investing in talent, HR's strategies and initiatives are designed to continually raise the bar and help make ATB *the* place to work.
- Having Albertans love ATB depends on maintaining a positive reputation and deep connections with communities across the province. That is the primary objective of the Communications and Corporate Responsibility team—to make Albertans proud they own ATB.

2010–11 Accomplishments

For 2010, ATB was recognized once again as one of Alberta's top 50 employers and one of Canada's top 100 employers. That recognition is important, not because of the awards themselves, but because it reflects our commitment to associates and their positive views about working for ATB. This year, we clearly articulated a set of leadership attributes that define what leadership means at ATB and the kind of

attributes we seek in potential leaders at ATB. Those attributes are being embedded in our people programs, including recruitment and performance assessment. We also began the process of refining our compensation programs.

A primary focus for the entire People and Marketing team was getting ready to implement ATB's new banking system. The HR team took the lead in developing and implementing a massive training initiative that resulted in close to 50,000 training events by the end of March 2011, including webinars, in-class training, virtual classrooms, and refresher training. The Marketing team took the lead on assessing the impact of the banking system changes on our customers and created over 300,000 customized direct mail packages to communicate those impacts to individual customers. A multi-channel campaign involving a combination of direct mail, web-based information, online banking, ABMs, branches, and telephone banking was also launched to prepare customers for the new banking system. In Communications and Corporate Responsibility, the primary focus was on making sure associates were well informed throughout the process of developing, testing, and training for the new system. A dedicated internal website was developed as the primary source of information, face-to-face sessions were held, and discussion forums were launched. As a result, most associates continue to say they are well informed about the project, understand its benefits, and know where to go for the latest information.

A key initiative of the Marketing team was the creation of a cutting-edge new website, which is set to launch early in fiscal 2011–12. A new Creative Centre of Excellence was developed, bringing together a team of talented and creative

associates and elevating the quality of ideas and materials we produce. Through Alberta Intelligence and Innovation, over 150 market research projects were undertaken with the sole purpose of understanding the needs of Albertans and using this insight to help their dreams and goals come to life.

Reflecting ATB's strong commitment to corporate social responsibility and our deep connection to communities, the Communications and Corporate Responsibility team launched several new initiatives, including a new bursary program to support post-secondary education for six young people a year who were previously in care of the provincial government. We expanded our Junior ATB program, where elementary students get the chance to operate their own mini-ATB branch and students are encouraged to save money. A new environmental policy and strategy was developed with the goal of reducing ATB's carbon footprint by 30% by December 2012. And our commitment to sponsorships and community events continued to have a positive impact on people and communities across the province.

2011–12 Objectives

Objectives for fiscal 2011–12 include the following:

- Provide leadership and support to associates and customers throughout implementation of our new banking system.
- Elevate leadership across ATB, with a specific focus on the role of branch managers and recruiting the right people.
- Raise the volume on ATB's profile and presence across Alberta and create a consistent brand and voice for the organization.
- Combine the expanded capacity of the new banking system with the capabilities of Alberta Intelligence to create deeper insights and drive results.
- Continue to enhance ATB's reputation through a combination of charitable activities, community investments and sponsorships, and implementation of a dedicated environmental plan.
- Continue to raise awareness and support our owner.

Information Technology and Service Delivery (ITSD)

Business Plan Summary

ITSD is committed to enabling the lines of business and strategic service units to deliver the highest value to ATB, and to being ATB's trusted advisor in the delivery of IT services and innovation.

2010–11 Accomplishments

For ITSD, the past year was dominated by activities supporting the development and deployment of our new banking platform and preparations for managing the post-implementation environment, while we simultaneously operated and enhanced ATB's technologies to support associate productivity and delivery of services to ATB's customers. In fiscal 2010–11, ITSD, in partnership with ATB Investor Services (ATBIS), implemented the wealth management foundation technologies and applications,

which are fundamental to growing ATBIS's business. Our efforts at maturing our information security and risk management practices continue to yield positive results, according to the findings of internal and external reviews.

2011–12 Objectives

Objectives for fiscal 2011–12 include the following:

- Refine our operational support capabilities related to our new banking technology.
- Establish a governance model to support future project investments.
- Leverage our investments in our people and divisional organizational design.
- Leverage existing IT investments and optimize the capabilities of the new banking system to realize value for ATB.

Risk Management

Business Plan Summary

Risk Management's mandate is to provide a disciplined and systematic means to proactively identify, measure, manage, control, and report on all significant financial, operational, strategic, and reputational risks inherent in all ATB operations. (Refer to the Risk Management section of this MD&A for further details.)

2010–11 Accomplishments

Risk Management's achievements in fiscal 2010–11 included the development and implementation of a Board-approved risk appetite statement, enhancements to our Board risk policy framework, the introduction of enterprise-wide stress-testing, and further improvements to our market and liquidity risk management capabilities.

On the compliance front, Risk Management provided extensive support to and partnered with our regulator, the Alberta Superintendent of Financial Institutions (ASFI), in the initial development of a composite risk rating for ATB, and made significant strides toward our goal of becoming compliant with certain key aspects of Basel II by the summer of 2011.

2011–12 Objectives

Strategic objectives for fiscal 2011–12 include the following:

- Continue to develop and enhance our risk management frameworks and practices.
- Move to transforming credit and risk management into a strong competitive advantage for ATB.
- Strengthen and maintain our legal and regulatory compliance program.
- Leverage automation to adopt a more unified approach to governance, risk management, and compliance.

Finance and Administration

Business Plan Summary

Finance and Administration will act as a catalyst to strategically improve ATB's corporate performance, provide stewardship and governance that maintain the integrity of ATB, and provide outstanding service delivery to our internal partners. This group includes Finance; Treasury; Legal; Central Services; and Facilities, Real Estate, and Supply Chain. Together, we will support our business partners in achieving their goals by delivering efficient, effective solutions and collaborating with them as trusted advisors.

2010–11 Accomplishments

In fiscal 2010–11, Finance and Administration completed the framework and metrics to identify and measure the future benefits of our new banking system and completed the build of the financial modules. We facilitated alignment of the organization behind one set of strategic enterprise metrics, developed supporting scorecards throughout the organization, restructured our asset-backed commercial paper framework, refined interest rate risk management programs, prepared for the implementation of International Financial Reporting Standards, and further streamlined the planning and budgeting process. Lastly, we finalized the plans and locations for future corporate campus facilities in both Calgary and Edmonton.

2011–12 Objectives

Finance and Administration's strategic priorities for fiscal 2011–12 include the following:

- Elevate business process management by further developing our key treasury processes, automating manual processes, and leveraging the benefits of our new banking system.
- Provide oversight to ensure that the anticipated benefits and efficiencies of the new banking system transformation are achieved throughout the organization.
- Execute the enterprise real estate strategy.
- Build a high-performing service culture within Finance and Administration.
- Improve the financial performance of ATB.
- Protect the interests of our owner.

Critical Accounting Policies and Estimates

Significant Accounting Policies

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

Critical Accounting Estimates

Certain accounting estimates made by management during the preparation of the statements are considered critical in that management is required to make significant estimates and judgments considered to be subjective or complex about matters that are inherently uncertain. It is possible that 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 Credit Losses

The allowance for credit losses adjusts the net carrying value of loan assets to reflect the expectation of credit losses incurred as of the balance sheet date, whether specifically identified or not. The allowance for credit losses consists of specific allowances for impaired loans and general allowances for credit losses. In assessing credit losses incurred, 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.

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 credit losses. (Refer to the Risk Management section of this MD&A and note 11 to the statements for further details.)

Amortization of Premises and Equipment

The expense recognized for the amortization of premises and equipment 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, amortization expense could increase or decrease in future years. (Refer to note 13 to the statements for further details.)

Assumptions Underlying the Accounting for Employee Future Benefits

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

Fair Value of Financial Instruments

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable and willing parties who are under no compulsion to act. For those instruments with an available market price, fair value is established by reference to the last traded price prior to 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 holding of asset-backed commercial paper. (Refer to note 9 to the statements for further details.)

Securitization

Securitization is the process whereby ATB converts mortgages into securities that are sold to a trust. The trust funds the purchase by issuing term bonds or commercial paper to investors. ATB records this transaction as a sale when it has been deemed to surrender control over the mortgages sold, and receives consideration other than beneficial interests in the sold assets.

The calculation of the gain on sale depends on a number of factors for which market prices do not exist, including the retained interest in future excess spreads and associated Canada Mortgage Bond total return swaps. In order to record the appropriate gain on sale and subsequent fair value adjustments, ATB must use certain estimates and assumptions, specifically relating to prepayment rates, discount rates, and reinvestment rates. (Refer to note 12 to the statements for further details.)

Current-Year Changes in Accounting Policies

There were no changes to accounting policies in the current fiscal year.

Future Changes in Accounting Policies

Transition to International Financial Reporting Standards

The Canadian Accounting Standards Board (AcSB) has confirmed that Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises are being replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. As ATB meets the criteria of a publicly accountable enterprise, it is required to transition to IFRS for the fiscal year ended March 31, 2012. ATB will present its first IFRS financial

statements for the quarter ended June 30, 2011, with the prior year comparatives also reported under IFRS.

Although IFRS and Canadian GAAP are based on a similar conceptual framework, there are significant differences in recognition, measurement, and disclosures. In order to address these differences and ensure compliance with the IFRS standards, ATB developed a three-phase conversion plan. Senior management and the Board's Audit Committee are actively involved in this process. A major public accounting firm has been engaged to provide technical accounting advice.

Phase 1: Diagnostic and planning phase. This phase included performing a high-level assessment that identified the areas where IFRS would most impact ATB. A high-level project plan was developed and initial hiring of IFRS project resources commenced. This phase is complete.

Phase 2: Accounting design phase. In this phase the IFRS conversion project examined all accounting areas where a difference was identified between IFRS and existing Canadian GAAP. IFRS conversion project team members were assigned to identify changes to existing accounting policies, procedures, information systems, and other processes. Pro forma IFRS financial statements were drafted. This phase is complete.

Phase 3: Implementation and review phase. This phase includes execution of changes to information systems and business processes, formal authorization to approve recommended accounting policy choices, and training programs across ATB. This phase will result in the collection of financial information necessary to compile IFRS financial statements and Audit Committee approval of these statements. This phase has commenced and will be completed when ATB presents its IFRS financial statements in fiscal 2012.

ATB has identified the following IFRS differences with Canadian GAAP:

Accounting policy	Key differences in accounting treatment	Potential key impacts
Allowance and provision for credit losses	Credit-loss provisions are determined based on an incurred-loss model supported by objective evidence of impairment. This includes observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets. Credit-loss provisions cannot reflect losses based on expected future events as required under Canadian GAAP. Non-performing loans continue to accrue interest and the accrued interest will be offset by an increase in the provision for credit losses rather than no accrual of interest as required under Canadian GAAP.	Opening balance sheet: A decrease in the allowance for credit losses and an increase in equity. Subsequent to transition: In an environment where evidence of impairment is increasing, there will be an increase in the provision for credit losses.
Transfer of assets (derecognition)	Securitized mortgages continue to be recorded on the balance sheet. A liability is recorded for the funding received on the sale of the securitized mortgages. Canadian GAAP records these transactions as sales and the transferred assets are removed from the balance sheet. The interest income on the securitized mortgages is recorded, as is the interest expense on the debt liability. Canadian GAAP records a gain on the sale of these transactions and recognizes a retained interest asset.	Opening balance sheet: An increase in residential mortgage loans, an increase in liabilities, and a decrease in equity. Subsequent to transition: An increase in interest income on loans and an increase in interest expense on debt. Securitization income will no longer be recorded.
Employee benefits	We have elected to immediately recognize all actuarial gains and losses directly in equity rather than amortizing these through earnings as required under Canadian GAAP. Vested past service costs of defined benefit plans must be expensed immediately rather than amortizing them over the expected average remaining service period of the participants in the plan as required under Canadian GAAP.	Opening balance sheet: A decrease in accrued benefit assets, an increase in accrued benefit liabilities, and a decrease in equity. Subsequent to transition: Future actuarial gains and losses will be recorded directly in equity. Plan amendments for vested past service costs will be recorded as pension expense when granted.
Leases	Leases require a qualitative and quantitative assessment of lease classification rather than a quantitative assessment only as required under Canadian GAAP.	Opening balance sheet: An increase in premises under capital lease, an increase in liabilities under capital lease, and an increase in equity. Subsequent to transition: No significant impact on earnings is expected. More lease arrangements entered into following transition may also require on-balance-sheet treatment.
Hedge accounting	A hedge relationship qualifies for hedge accounting if at the inception of the hedge there is a formal designation and documentation of the hedge relationship, the risk management objective, and the strategy for undertaking the hedge. The hedge is also expected to be highly effective and the effectiveness of the hedge can be reliably measured. Under Canadian GAAP a different methodology is used to assess the effectiveness of the hedge.	Opening balance sheet: No significant impact on the opening balance sheet is expected. Subsequent to transition: In an environment of volatile interest-rate movements, there will be larger gains and losses on derivative financial instruments.

The International Accounting Standards Board has significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS. ATB will determine the potential IFRS impact as standards are finalized.

Risk Management

The shaded areas on pages 94 to 99 represent a discussion of risk management policies and procedures relating to credit, market, and liquidity risks as required by the CICA Handbook Section 3862, Financial Instruments – Disclosures and Presentation, 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, 2011.

Overview

ATB provides comprehensive personal, business, agricultural, and corporate financial services within the province of Alberta. Accordingly, 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. ATB's mandated focus on the Alberta market implies an increased level of geographic and industrial concentration risk.

ATB has made a strong commitment to manage risk strategically with the objective of increasing and protecting owner value. Effective governance mitigates risk and provides opportunities to create value, supporting ATB's vision of being a leading financial services provider within Alberta while ensuring that it remains a safe and sound financial institution.

Risk Appetite

ATB's governance structure, enterprise risk management (ERM) framework, and Board-approved risk policies reflect a conservative risk philosophy and a risk profile appropriate to our structure, size, and regional nature. The ATB Board has approved risk appetite and risk tolerance levels covering a broad range of risk categories, including credit, market, liquidity, operational, strategic, and reputational risk.

Enterprise Risk Management Framework

ATB continues to develop and implement an enhanced ERM framework. ERM includes coordinated activities to direct and control ATB's enterprise-wide risk for the purpose of increasing ATB's short- and long-term value for ATB's owner. Our ERM approach works from the top down; we consider risks to ATB's strategic objectives and then consider risk management activities for successive levels of the organization.

Our ERM framework aims to achieve an appropriate balance between realizing opportunities for gains and minimizing losses. It is designed to make ERM an integral part of our management practices and an essential element of our corporate governance. It recognizes that ERM is an iterative process, which consists of steps that, when undertaken in sequence, encourage and facilitate continuous improvement in both decision making across the institution and individual and organizational performance.

Risk Management Governance and Structure

Ultimate responsibility for risk management lies with ATB's Board, according to the three-tier risk governance framework set out on the next page. The framework shows who is responsible for risk governance and direction, risk oversight and control, risk management, and assurance, and divides up duties among those who take on risk, control risk, and those who provide assurance. Authority for risk management flows from the Board to the Chief Executive Officer (CEO) and from the CEO to the heads of the lines of business and strategic service units.

The functions and key roles and responsibilities in our risk governance structure are as follows:

Risk governance and strategic direction	Board of Directors (Board) Ultimate responsibility for risk rests with the Board, ATB’s primary governing body. While retaining overall responsibility for risk, the Board delegates risk oversight to the Board Risk Committee and the Board Audit Committee.		
	Risk Committee Responsible for overseeing of risk management throughout ATB. Reviews and recommends for approval to the Board all major risk policies and risk appetite statements and regularly reviews ATB’s risk profile and risk performance in relation to approved risk tolerance levels.	Audit Committee Principally responsible for overseeing financial reporting, but also responsible for monitoring and overseeing the adequacy and effectiveness of internal controls.	
Risk oversight and control	Chief Executive Officer (CEO) and Corporate Management Committee (CMC) Chaired by the CEO, the CMC is made up of senior executives spanning all lines of business and major strategic support units. Together they develop ATB’s strategic direction, approve risk management frameworks, and establish risk tolerance and controls designed to maintain risk within the risk appetite level approved by the Board. The CMC delegates risk oversight to the Asset Liability Committee, Credit Committee, and Operational Risk Committee.		
	Asset Liability Committee (ALCO) Oversees the direction and management of market risk and liquidity risk, as well as ATB’s funding and capital positions. Chaired by the Chief Financial Officer.	Credit Committee Adjudicates credit within prescribed limits, as well as establishing operating guidelines, business rules, and internal policies to support the management of credit risk throughout ATB. Chaired by the Senior Vice-President, Credit.	Operational Risk Committee Provides oversight and direction on operational risks from an enterprise-wide perspective. Chaired by the Chief Risk Officer.
Risk management and reporting	Three lines of defence		
	First Line: Business Operations Lines of business Strategic support units Treasury Information Technology	Second Line: Risk Management Credit Risk Management Market Risk Management Operational Risk Management Compliance Business Continuity Internal Controls	Third Line: Assurance Internal Audit External auditors

ATB has adopted a "three lines of defence" approach to the management of risk.

- The first line of defence includes the lines of business and all strategic support units that face risks directly. These groups are accountable for managing risk within their respective areas of responsibility in line with approved limits, policies, and authorities.
- The second line of defence is the Risk Management group, which establishes policies, practices, limits, and authorities throughout ATB. It is also responsible for monitoring and reporting on risk management activities, as appropriate, to both senior management and the Board.
- The third line of defence monitors the activities of management and provides independent assurance to the Board regarding the effectiveness of and adherence to risk management policies, procedures, and internal controls.

Credit Risk

Credit risk is the potential for financial loss in the event that a borrower or counterparty fails to repay a loan or otherwise honour financial or contractual obligations. Examples of typical products bearing credit risk include retail and commercial loans, guarantees, and letters of credit.

The amounts shown in the table below best represent ATB's maximum exposure to credit risk as at March 31, 2011, without taking into account any non-cash collateral held or any other credit enhancements.

(\$ in thousands)	2011 Total	2010 Total
Financial assets ⁽¹⁾	\$ 26,595,673	\$ 24,698,900
Other commitments and off-balance-sheet items	12,697,192	12,092,398
Total credit risk	\$ 39,292,865	\$ 36,791,298

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

Credit Risk Appetite

ATB's appetite for credit risk is characterized by a balanced, somewhat conservative approach to credit underwriting and credit risk management practices in general. Overall, our appetite has the following elements:

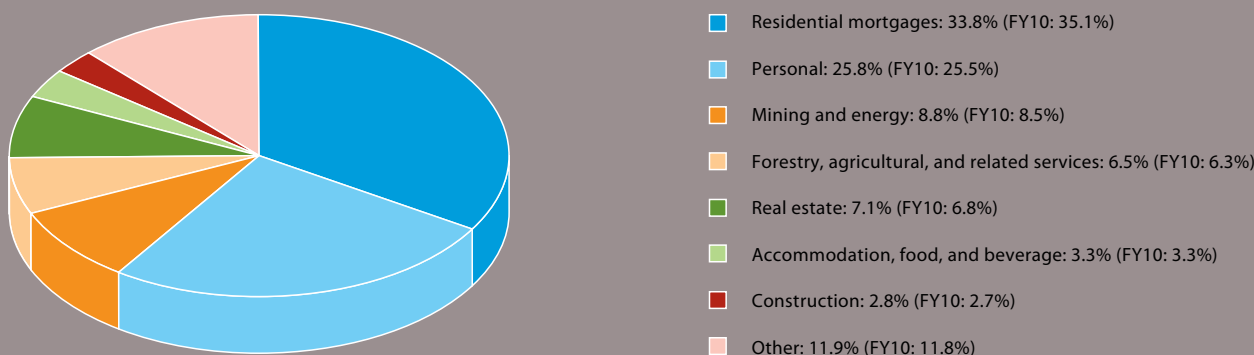
- Adequate knowledge, tools, and skill sets to understand, measure, monitor, and manage the lending risks we participate in
- A measured approach to loan-growth strategies, maintaining a balance between risk, return, and customer needs
- Lending operations based on prudent lending policies and practices, reinforced by appropriate levels of process oversight
- An overall credit portfolio that has a high degree of quality, an adequate level of portfolio diversification, and a level

of risk performance that exceeds that of our chosen peer group

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

- Policies and limits that ensure broad diversification across various types of credit risk
- Policies that ensure the portfolio is not overly concentrated on any particular industry sector, single borrower, related borrower groups, loan type, or geographic region within Alberta
- An out-of-province syndicated loan exposure permitted under the ATB Regulation

2011 Industry Concentration Risk



As at March 31, 2011, no single industry segment represented more than 22.5% (2010: 22.3%) of the total gross business loans and no single borrower represented more than 0.30% (2010: 0.32%) of the total gross loan portfolio.

Credit Risk Management Strategy

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

ATB's credit risk management strategy recognizes that ATB operates in a historically volatile economy and must take measures to manage and moderate the potential variability of credit losses over the course of a full economic cycle by:

- Having accurate and supportable estimation processes and models for establishing credit loss allowances

- Implementing early-warning systems to provide management with advance notification of changing risk environments
- Monitoring key portfolio risk indicators to actively maintain risk within the approved risk appetite levels
- 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
- Monitoring continuously to ensure ongoing compliance with ATB's risk policies, practices, and desired tolerances
- Ensuring accountability for managing credit risk throughout ATB in accordance with a "three lines of defence" model (i.e., our business operations, risk management, and assurance)

Counterparty 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. Potential future derivative exposure for client derivatives is measured using cash flow at risk. Cash flow at risk is calculated and monitored daily. We are generally not exposed to credit risk for the full face value (notional amount) of derivative contracts, but only to the current replacement cost if the counterparty defaults.

Market Risk

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

Interest Rate Risk

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

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

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

Asset/liability management encompasses the following:

- Developing interest rate risk management policies and limits
- Developing methods to measure and report interest rate risk
- Managing interest rate risk versus approved limits
- Monitoring and reporting interest rate risk exposure to the Board's Asset Liability Committee (ALCO) monthly and to the Risk Committee quarterly

ATB measures interest rate risk every month through three 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, unexpected increases or decreases in market interest rates, as measured over a 12-month horizon
- Sensitivity of the market value of equity (MVE), equal to the net present-value difference between the market value of our assets and the market value of our liabilities.

The Board reviews and annually approves risk limits for interest rate gap and sensitivity of net interest income. During fiscal 2010–11, ATB operated outside of those limits due to the unusually low interest rate environment in Canada. This had the effect of increasing ATB's net interest income sensitivity to changing rates; however, we were well within our MVE exposure limits. During the year, ALCO approved and reviewed with the Board a two-year hedging program to restore compliance with Board limits; as of the end of the year, approximately 20% of the program had been completed.

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 net foreign currency exposure daily by ensuring that U.S. dollar and British pound sterling net exposures are kept within approved risk limits. For all other currencies, exposures are immediately offset with other counterparties. As at March 31, 2011, ATB's net foreign currency exposure was within policy thresholds.

Equity and Commodity Price Risks

Equity price risk arises when ATB offers deposit products where the rate of return is linked to changes in the value of equity securities or equity market indices. We use equity-linked derivatives to hedge our associated risk exposure on these products. Equity risk is subject to Board-approved limits. We have no material net exposure as at March 31, 2011, and such exposures have historically been immaterial.

Commodity price risk arises when ATB offers derivative products where the value of the derivative instrument 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 20 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, options, equity- and commodity-linked options, and forward foreign-exchange contracts. We refer to these contracts as our “corporate derivative portfolio.”

All derivative transactions are reviewed and managed within the policies approved by the Board. 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, ALCO reviews all derivative transactions and our net position on a monthly basis.

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

ATB provides commodity and foreign-exchange derivatives to customers, allowing them to hedge their existing exposure to commodity and/or foreign-exchange risks. The client derivative portfolio is not used to generate trading income through active assumption of market risk, but rather is used to meet the risk management requirements of ATB 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.

Liquidity Risk

Liquidity risk is the risk of ATB being unable to meet our known financial commitments when they come due and being unable to meet unexpected cash requirements at a reasonable cost. As with other similar financial institutions, ATB's risk arises from fluctuations in cash flows from lending, deposit-taking, investing, and other activities. These commitments are generally met through cash flows supplemented by investment assets readily convertible to cash, or through our capacity to borrow.

ATB's liquidity management policy ensures sufficient funds are available to sustain our ongoing operations, to meet our customers' needs (such as cash withdrawals or loan advances), and to satisfy other obligations. We take into account both our liquid assets on hand and our ability to raise additional funds at a reasonable cost to meet liquidity requirements.

We mitigate our liquidity risk by doing the following:

- Diversifying our funding sources
- Regularly monitoring expected cash inflows and outflows
- Regularly forecasting our liquidity position, including the flows from off-balance-sheet items, to ensure adequate liquidity is available to meet cash flow fluctuations and to react to commitments
- Reporting liquidity regularly to ensure compliance with our limits and guidelines

A traditional method of describing balance sheet liquidity is to compare the gap between the timing of contractual loan and investment maturities, and claims on cash from maturing deposits, including demand deposits and debt issuance.

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

(\$ in thousands)	Term						2011 Total	2010 Total
On-balance-sheet financial instruments	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years		
Deposits								
Retail	\$ 18,340,291	\$ 1,777,355	\$ 372,116	\$ 323,733	\$ 168,495	\$ -	\$ 20,981,990	\$ 19,971,173
Wholesale	2,200,891	399,632	399,632	-	-	-	3,000,155	2,607,994
Capital investment notes	-	-	-	-	230,972	-	230,972	224,994
Subordinated debentures	13,402	15,990	38,075	-	-	-	67,467	45,176

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

(\$ in thousands)	Term						2011 Total	2010 Total
Off-balance-sheet financial instruments	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years		
Guarantees and letters of credit ⁽¹⁾	\$ 347,182	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 347,182	\$ 333,397
Commitments to extend credit ⁽²⁾	12,350,010	-	-	-	-	-	12,350,010	11,759,001
Purchase obligations	144,953	95,074	53,402	25,580	19,931	75,503	414,443	337,724

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.

We manage our liquidity through the following activities:

- Using a variety of funding sources for liquidity, such as our retail deposit base
- Encouraging growth in deposits from individuals, which provide a stable source of funding over the long term
- Participating in Canadian financial markets through issuing 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 through the sale of residential mortgages

ATB operates under a liquidity risk management policy and limit framework designed to be broadly compliant with global liquidity standards announced by the Bank for International Settlements in December 2010, known as the Basel III framework. Under our liquidity risk management policy, we measure liquidity primarily through two metrics designed to capture liquidity risks over differing time horizons:

- The *short-term available funding (STAF) minimum coverage ratio*, which compares our cash and highly liquid securities balances to a scenario-based measure of the maximum cash outflows that may occur over a near-term (14-calendar-day) horizon, and which is comparable to the Liquidity Coverage Ratio under Basel III
- The *intermediate-term available funding (ITAF) minimum coverage ratio*, which compares our available, highly reliable external funding sources (primarily our Wholesale Borrowing Agreement with the Province of Alberta) to a scenario-based measure of the maximum liquidity outflows that may occur over an intermediate-term (6- to 12-month) horizon, and which is comparable to the Net Stable Funding Ratio under Basel III

On March 31, 2011, the STAF minimum coverage ratio was 552.2% versus a Board-approved minimum level of 100%, and the ITAF minimum coverage ratio was 158.4%, versus a Board-approved minimum level of 90%.

Operational Risk

Identifying and managing operational risk is an integral component of enterprise risk management. ATB has adopted the definition of operational risk established by the Basel Committee on Banking Supervision in the Basel II Accord: operational risk is “the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events.” This definition includes legal and regulatory risk, but excludes strategic and reputational risk.

Operational risks arise from business practices ATB has adopted, and can result in losses associated with execution and process management, clients, products and business practices, internal and external fraud, employment practices, workplace safety and business continuity planning, business disruption, and system failure.

Operational risk is managed by implementing appropriate policies, procedures, and controls, all designed to contain risk within acceptable levels. The Enterprise Risk Management department provides control oversight and reporting to both senior management and the Risk Committee as to the extent and composition of operational risks being incurred. Internal Audit provides independent assurance to both senior management and the Risk Committee as to the existence and effectiveness of policies and control measures that have been put in place to manage operational risk within ATB.

Business continuity management (BCM) is a governance framework that includes three distinct areas: BCM policy and framework, business continuity planning, and emergency management. ATB's BCM framework is designed to make sure ATB can maintain business resiliency, service to its customers, and financial and operational impacts, at a level acceptable to the Board of Directors, executive management, and third-party stakeholders.

Risk of Not Attracting or Retaining Key Personnel

ATB's future performance is largely dependent on its ability to attract and retain key employees. There is strong competition for the best people in Alberta and in the financial services sector across Canada. Although ATB's human resources risk is actively managed, attracting and retaining key personnel will continue to be a challenge. ATB has an additional risk related to our new banking system project as we need to retain key employees on the project to ensure the project's success. This risk will be carefully monitored and managed for the duration of the project.

Reputational Risk

Reputational risk is the risk of impairment of sound and safe practices and loss of stakeholders' confidence, caused by ATB's directors, officers, and/or associates in undertaking activities or risks in contravention of legal, legislative, and regulatory requirements.

ATB takes reputational risk extremely seriously and works hard to build and maintain a solid reputation with stakeholders. We recognize reputational risk as a foundational risk, which is impacted by all other risks we are exposed to. As a result, effective management of the other risks contributes to our management of reputational risk.

Quarterly Operating Results

Review of 2010–11 Fourth-Quarter Operating Results

Summarized Consolidated Statement of Income

For the three months ended: (\$ in thousands)	2011				2010			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	Mar 31/11	Dec 31/10	Sep 30/10	Jun 30/10	Mar 31/10	Dec 31/09	Sep 30/09	Jun 30/09
Interest income	\$ 278,941	\$ 285,610	\$ 269,796	\$ 252,330	\$ 245,844	\$ 266,551	\$ 263,748	\$ 254,969
Interest expense	(88,383)	(91,763)	(86,963)	(80,856)	(81,973)	(88,776)	(90,973)	(94,702)
Net interest income	190,558	193,847	182,833	171,474	163,871	177,775	172,775	160,267
Other income	77,381	79,817	41,131	52,949	53,362	66,235	50,948	50,238
Recovery of (provision for loss) on ABCP	14,951	9,991	3,858	-	-	(3,494)	-	4,031
Operating revenue	282,890	283,655	227,822	224,423	217,233	240,516	223,723	214,536
Provision for credit losses	6,216	12,152	7,035	3,049	9,405	20,242	10,250	19,050
Non-interest expenses	201,526	185,071	171,024	174,903	177,746	173,846	157,515	162,409
Net income before payment in lieu of tax	75,148	86,432	49,763	46,471	30,082	46,428	55,958	33,077
Payment in lieu of tax	17,285	19,879	11,446	10,688	6,919	10,678	12,870	7,608
Net income	\$ 57,863	\$ 66,553	\$ 38,317	\$ 35,783	\$ 23,163	\$ 35,750	\$ 43,088	\$ 25,469
Adjusted net income	\$ 46,351	\$ 58,860	\$ 35,346	\$ 35,783	\$ 23,163	\$ 38,441	\$ 43,088	\$ 22,365

Net Income

For the quarter ended March 31, 2011, ATB earned adjusted net income of \$46.4 million, significantly up from the \$23.2 million earned in the fourth quarter of fiscal 2009–10. This \$23.2 million (100.0%) increase is primarily due to an increase in net interest income of \$26.7 million (16.3%) and an increase in other income of \$24.0 million (45.0%) partially offset by an increase in non-interest expense of \$23.8 million (13.4%). ATB's provision for credit losses was lower than the prior year's fourth quarter by \$3.2 million (33.9%).

The adjusted net income of \$46.4 million in the fourth quarter of fiscal 2010–11 was down \$12.5 million (21.3%) from the \$58.9 million earned in the third quarter of fiscal 2010–11. This decrease from the prior quarter is primarily a result of an increase in non-interest expense of \$16.5 million (8.9%).

Operating Revenue

Operating revenue in the fourth quarter, excluding recovery on ABCP, was \$267.9 million, representing an increase of \$50.7 million (23.3%) over the prior year's fourth quarter and a \$5.7 million (2.1%) decrease from the third quarter of fiscal 2010–11.

The year-over-year increase (from the fourth quarter of fiscal 2009–10 to the fourth quarter of fiscal 2010–11) was primarily due to an increase of \$26.7 million (16.3%) in net interest income and a \$24.0 million (45.0%) increase in other income. The increase experienced in other income was mainly attributable to securitization gains in the fourth quarter of fiscal 2010–11.

Quarter over quarter, the decrease in operating revenue was driven by a decrease in net interest income of \$3.3 million and a decrease in other income of \$2.4 million.

Provision for Credit Losses

The provision of \$6.2 million in the fourth quarter of fiscal 2010–11 is lower than the fourth quarter of the prior year and third quarter of the current year by \$3.2 million and \$5.9 million, respectively. The decrease over the prior periods is a result of lower net specific writeoffs and recoveries during the fourth quarter of fiscal 2010–11.

Non-Interest Expenses and Efficiency Ratio

Non-interest expenses for the fourth quarter were up \$23.8 million (13.4%) from the fourth quarter of fiscal 2009–10 and up \$16.5 million (8.9%) from the third quarter of fiscal 2010–11. Compared to the prior year, the deposit guarantee fee increased by 89.6%, data processing costs increased by 22.9%, marketing and supplies costs increased by 23.7%, professional and consulting costs increased by 14.1%, and salaries and employee costs increased by 9.7%.

Quarter over quarter, slight movements were experienced across the various non-interest expense categories, the most significant ones being occupancy costs (increasing by \$5.1 million, or 28.8%), marketing and supplies (increasing by \$4.2 million, or 57.2%), and salaries and employee costs (increasing by \$5.0 million, or 5.0%).

ATB's adjusted efficiency ratio (excluding recovery on ABCP), measured as total non-interest expense divided by total operating revenue, increased (or worsened) from 67.6% in the third quarter of fiscal 2010–11 and decreased (or improved) from 81.8% in the fourth quarter of fiscal 2009–10 to 75.2% in the fourth quarter of fiscal 2010–11.

Net Income by Segment

Although the current year's results have been presented for the two new business segments, ATB is not able to present comparatives with this current split. For this reason, the following discussion will compare the combined results for Retail Financial Services (RFS) and Independent Business & Agriculture (IB & Ag) to the past results for Personal and Business Financial Services (PBFS). (Please see the Quarterly Segmented Results on page 106 of this MD&A for further details.)

Compared to the fourth quarter of fiscal 2009–10, all lines of business experienced a rise in their operating revenue—RFS and IB & Ag by \$9.3 million (5.8%), Corporate Financial Services (CFS) by \$2.3 million (4.6%), and Investor Services (ATBIS) by \$3.3 million (26.6%). Despite increases in operating revenue, quarter-over-quarter net income for both RFS and IB & Ag and CFS decreased by \$3.7 million and \$1.9 million, respectively. ATBIS was able to show an improvement in their net loss of \$1.2 million.

In comparison to the third quarter of the current fiscal year, decreased performances in operating revenue were observed across some of the segments. Operating revenue for RFS and IB & Ag decreased by \$4.3 million (2.5%), CFS operating revenue decreased by \$3.2 million (5.6%), while ATBIS increased its operating revenue by \$1.0 million (7.0%). Non-interest expenses increased for all lines of business in the fourth quarter. The combination of decreased operating revenue and higher non-interest expenses led to lower net income for most lines of business. The reductions for RFS and IB & Ag as well as ATBIS were \$17.2 million and \$1.4 million, respectively. CFS saw an increase in net income of \$2.5 million, primarily due to a lower provision for credit losses.

Review of Financial Position as at March 31, 2011

Summarized Consolidated Balance Sheet

As at: (\$ in thousands)	2011				2010			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	Mar 31/11	Dec 31/10	Sep 30/10	Jun 30/10	Mar 31/10	Dec 31/09	Sep 30/09	Jun 30/09
Assets								
Cash resources and securities	\$ 3,344,558	\$ 2,159,074	\$ 2,231,996	\$ 2,440,822	\$ 2,013,900	\$ 3,085,783	\$ 3,879,119	\$ 3,465,769
Loans, net of allowances for credit losses:								
Residential mortgages	7,823,647	8,134,554	8,082,384	7,822,210	7,989,004	7,699,931	7,821,322	7,452,857
Business	9,139,082	9,256,541	9,069,550	8,973,380	8,722,605	8,940,579	8,906,610	9,197,464
Personal	5,589,507	5,571,606	5,557,765	5,493,614	5,446,028	5,322,583	5,243,888	5,110,071
Credit card	616,953	640,929	635,070	617,169	599,379	604,386	588,343	565,800
Allowance for credit losses	(226,005)	(225,581)	(220,169)	(219,158)	(222,413)	(219,878)	(210,426)	(206,233)
	22,943,184	23,378,049	23,124,600	22,687,215	22,534,603	22,347,601	22,349,737	22,119,959
Other assets	1,100,321	976,798	975,073	1,056,992	880,515	797,390	931,064	875,968
Total assets	\$ 27,388,063	\$ 26,513,921	\$ 26,331,669	\$ 26,185,029	\$ 25,429,018	\$ 26,230,774	\$ 27,159,920	\$ 26,461,696
Liabilities and equity								
Deposits								
Personal	\$ 10,559,937	\$ 10,506,806	\$ 10,517,458	\$ 10,496,594	\$ 10,427,133	\$ 10,490,584	\$ 10,541,143	\$ 10,828,097
Business and other	13,422,208	12,916,290	12,824,242	12,928,702	12,152,034	13,017,390	13,663,351	12,914,236
	23,982,145	23,423,096	23,341,700	23,425,296	22,579,167	23,507,974	24,204,494	23,742,333
Other liabilities	802,209	687,556	632,906	639,030	770,324	650,380	590,546	622,379
Securities sold under repurchase agreements	341,557	184,533	193,501	-	-	-	312,842	297,829
Capital investment deposits	230,972	231,365	231,607	224,523	224,994	225,552	225,385	-
Subordinated debentures	67,467	67,467	67,467	67,467	45,176	45,176	45,176	45,176
Equity	1,963,713	1,919,904	1,864,488	1,828,713	1,809,357	1,801,692	1,781,477	1,753,979
Total liabilities and equity	\$ 27,388,063	\$ 26,513,921	\$ 26,331,669	\$ 26,185,029	\$ 25,429,018	\$ 26,230,774	\$ 27,159,920	\$ 26,461,696

ATB's total assets were \$27.4 billion as at March 31, 2011, representing an increase of \$2.0 billion (7.7%) over the fourth quarter of fiscal 2009–10 and \$874.1 million (3.3%) over the third quarter of fiscal 2010–11. Year over year, ATB increased its overall loan portfolio by \$408.6 million (1.8%). Residential mortgages were down by \$165.4 million (2.1%), personal loans increased by \$143.5 million (2.6%), and credit card loans increased by \$17.6 million (2.9%). Interest-bearing deposits with financial institutions were up \$448.2 million (66.3%). Quarter over quarter, an increase in ATB's total assets was driven by increases in cash resources and securities of \$1.2 billion, which were partially offset by a decrease of \$434.9 million (1.9%) in net loans.

Total deposits were \$24.0 billion for the fourth quarter of fiscal 2010–11. Retail deposits increased by \$1.0 billion (or 5.1%) over the prior year and were up \$279.5 million (or 1.4%) from the third quarter of 2010–11.

Total equity as at March 31, 2011, was almost \$2.0 billion, up by \$154.4 million (8.5%) over the prior year and \$43.8 million (2.3%) over the third quarter of fiscal 2010–11.

Quarterly Results – Summarized Financial Results

Consolidated Statement of Changes in Equity

For the three months ended: (\$ in thousands)	2011				2010			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	Mar 31/11	Dec 31/10	Sep 30/10	Jun 30/10	Mar 31/10	Dec 31/09	Sep 30/09	Jun 30/09
Retained earnings								
Balance at beginning of the period	\$ 1,917,876	\$ 1,851,323	\$ 1,813,006	\$ 1,777,223	\$ 1,754,060	\$ 1,718,310	\$ 1,675,222	\$ 1,649,753
Net income	57,863	66,553	38,317	35,783	23,163	35,750	43,088	25,469
Balance at end of the period	1,975,739	1,917,876	1,851,323	1,813,006	1,777,223	1,754,060	1,718,310	1,675,222
Accumulated other comprehensive (loss) income								
Balance at beginning of the period	2,028	13,165	15,707	32,134	47,632	63,167	78,757	108,931
Other comprehensive loss	(14,054)	(11,137)	(2,542)	(16,427)	(15,498)	(15,535)	(15,590)	(30,174)
Balance at end of the period	(12,026)	2,028	13,165	15,707	32,134	47,632	63,167	78,757
Equity as at end of period	\$ 1,963,713	\$ 1,919,904	\$ 1,864,488	\$ 1,828,713	\$ 1,809,357	\$ 1,801,692	\$ 1,781,477	\$ 1,753,979

Quarterly Results – Summarized Financial Results (Continued)

Consolidated Statement of Cash Flows

For the three months ended: (\$ in thousands)	2011				2010			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	Mar 31/11	Dec 31/10	Sep 30/10	Jun 30/10	Mar 31/10	Dec 31/09	Sep 30/09	Jun 30/09
Net income	\$ 57,863	\$ 66,553	\$ 38,317	\$ 35,783	\$ 23,163	\$ 35,750	\$ 43,088	\$ 25,469
Adjustments to determine net cash flows:								
Provision for credit losses	6,216	12,152	7,035	3,049	9,405	20,242	10,250	19,050
Amortization of premises and equipment	13,491	10,084	8,672	8,892	10,495	7,367	7,881	6,723
Amortization of software and other intangibles	5,647	5,763	5,532	5,518	5,154	5,903	5,288	5,607
Net changes in accrued interest receivable and payable	11,391	(35,831)	23,394	(8,842)	(2,159)	(31,378)	12,262	6,616
Net changes in derivative financial instruments (Recovery of) provision for loss on ABCP	13,727	1,518	(7,171)	10,428	(11,863)	(9,929)	1,851	5,179
Gain on sale of securitized residential mortgage loans	(14,951)	(9,991)	(3,858)	-	-	3,494	-	(4,031)
Change in provision for payment in lieu of tax	(13,548)	(3,968)	-	(6,491)	(126)	(8,766)	(10,781)	(13,037)
Change in provision for payment in lieu of tax	17,285	19,879	11,446	(27,387)	6,919	10,678	12,870	7,608
Net change in cheques and other items in transit	(79,800)	64,500	59,500	(52,500)	(124,100)	223,300	(52,600)	(60,000)
Change in prepayments and other receivables	(1,794)	9,647	33,221	(84,299)	6,720	3,332	(3,717)	15,034
Change in due to clients, brokers, and dealers	5,068	(7,854)	6,875	(6,951)	9,752	(11,887)	4,932	6,867
Change in deposit guarantee fee payable	7,019	5,616	6,092	(16,934)	3,702	7,244	6,553	(21,797)
Change in accounts payable and accrued liabilities	31,484	(7,961)	(22,502)	(94,117)	149,313	11,355	(31,546)	71,756
Change in accrued pension-benefit asset	(1,440)	99	117	(16,755)	(2,427)	(1,161)	(2,692)	(5,693)
Other items, net	14,505	35,071	3,940	6,174	14,324	1,616	(8,109)	7,435
Net cash provided by (used in) operating activities	72,163	165,277	170,610	(244,432)	98,272	267,160	(4,470)	72,786
Cash flows from financing activities								
Net change in deposits	561,591	78,743	(85,133)	850,131	(921,625)	(698,678)	464,365	(134,660)
Issuance (repayment) of subordinated debentures	-	-	-	22,291	-	-	-	(11,837)
Change in capital investment deposits	(427)	(474)	(242)	(471)	(558)	167	225,385	-
Change in securities sold under repurchase agreements	157,024	(8,968)	193,501	-	-	(312,842)	15,013	11,425
Net cash provided by (used in) financing activities	718,188	69,301	108,126	871,951	(922,183)	(1,011,353)	704,763	(135,072)
Cash flows from investing activities								
Net change in interest-bearing deposits with financial institutions	(864,129)	40,327	992,209	(616,626)	319,289	1,175,219	(48,359)	393,639
Purchase of securities	(1,174,709)	(1,102,977)	(1,003,146)	(1,352,323)	(752,193)	(337,173)	(407,389)	(178,746)
Proceeds from securities	866,134	1,015,839	261,228	1,590,007	598,714	571,928	350,167	215,276
Net change in loans, excluding securitization	61,518	(352,117)	(446,571)	(652,374)	(196,522)	(365,122)	(672,282)	(753,258)
Proceeds from loan securitizations	364,944	86,296	-	491,653	5,009	350,020	427,157	219,298
Purchase of premises, equipment, software, and other intangibles	(30,233)	(40,975)	(43,051)	(39,631)	(55,140)	(32,112)	(43,972)	(27,651)
Net cash (used in) provided by investing activities	(776,475)	(353,607)	(239,331)	(579,294)	(80,843)	1,362,760	(394,678)	(131,442)
Net increase (decrease) in cash	13,876	(119,029)	39,405	48,225	(904,754)	618,567	305,615	(193,728)
Cash at beginning of quarter	148,025	267,054	227,649	179,424	1,084,178	465,611	159,996	353,724
Cash at end of quarter	\$ 161,901	\$ 148,025	\$ 267,054	\$ 227,649	\$ 179,424	\$ 1,084,178	\$ 465,611	\$ 159,996
Supplementary cash flow information:								
Amount of interest paid during the period	\$ 76,234	\$ 126,500	\$ 61,365	\$ 89,146	\$ 86,381	\$ 121,235	\$ 73,964	\$ 108,819

Quarterly Segmented Results

Consolidated Statement of Income

<i>For the three months ended: (\$ in thousands)</i>	Net interest income	Other income	Recovery (provision for loss) on ABCP	Operating revenue	Provision for (recovery of) credit losses	Non- interest expenses	Net income (loss) before payment in lieu of tax	Payment in lieu of tax	Net income (loss)	Total assets	Total liabilities
March 31, 2011											
Retail Financial Services	\$ 85,223	\$ 21,730	\$ -	\$ 106,953	\$ 6,827	\$ 105,126	\$ (5,000)	\$ -	\$ (5,000)	\$ 15,743,135	\$ 9,985,007
Independent Business & Agriculture	47,898	14,701	-	62,599	1,797	32,029	28,773	-	28,773	4,105,036	5,855,063
Personal and Business											
Financial Services	133,121	36,431	-	169,552	8,624	137,155	23,773	-	23,773	19,848,171	15,840,070
Corporate Financial Services	41,272	12,031	-	53,303	13	11,550	41,740	-	41,740	5,264,349	4,406,360
Investor Services	1,251	14,452	-	15,703	-	19,160	(3,457)	-	(3,457)	47,301	744,412
Corporate units	14,914	14,467	14,951	44,332	(2,421)	33,661	13,092	17,285	(4,193)	2,228,242	4,433,508
Total	\$ 190,558	\$ 77,381	\$ 14,951	\$ 282,890	\$ 6,216	\$ 201,526	\$ 75,148	\$ 17,285	\$ 57,863	\$ 27,388,063	\$ 25,424,350
December 31, 2010											
Retail Financial Services	\$ 85,445	\$ 23,099	\$ -	\$ 108,544	\$ 8,571	\$ 94,564	\$ 5,409	\$ -	\$ 5,409	\$ 15,672,486	\$ 9,893,339
Independent Business & Agriculture	49,571	15,707	-	65,278	(849)	30,569	35,558	-	35,558	4,030,336	6,260,945
Personal and Business											
Financial Services	135,016	38,806	-	173,822	7,722	125,133	40,967	-	40,967	19,702,822	16,154,284
Corporate Financial Services	42,878	13,583	-	56,461	7,242	9,993	39,226	-	39,226	5,317,982	3,780,589
Investor Services	1,331	13,345	-	14,676	-	16,731	(2,055)	-	(2,055)	45,596	741,919
Corporate units	14,622	14,083	9,991	38,696	(2,812)	33,214	8,294	19,879	(11,585)	1,447,521	3,917,225
Total	\$ 193,847	\$ 79,817	\$ 9,991	\$ 283,655	\$ 12,152	\$ 185,071	\$ 86,432	\$ 19,879	\$ 66,553	\$ 26,513,921	\$ 24,594,017
September 30, 2010											
Retail Financial Services	\$ 83,541	\$ 23,839	\$ -	\$ 107,380	\$ 10,931	\$ 93,865	\$ 2,584	\$ -	\$ 2,584	\$ 15,565,557	\$ 9,841,393
Independent Business & Agriculture	48,609	16,462	-	65,071	2,611	30,027	32,433	-	32,433	3,918,286	6,425,758
Personal and Business											
Financial Services	132,150	40,301	-	172,451	13,542	123,892	35,017	-	35,017	19,483,843	16,267,151
Corporate Financial Services	42,140	16,687	-	58,827	(4,019)	9,348	53,498	-	53,498	5,262,744	3,562,413
Investor Services	1,363	12,496	-	13,859	-	17,185	(3,326)	-	(3,326)	46,736	810,892
Corporate units	7,180	(28,353)	3,858	(17,315)	(2,488)	20,599	(35,426)	11,446	(46,872)	1,538,346	3,826,725
Total	\$ 182,833	\$ 41,131	\$ 3,858	\$ 227,822	\$ 7,035	\$ 171,024	\$ 49,763	\$ 11,446	\$ 38,317	\$ 26,331,669	\$ 24,467,181
June 30, 2010											
Retail Financial Services	\$ 83,361	\$ 22,042	\$ -	\$ 105,403	\$ 6,589	\$ 93,137	\$ 5,677	\$ -	\$ 5,677	\$ 15,311,112	\$ 9,875,767
Independent Business & Agriculture	47,197	15,870	-	63,067	2,260	29,160	31,647	-	31,647	3,846,854	6,269,964
Personal and Business											
Financial Services	130,558	37,912	-	168,470	8,849	122,297	37,324	-	37,324	19,157,966	16,145,731
Corporate Financial Services	40,615	18,775	-	59,390	(4,586)	9,577	54,399	-	54,399	5,240,627	3,841,004
Investor Services	1,245	11,912	-	13,157	-	17,610	(4,453)	-	(4,453)	36,750	723,400
Corporate units	(944)	(15,650)	-	(16,594)	(1,214)	25,419	(40,799)	10,688	(51,487)	1,749,686	3,646,181
Total	\$ 171,474	\$ 52,949	\$ -	\$ 224,423	\$ 3,049	\$ 174,903	\$ 46,471	\$ 10,688	\$ 35,783	\$ 26,185,029	\$ 24,356,316
Year ended March 31, 2011	\$ 738,712	\$ 251,278	\$ 28,800	\$ 1,018,790	\$ 28,452	\$ 732,524	\$ 257,814	\$ 59,298	\$ 198,516	\$ 27,388,063	\$ 25,424,350

Quarterly Segmented Results (Continued)

Consolidated Statement of Income (Continued)

<i>For the three months ended: (\$ in thousands)</i>	Net interest income	Other income	Recovery (provision for loss) on ABCP	Operating revenue	Provision for (recovery of) credit losses	Non- interest expenses	Net income (loss) before payment in lieu of tax	Payment in lieu of tax	Net income (loss)	Total assets	Total liabilities
March 31, 2010											
Personal and Business											
Financial Services	\$ 122,262	\$ 37,942	\$ -	\$ 160,204	\$ 12,961	\$ 119,741	\$ 27,502	\$ -	\$ 27,502	\$ 18,863,167	\$ 15,855,761
Corporate Financial Services	40,353	10,627	-	50,980	(2,670)	10,019	43,631	-	43,631	5,012,210	3,367,720
Investor Services	1,186	11,217	-	12,403	-	17,084	(4,681)	-	(4,681)	39,800	731,949
Corporate units	70	(6,424)	-	(6,354)	(886)	30,902	(36,370)	6,919	(43,289)	1,513,841	3,664,231
Total	\$ 163,871	\$ 53,362	\$ -	\$ 217,233	\$ 9,405	\$ 177,746	\$ 30,082	\$ 6,919	\$ 23,163	\$ 25,429,018	\$ 23,619,661
December 31, 2009											
Personal and Business											
Financial Services	\$ 120,456	\$ 38,497	\$ -	\$ 158,953	\$ 14,111	\$ 123,849	\$ 20,993	\$ -	\$ 20,993	\$ 18,724,316	\$ 15,960,942
Corporate Financial Services	40,086	13,728	-	53,814	7,701	9,462	36,651	-	36,651	5,144,868	3,416,043
Investor Services	1,218	10,623	-	11,841	-	14,125	(2,284)	-	(2,284)	35,646	749,100
Corporate units	16,015	3,387	(3,494)	15,908	(1,570)	26,410	(8,932)	10,678	(19,610)	2,325,944	4,302,997
Total	\$ 177,775	\$ 66,235	\$ (3,494)	\$ 240,516	\$ 20,242	\$ 173,846	\$ 46,428	\$ 10,678	\$ 35,750	\$ 26,230,774	\$ 24,429,082
September 30, 2009											
Personal and Business											
Financial Services	\$ 116,591	\$ 40,871	\$ -	\$ 157,462	\$ 12,098	\$ 115,996	\$ 29,368	\$ -	\$ 29,368	\$ 18,379,389	\$ 16,097,561
Corporate Financial Services	40,035	12,831	-	52,866	1,569	8,199	43,098	-	43,098	5,226,634	3,755,731
Investor Services	1,262	9,625	-	10,887	-	14,031	(3,144)	-	(3,144)	48,667	782,074
Corporate units	14,887	(12,379)	-	2,508	(3,417)	19,289	(13,364)	12,870	(26,234)	3,505,230	4,743,077
Total	\$ 172,775	\$ 50,948	\$ -	\$ 223,723	\$ 10,250	\$ 157,515	\$ 55,958	\$ 12,870	\$ 43,088	\$ 27,159,920	\$ 25,378,443
June 30, 2009											
Personal and Business											
Financial Services	\$ 112,722	\$ 40,627	\$ -	\$ 153,349	\$ 10,557	\$ 118,566	\$ 24,226	\$ -	\$ 24,226	\$ 17,529,677	\$ 16,322,302
Corporate Financial Services	34,322	17,679	-	52,001	9,778	8,150	34,073	-	34,073	5,595,170	3,501,642
Investor Services	1,229	8,813	-	10,042	-	13,613	(3,571)	-	(3,571)	40,796	751,250
Corporate units	11,994	(16,881)	4,031	(856)	(1,285)	22,080	(21,651)	7,608	(29,259)	3,296,053	4,132,523
Total	\$ 160,267	\$ 50,238	\$ 4,031	\$ 214,536	\$ 19,050	\$ 162,409	\$ 33,077	\$ 7,608	\$ 25,469	\$ 26,461,696	\$ 24,707,717
Year ended March 31, 2010	\$ 674,688	\$ 220,783	\$ 537	\$ 896,008	\$ 58,947	\$ 671,516	\$ 165,545	\$ 38,075	\$ 127,470	\$ 25,429,018	\$ 23,619,661

Annual Supplementary Information

Consolidated Balance Sheet

(\$ in thousands)	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Assets										
Cash	\$ 161,901	\$ 179,424	\$ 353,724	\$ 91,567	\$ 78,117	\$ 77,454	\$ 26,279	\$ 101,281	\$ 72,750	\$ 120,061
Interest-bearing deposits with financial institutions	1,123,779	675,576	2,516,489	1,928,230	1,017,497	976,671	927,244	956,727	579,607	752,269
Securities	2,058,878	1,158,900	1,228,305	1,253,518	1,684,821	1,381,444	932,511	854,997	578,850	807,793
Loans, net of allowance for credit losses	22,943,184	22,534,603	21,602,235	19,443,517	16,994,329	14,846,694	13,137,917	12,131,053	11,691,482	10,400,563
Other assets	1,100,321	880,515	813,390	626,321	519,954	365,552	357,281	261,752	261,306	273,124
Total assets	\$ 27,388,063	\$ 25,429,018	\$ 26,514,143	\$ 23,343,153	\$ 20,294,718	\$ 17,647,815	\$ 15,381,232	\$ 14,305,810	\$ 13,183,995	\$ 12,353,810
Liabilities and equity										
Deposits	23,982,145	22,579,167	23,881,246	21,175,716	18,252,838	15,870,308	13,840,032	13,035,120	12,096,911	11,425,210
Securities sold under repurchase agreements	-	-	286,404	-	-	-	-	-	-	-
Other liabilities	1,143,766	770,324	530,796	425,987	346,255	356,933	325,207	262,313	250,731	306,385
Capital investment notes	230,972	224,994	-	-	-	-	-	-	-	-
Subordinated debentures	67,467	45,176	57,013	72,998	72,242	71,579	65,719	45,416	45,416	30,182
Equity	1,963,713	1,809,357	1,758,684	1,668,452	1,623,383	1,348,995	1,150,274	962,961	790,937	592,033
Total liabilities and equity	\$ 27,388,063	\$ 25,429,018	\$ 26,514,143	\$ 23,343,153	\$ 20,294,718	\$ 17,647,815	\$ 15,381,232	\$ 14,305,810	\$ 13,183,995	\$ 12,353,810

Consolidated Statement of Income

(\$ in thousands)	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Interest income	\$ 1,086,677	\$ 1,031,112	\$ 1,194,987	\$ 1,302,564	\$ 1,078,282	\$ 814,669	\$ 699,883	\$ 740,601	\$ 697,524	\$ 739,445
Interest expense	347,965	356,424	547,642	643,154	506,477	352,418	301,137	343,317	333,364	373,862
Net interest income	738,712	674,688	647,345	659,410	571,805	462,251	398,746	397,284	364,160	365,583
Other income	251,278	220,783	259,682	185,995	179,661	155,621	139,308	116,272	107,442	101,209
Operating revenue before the undernoted	989,990	895,471	907,027	845,405	751,466	617,872	538,054	513,556	471,602	466,792
Recovery (provision for loss) on ABCP	28,800	537	(224,816)	(253,133)	-	-	-	-	-	-
Total operating revenue	1,018,790	896,008	682,211	592,272	751,466	617,872	538,054	513,556	471,602	466,792
Provision for (recovery of) credit losses	28,452	58,947	42,712	12,906	(5,211)	688	(14,594)	15,859	(43,211)	21,095
Non-interest expenses	732,524	671,516	633,087	549,381	482,289	418,463	365,335	325,673	315,909	287,771
Net income before payment in lieu of tax	257,814	165,545	6,412	29,985	274,388	198,721	187,313	172,024	198,904	157,926
Payment in lieu of tax	59,298	38,075	-	-	-	-	-	-	-	-
Net income	\$ 198,516	\$ 127,470	\$ 6,412	\$ 29,985	\$ 274,388	\$ 198,721	\$ 187,313	\$ 172,024	\$ 198,904	\$ 157,926

Consolidated Financial Statements

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Statement of Responsibility for Financial Reporting

The consolidated financial statements of Alberta Treasury Branches (ATB Financial or ATB) and all other information contained in the annual report, including management's discussion and analysis of ATB's operating results and financial position (MD&A), 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 Canadian generally accepted accounting principles.

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 performance.

The Vice-President 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 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 control. 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 that are 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 following report. The Auditor General has full and unrestricted access to the Audit Committee and meets with them periodically, both in the presence and in the absence of management, to discuss their audit, including any findings as to the integrity of ATB's financial reporting processes and the adequacy of our systems of internal controls.



Bob Splane
Chairman of the Board
Edmonton, Alberta
May 25, 2011



Dave Mowat
President and Chief Executive Officer
Edmonton, Alberta
May 25, 2011



Jim McKillop
Chief Financial Officer
Edmonton, Alberta
May 25, 2011



Independent Auditor's Report

To the Minister of Finance and Enterprise

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of Alberta Treasury Branches, which comprise the consolidated balance sheet as at March 31, 2011, and the consolidated statements of income, comprehensive income and 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 Canadian generally accepted accounting principles, 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 Alberta Treasury Branches as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original signed by Merwan N. Saher, CA]

Auditor General

May 25, 2011

Edmonton, Alberta

Consolidated Balance Sheet

As at March 31, 2011
(\$ in thousands)

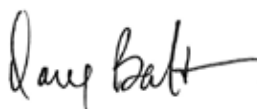
	2011	2010
Assets		
Cash resources (note 8)		
Cash	\$ 161,901	\$ 179,424
Interest-bearing deposits with financial institutions	1,123,779	675,576
	1,285,680	855,000
Securities (note 9)	2,058,878	1,158,900
Loans (notes 10 and 11)		
Residential mortgages	7,823,647	7,989,004
Business	9,139,082	8,722,605
Personal	5,589,507	5,446,028
Credit card	616,953	599,379
Allowance for credit losses	(226,005)	(222,413)
	22,943,184	22,534,603
Other		
Premises and equipment (note 13)	183,881	188,831
Derivative financial instruments (note 20)	271,886	226,509
Software and other intangibles (note 14)	297,008	201,767
Other assets (note 15)	347,546	263,408
	1,100,321	880,515
	\$ 27,388,063	\$ 25,429,018
Liabilities and equity		
Deposits (note 16)		
Personal	\$ 10,559,937	\$ 10,427,133
Business and other	10,422,053	9,544,040
Wholesale	3,000,155	2,607,994
	23,982,145	22,579,167
Other liabilities		
Securities sold under repurchase agreements	341,557	-
Derivative financial instruments (note 20)	254,411	146,892
Other liabilities (note 17)	547,798	623,432
	1,143,766	770,324
Capital investment notes (note 28)	230,972	224,994
Subordinated debentures (note 18)	67,467	45,176
Equity		
Retained earnings	1,975,739	1,777,223
Accumulated other comprehensive (loss) income (note 24)	(12,026)	32,134
	1,963,713	1,809,357
	\$ 27,388,063	\$ 25,429,018

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

Approved by the Board:



Bob Splane
Chairman of the Board



Doug Baker
Chairman of the Audit Committee

Consolidated Statement of Income

For the year ended March 31, 2011
(\$ in thousands)

	2011	2010
Interest income		
Loans	\$ 1,051,644	\$ 987,545
Securities	22,580	14,051
Interest-bearing deposits with financial institutions	12,453	29,516
	1,086,677	1,031,112
Interest expense		
Deposits	334,563	348,203
Capital investment notes	9,682	5,432
Subordinated debentures	2,537	2,107
Securities sold under repurchase agreements	1,183	682
	347,965	356,424
Net interest income	738,712	674,688
Other income		
Service charges	68,835	70,900
Investor Services	54,956	42,340
Card fees	51,809	49,338
Securitization income (note 12)	25,626	18,273
Credit fees	22,136	20,157
Insurance	14,647	12,633
Foreign exchange	8,406	11,257
Gain (loss) on derivative financial instruments, net	2,437	(11,440)
Sundry	2,426	7,325
	251,278	220,783
Operating revenue before the undernoted	989,990	895,471
Recovery on asset-backed commercial paper (note 9)	28,800	537
Total operating revenue	1,018,790	896,008
Provision for credit losses (note 11)	28,452	58,947
Non-interest expenses		
Salaries and employee benefits (notes 19 and 22)	400,704	367,830
Data processing	76,200	72,594
Premises and occupancy, including amortization	74,595	72,229
Professional and consulting costs	44,006	32,927
Marketing and supplies	30,949	28,842
Deposit guarantee fee	24,530	23,706
Equipment, including amortization	23,729	19,110
Software and other intangibles amortization	22,460	21,952
Communication	21,962	19,994
ATB agencies	8,218	8,175
Other	5,171	4,157
	732,524	671,516
Net income before payment in lieu of tax	257,814	165,545
Payment in lieu of tax (note 27)	59,298	38,075
Net income	\$ 198,516	\$ 127,470

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

Consolidated Statement of Comprehensive Income

<i>For the year ended March 31, 2011</i> <i>(\$ in thousands)</i>		
	2011	2010
Net income	\$ 198,516	\$ 127,470
Other comprehensive loss		
Change in unrealized losses on available-for-sale securities and interest-bearing deposits with financial institutions, net of cash flow hedges	(520)	(6,593)
Reclassification to earnings in respect of available-for-sale securities and interest-bearing deposits with financial institutions	-	(3,882)
Changes in (losses) and gains on derivative financial instruments designated as cash flow hedges	(18,276)	510
Reclassification to earnings of gains on cash flow hedges	(25,364)	(66,832)
Other comprehensive loss	(44,160)	(76,797)
Comprehensive income	\$ 154,356	\$ 50,673

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

Consolidated Statement of Changes in Equity

<i>For the year ended March 31, 2011</i> <i>(\$ in thousands)</i>		
	2011	2010
Retained earnings		
Balance at beginning of the year	\$ 1,777,223	\$ 1,649,753
Net income	198,516	127,470
Balance at end of the year	1,975,739	1,777,223
Accumulated other comprehensive (loss) income		
Balance at beginning of the year	32,134	108,931
Other comprehensive loss	(44,160)	(76,797)
Balance at end of the year	(12,026)	32,134
Equity as at March 31	\$ 1,963,713	\$ 1,809,357

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

Consolidated Statement of Cash Flows

For the year ended March 31, 2011
(\$ in thousands)

	2011	2010
Cash flows from operating activities		
Net income	\$ 198,516	\$ 127,470
Adjustments to determine net cash flows:		
Provision for credit losses	28,452	58,947
Amortization of premises and equipment	41,139	32,466
Amortization of software and other intangibles	22,460	21,952
Net changes in accrued interest receivable and payable	(9,888)	(14,659)
Net changes in derivative financial instruments	18,502	(14,762)
Recovery on asset-backed commercial paper	(28,800)	(537)
Gain on sale of securitized residential mortgage loans (note 12)	(24,007)	(32,710)
Change in provision for payment in lieu of tax	21,223	38,075
Net change in cheques and other items in transit	(8,300)	(13,400)
Change in prepayments and other receivables	(43,225)	21,369
Change in due to clients, brokers, and dealers	(2,862)	9,664
Change in deposit guarantee fee payable	1,793	(4,298)
Change in accounts payable and accrued liabilities	(93,096)	200,878
Change in accrued pension-benefit asset	(17,979)	(11,973)
Other items, net	59,690	15,266
Net cash provided by operating activities	163,618	433,748
Cash flows from financing activities		
Net change in deposits	1,405,332	(1,290,598)
Issuance (repayment) of subordinated debentures	22,291	(11,837)
Change in capital investment notes	(1,614)	224,994
Change in securities sold under repurchase agreements	341,557	(286,404)
Net cash provided by (used in) financing activities	1,767,566	(1,363,845)
Cash flows from investing activities		
Net change in interest-bearing deposits with financial institutions	(448,219)	1,839,788
Purchase of securities	(4,633,155)	(1,675,501)
Proceeds from securities	3,733,208	1,736,085
Net change in loans, excluding securitization	(1,389,544)	(1,987,184)
Proceeds from loan securitizations	942,893	1,001,484
Purchase of premises, equipment, software, and other intangibles	(153,890)	(158,875)
Net cash (used in) provided by investing activities	(1,948,707)	755,797
Net decrease in cash	(17,523)	(174,300)
Cash at beginning of year	179,424	353,724
Cash at end of year	\$ 161,901	\$ 179,424
Supplementary cash flow information:		
Amount of interest paid during the year	\$ 353,245	\$ 390,399

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

Notes to the Consolidated Financial Statements

For the year ended March 31, 2011 (\$ in thousands)

1. Authority

Alberta Treasury Branches (ATB) is an agent of the Crown in right of Alberta and operates under the authority of the Alberta Treasury Branches Act, 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.

ATB is exempt from Canadian federal and Alberta provincial income taxes. Its primary business is providing financial services within Alberta.

2. Basis of Presentation

Management has prepared these consolidated financial statements in accordance with Canadian generally accepted accounting principles (GAAP).

Use of Estimates and Assumptions

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of balance sheet assets and liabilities and the disclosure of contingent assets and liabilities as at the balance sheet date, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ significantly from these estimates, and the impact of any such differences will be recorded in future periods.

The most significant amounts and disclosures where ATB must make estimates include the allowances for credit losses, the fair value of financial instruments, asset securitization, amortization of premises and equipment and software and other intangibles, assumptions underlying the accounting for employee future benefit obligations, and the provision for contingencies.

Basis of Consolidation

These consolidated financial statements include the assets, liabilities, and results of operations and cash flows of ATB and its subsidiaries. All intercompany

transactions and balances have been eliminated from the consolidated results.

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

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

During the current fiscal year, ATB Investment Services Inc. was amalgamated into ATB Securities Inc. As a result of the amalgamation, the assets, liabilities, and results of operations of ATB Investor Services Inc. have been combined with ATB Securities Inc. effective September 20, 2010. The above amalgamation did not have any impact on the consolidated financial statements of ATB.

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 average exchange rate for the period. Realized and unrealized gains and losses arising from these translations are included in foreign exchange in the consolidated statement of income.

Significant Accounting Policies

Significant accounting policies followed in preparing these consolidated financial statements are disclosed

throughout the following notes, along with the related financial disclosures.

3. Current and Future Changes in Accounting Policies

Current Changes in Accounting Policies

Current Fiscal Year

There were no changes to accounting policies in the current fiscal year.

financial statements prepared in accordance with IFRS for the quarter ending June 30, 2011. Upon adoption, ATB will provide fiscal 2010–11 comparative financial information also prepared in accordance with IFRS.

Future Changes in Accounting Policies

Transition to International Financial Reporting Standards

Canadian publicly accountable enterprises must transition to International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. As a result, ATB will adopt IFRS commencing April 1, 2011, and will publish its first consolidated

Future IASB Projects and Our Assumed Impacts

Several accounting standards are in the process of being amended by the IFRS standard setter, the International Accounting Standards Board (IASB). ATB continually monitors IASB projects for developments and does not expect the issuance of new or revised accounting standards requiring adoption during fiscal 2011–12.

4. Financial Instruments – Recognition and Measurement

ATB classifies all financial assets as held for trading (HFT), held to maturity (HTM), available for sale (AFS), or loans and receivables. It classifies financial liabilities as either HFT or other liabilities. On initial recognition, financial assets and liabilities are recognized at fair value.

Any subsequent valuation of financial instruments is based on their classification as disclosed in the notes to the consolidated financial statements. Financial instruments classified as HFT or AFS are measured at fair value. Financial instruments classified as HTM, loans and receivables, and other liabilities are valued at amortized cost using the effective-interest-rate method. ATB has not classified any financial assets as HTM.

losses) recorded in net income in the consolidated statement of income. Unrealized gains and losses from changes in fair value or realized gains or losses on disposal are accounted for as other income. Any interest earned (or incurred) continues to be recognized on an accrual basis as interest income (or expense).

A financial asset or liability may also be irrevocably designated as HFT under the fair value option when it is first recognized. Financial instruments accounted for under the fair value option are measured at fair value, and any changes in fair value are recorded in the consolidated income statement.

Held for Trading

Financial assets and liabilities classified as HFT are measured on the consolidated balance sheet at fair value, with changes in fair value (unrealized gains or

Available for Sale

Financial assets classified as AFS are measured on the consolidated balance sheet at fair value, with changes in fair value (unrealized gains or losses) being recognized

in other comprehensive income (OCI) rather than net income. Unrealized gains and losses from changes in fair value are recognized in OCI until maturity or sale, when the cumulative gain or loss on disposal is transferred from accumulated other comprehensive income (AOCI) to the consolidated statement of income as other income. In the event of an other-than-temporary impairment in fair value, the cumulative change in fair value of the impaired asset is recognized in net income in the period of impairment. Any interest is recognized on an accrual basis as interest income.

Held to Maturity

ATB may classify non-derivative financial assets as HTM if the assets have fixed or determinable payments

and a fixed term to maturity, and if ATB has the ability and intention to hold the assets to maturity. HTM assets are measured at amortized cost using the effective-interest-rate method.

Loans and Receivables

Financial assets classified as loans and receivables are accounted for at amortized cost using the effective-interest-rate method.

Financial Liabilities

Financial liabilities, except for derivatives, are measured at amortized cost using the effective-interest-rate method unless classified as HFT (or designated as such under the fair value option).

5. Financial Instruments – Carrying Value and Fair Value

Financial assets and financial liabilities can be measured at fair value or amortized cost, depending on their classification under the Financial Instrument Recognition and Measurement Accounting standards. (Refer to note 4.)

Estimated Fair Value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable and willing parties who are under no compulsion to act. 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, 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 that are commonly used by market participants and that have been demonstrated to 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, and credit curves, as well as 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 following tables summarize ATB's financial instrument classifications and provide their carrying value and fair value as at March 31:

As at March 31, 2011
(\$ in thousands)

	Carrying value						
	Held-for-trading assets and liabilities measured at fair value	Designated as held-for-trading assets and liabilities measured at fair value	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	\$ 161,901	\$ -	\$ -	\$ -	\$ -	\$ -	161,901 ⁽¹⁾
Interest-bearing deposits with financial institutions	-	1,123,779	-	-	-	-	1,123,779 ⁽¹⁾
Securities	-	1,944,782	114,096	-	-	-	2,058,878 ⁽¹⁾
Loans							
Residential mortgages	-	-	-	7,823,647	-	-	7,823,647
Business	-	-	-	9,139,082	-	-	9,139,082
Personal	-	-	-	5,589,507	-	-	5,589,507
Credit card	-	-	-	616,953	-	-	616,953
Allowance for credit losses	-	-	-	(226,005)	-	-	(226,005)
	-	-	-	22,943,184	-	-	22,943,184 ⁽²⁾
Other							
Derivative financial instruments	233,846	-	-	-	-	38,040	271,886
Other assets	-	-	-	226,924	-	-	226,924
	233,846	-	-	226,924	-	38,040	498,810 ⁽¹⁾
Financial liabilities							
Deposits							
Personal	-	-	-	-	(10,559,937)	-	(10,559,937)
Business and other	-	-	-	-	(10,422,053)	-	(10,422,053)
Wholesale	-	-	-	-	(3,000,155)	-	(3,000,155)
	-	-	-	-	(23,982,145)	-	(23,982,145) ⁽³⁾
Other							
Securities sold under repurchase agreements	-	-	-	-	(341,557)	-	(341,557)
Derivative financial instruments	(237,179)	-	-	-	-	(17,232)	(254,411)
Other liabilities	-	(12,385)	-	-	(501,640)	-	(514,025)
	(237,179)	(12,385)	-	-	(843,197)	(17,232)	(1,109,993) ⁽¹⁾
Capital investment notes	-	-	-	-	(230,972)	-	(230,972) ⁽⁴⁾
Subordinated debentures	-	-	-	-	(67,467)	-	(67,467) ⁽⁵⁾

¹ Fair value estimated to equal carrying value.

² Fair value of loans estimated to be \$23,935,516.

³ Fair value of deposits estimated to be \$23,841,933.

⁴ Fair value of capital investment notes estimated to be \$240,107.

⁵ Fair value of subordinated debentures estimated to be \$69,026.

As at March 31, 2010
(\$ in thousands)

	Carrying value							
	Held-for-trading assets and liabilities measured at fair value	Designated as held-for-trading assets and liabilities measured at fair value	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	\$ 179,424	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 179,424	⁽¹⁾
Interest-bearing deposits with financial institutions	-	-	675,576	-	-	-	675,576	⁽¹⁾
Securities	-	610,696	548,204	-	-	-	1,158,900	⁽¹⁾
Loans								
Residential mortgages	-	-	-	7,989,004	-	-	7,989,004	
Business	-	-	-	8,722,605	-	-	8,722,605	
Personal	-	-	-	5,446,028	-	-	5,446,028	
Credit card	-	-	-	599,379	-	-	599,379	
Allowance for credit losses	-	-	-	(222,413)	-	-	(222,413)	
	-	-	-	22,534,603	-	-	22,534,603	⁽²⁾
Other								
Derivative financial instruments	142,026	-	-	-	-	84,483	226,509	
Other assets	-	-	-	198,000	-	-	198,000	
	142,026	-	-	198,000	-	84,483	424,509	⁽¹⁾
Financial liabilities								
Deposits								
Personal	-	-	-	-	(10,427,133)	-	(10,427,133)	
Business and other	-	-	-	-	(9,544,040)	-	(9,544,040)	
Wholesale	-	-	-	-	(2,607,994)	-	(2,607,994)	
	-	-	-	-	(22,579,167)	-	(22,579,167)	⁽³⁾
Other								
Derivative financial instruments	(138,934)	-	-	-	-	(7,958)	(146,892)	
Other liabilities	-	(7,350)	-	-	(580,242)	-	(587,592)	
	(138,934)	(7,350)	-	-	(580,242)	(7,958)	(734,484)	⁽¹⁾
Capital investment notes	-	-	-	-	(224,994)	-	(224,994)	⁽⁴⁾
Subordinated debentures	-	-	-	-	(45,176)	-	(45,176)	⁽⁵⁾

¹ Fair value estimated to equal carrying value.

² Fair value of loans estimated to be \$23,247,279.

³ Fair value of deposits estimated to be \$22,521,706.

⁴ Fair value of capital investment notes estimated to be \$230,073.

⁵ Fair value of subordinated debentures estimated to be \$46,874.

The fair values are estimated at the balance sheet date using the valuation methods and assumptions described below. These fair values may change in subsequent reporting periods as a result of market conditions or other factors.

Financial Instruments Whose Book Value Approximates 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, other assets, securities sold under repurchase agreements, 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 represents a point-in-time estimate that may change in subsequent reporting periods as a result of changing market conditions or other factors. Fair value estimates of over-the-counter and embedded derivative financial instruments are 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.

Subordinated Debentures and Capital Investment Notes

The fair values of subordinated debentures and capital investment notes is estimated by discounting contractual cash flows using market reference rates currently offered for debt instruments with similar terms and credit risk ratings.

Fair Value Hierarchy

Financial instruments recorded at fair value on the consolidated balance sheet are classified using a fair value hierarchy based on the quality and reliability of the information used to estimate the fair value.

The fair value hierarchy has the following levels:

- Level 1 – fair value based on quoted prices in active markets
- Level 2 – fair value estimated using valuation techniques that use market-observable inputs other than quoted market prices
- Level 3 – fair value estimated using inputs that are 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 to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The categories of financial instruments whose fair values are classified in Level 3 consist of the following:

- HFT financial assets – investments in asset-backed commercial paper (ABCP). (Refer to note 9.)
- AFS securities – investments in ABCP, mortgage-backed securities, and retained rights to future excess interest on securitization transactions. (Refer to notes 9 and 12.)
- HFT financial liabilities – embedded derivatives relating to interest rate options on certain residential mortgages and the estimated obligation for the Achievement Notes.

The following table presents the level within the fair value hierarchy of ATB's financial assets and liabilities measured at fair value:

<i>As at March 31, 2011</i> <i>(\$ in thousands)</i>	Level 1	Level 2	Level 3	Total
Financial assets				
Interest-bearing deposits with financial institutions				
Designated as held-for-trading	\$ -	\$ 1,123,779	\$ -	\$ 1,123,779
Securities				
Available-for-sale	-	-	114,096	114,096
Designated as held-for-trading	-	1,310,109	634,673	1,944,782
Other assets				
Derivative financial instruments	-	271,886	-	271,886
Total financial assets	-	2,705,774	748,769	3,454,543
Financial liabilities				
Other liabilities				
Derivative financial instruments	-	(254,222)	(189)	(254,411)
Designated as held-for-trading	-	-	(12,385)	(12,385)
Total financial liabilities	\$ -	\$ (254,222)	\$ (12,574)	\$ (266,796)

<i>As at March 31, 2010</i> <i>(\$ in thousands)</i>	Level 1	Level 2	Level 3	Total
Financial assets				
Interest-bearing deposits with financial institutions				
Available-for-sale	\$ 200,060	\$ 475,516	\$ -	\$ 675,576
Securities				
Available-for-sale	6,227	481,704	60,273	548,204
Designated as held-for-trading	-	-	610,696	610,696
Other assets				
Derivative financial instruments	-	226,509	-	226,509
Total financial assets	206,287	1,183,729	670,969	2,060,985
Financial liabilities				
Other liabilities				
Derivative financial instruments	-	(146,674)	(218)	(146,892)
Designated as held-for-trading	-	-	(7,350)	(7,350)
Total financial liabilities	\$ -	\$ (146,674)	\$ (7,568)	\$ (154,242)

ATB performs a sensitivity analysis for fair value measurements classified in Level 3, substituting one or more reasonably possible alternative assumptions for the unobservable inputs. These sensitivity analyses are detailed in note 9 for the HFT ABCP investments and note 12 for retained interest in securitization.

The sensitivity analysis for the AFS ABCP, mortgage-backed securities, the embedded derivatives relating to interest rate options on certain residential mortgages, and the estimated obligation for the Achievement Notes resulted in an insignificant change in fair value.

The following table presents the changes in fair value of Level 3 financial instruments for the year ended March 31, 2011:

(\$ in thousands)	Available-for-sale securities	Held-for-trading securities	Fair value of derivative financial liabilities	Other liabilities
Fair value as at March 31, 2010	\$ 60,273	\$ 610,696	\$ (218)	\$ (7,350)
Total realized and unrealized gains (losses) included in net income	(418)	25,075	29	(4,191)
Total realized and unrealized gains included in other comprehensive income	(1,601)	-	-	-
Net purchases, sales, issuances, and settlements	55,842	(1,098)	-	(844)
Fair value as at March 31, 2011	\$ 114,096	\$ 634,673	\$ (189)	\$ (12,385)
Change in unrealized gains (losses) included in income with respect to financial instruments held as at March 31, 2011	\$ (418)	\$ 25,075	\$ 29	\$ (4,191)

6. Financial Instruments – Risk Management

ATB has included certain disclosures required by CICA Handbook Section 3862 in shaded sections of the Management's Discussion and Analysis (MD&A). These shaded sections of the Risk Management section

of the MD&A relating to credit, market, and liquidity risks are an integral part of the 2011 consolidated financial statements.

7. Capital Disclosure

ATB measures and reports capital adequacy to ensure that it meets the minimum levels set out by its owner and regulator, Alberta Finance and Enterprise, while supporting the continued growth of its business.

As a Crown corporation, ATB and its subsidiaries operate under a regulatory framework established pursuant to the Alberta Treasury Branches Act and associated regulations and guidelines. The capital adequacy requirements for ATB are defined in a guideline authorized by the Minister of Finance and Enterprise, 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. The capital requirements were amended during the prior fiscal year to expand the definition of Tier 2 capital. Tier 1 capital consists of retained earnings, and Tier 2 capital consists of notional capital and eligible portions of the general allowance for credit losses, subordinated debentures, and capital investment notes (to a maximum of \$500,000). Effective March 30, 2009, \$600,000 of notional (or deemed) capital was made available to ATB. This amount reduces by 25% of net income each quarter.

As at March 31, 2011, ATB has exceeded both the total capital requirements and the Tier 1 capital requirement of the Capital Adequacy Guideline.

(\$ in thousands)	2011	2010
Tier 1 capital		
Retained earnings	\$ 1,975,739	\$ 1,777,223
Tier 2 capital		
Eligible portions of:		
Subordinated debentures	33,658	9,076
Capital investment notes	134,188	179,995
General allowance for credit losses	181,700	172,657
Notional capital	518,503	568,133
	868,049	929,861
Total regulatory capital	\$ 2,843,788	\$ 2,707,084
Total risk-weighted assets	\$ 20,765,694	\$ 19,732,223
Risk-weighted capital ratios		
Tier 1 capital ratio	9.5%	9.0%
Total regulatory capital ratio	13.7%	13.7%

8. Cash Resources

Cash consists of cash on hand, bank notes and coins, and non-interest-bearing deposits with the Bank of Canada and other financial institutions. Interest-bearing deposits with other financial institutions have been classified as either held for trading (HFT) or available for sale (AFS) and are recorded at fair value. Interest income on interest-bearing deposits is recorded on an accrual basis.

Amounts receivable from and payable to other financial institutions related to cheques and other items in transit via the clearing process are recorded at cost as other assets and other liabilities. (Refer to notes 15 and 17.)

The March 31, 2011, carrying value of interest-bearing deposits with financial institutions consists of \$1,123,779 (2010: nil) classified as HFT, and none classified as AFS (2010: \$675,576).

9. Securities

Securities are purchased with the intention to hold them to maturity, or until market conditions render alternative investments more attractive.

Interest income and any amortization of premiums and discounts are recorded as interest income in the consolidated statement of income. Gains and losses realized on the disposal of securities are recorded as other income in the consolidated statement of income. ATB recognizes investment transactions relating to its securities portfolio on a settlement date basis.

ATB conducts a quarterly review to identify and evaluate any available-for-sale (AFS) securities that show indications of impairment. A security is considered impaired if its fair value falls below its cost, and a write-down is recorded when the decline is considered other than temporary. Factors considered in determining whether a loss is temporary include the length of time and extent to which fair value has been below amortized cost, the financial condition and near-term prospects of the issuer, and the ability and intent to hold the investment for enough time to allow for anticipated recovery.

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

(\$ in thousands)	2011				2010
	Less than 1 year	From 1–5 years	Over 5 years	Total carrying value	Total carrying value
Available-for-sale securities					
Issued or guaranteed by the Canadian federal or provincial government	\$ -	\$ -	\$ -	\$ -	481,221
Commercial paper					
Third-party-sponsored ABCP	-	-	3,453	3,453	3,227
Retained interest in securitization	-	70,077	-	70,077	57,046
Other	-	40,566	-	40,566	6,710
Total available-for-sale securities	-	110,643	3,453	114,096	548,204
Designated as held-for-trading securities					
Issued or guaranteed by the Canadian federal or provincial government	1,310,109	-	-	1,310,109	-
Commercial paper					
Third-party-sponsored ABCP	-	-	590,603	590,603	564,657
Bank-sponsored ABCP	-	17,181	26,889	44,070	46,039
Total designated as held-for-trading securities	1,310,109	17,181	617,492	1,944,782	610,696
Total securities	\$ 1,310,109	\$ 127,824	\$ 620,945	\$ 2,058,878	\$ 1,158,900

The total carrying value of securities in the preceding schedule includes securities denominated in U.S. funds totalling \$24,434 as at March 31, 2011 (2010: \$23,804). Gross unrealized gains (losses) on AFS securities and interest-bearing deposits with financial institutions are presented in the following table:

As at March 31, 2011 (\$ in thousands)	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value
Available-for-sale securities				
Issued or guaranteed by the Canadian federal or provincial government	\$ -	\$ -	\$ -	-
Commercial paper				
Third-party-sponsored ABCP	3,819	-	(366)	3,453
Retained interest in securitization	67,528	2,549	-	70,077
Other	40,566	-	-	40,566
Total available-for-sale securities	111,913	2,549	(366)	114,096
Interest-bearing deposits with financial institutions	-	-	-	-
Total available-for-sale investments	\$ 111,913	\$ 2,549	\$ (366)	\$ 114,096

As at March 31, 2010								
Available-for-sale securities								
Issued or guaranteed by the Canadian federal or provincial government	\$	481,086	\$	145	\$	(10)	\$	481,221
Commercial paper								
Third-party-sponsored ABCP		3,703		-		(476)		3,227
Retained interest in securitization		53,996		3,050		-		57,046
Other		6,710		-		-		6,710
Total available-for-sale securities		545,495		3,195		(486)		548,204
Interest-bearing deposits with financial institutions		675,581		-		(5)		675,576
Total available-for-sale investments	\$	1,221,076	\$	3,195	\$	(491)	\$	1,223,780

Asset-Backed Commercial Paper

As at March 31, 2011, ATB held asset-backed commercial paper (ABCP) with a total face value of \$1,014,148 (2010: \$1,023,371). During the year, ATB received principal payments of \$7,601 (2010: \$70,469) and interest payments of \$11,550 (2010: \$8,005) on these investments.

ATB's holdings can be divided into three general types:

- Third-party ABCP restructured under the Montreal Accord (Master Asset Vehicle notes, or MAV notes)
- Third-party ABCP restructured outside of the Montreal Accord

- Bank-sponsored ABCP restructured under separate agreements

All are debt instruments with underlying exposure to a range of financial instruments, including residential mortgages, commercial loans, and credit default swaps.

These investments were short-term when first purchased by ATB, but as a result of the general credit crisis that occurred in fiscal 2007–08 they were restructured into longer-term floating-rate notes with a maturity date that more closely matches the maturities of the underlying assets, as detailed in the following table:

(\$ in thousands)	Cost	Coupon	Expected principal repayment	Credit rating
Third-party ABCP				
MAV 1				
Class A-1	\$ 410,287	0.30% ⁽¹⁾	Dec 2016	A (high)
Class A-2	384,714	0.30% ⁽¹⁾	Dec 2016	A
Class B	65,589	0.30% ⁽¹⁾	Dec 2016	None
Class C	26,693	20.0% ⁽¹⁾	Dec 2016	None
Tracking notes for ineligible assets	21,255	Floating ⁽²⁾	July 2056	None
Total MAV 1	908,538			
MAV 3				
Tracking notes for traditional assets	3,819	Floating ⁽²⁾	Sept 2016	None
Total MAV 3	3,819			
Other	34,770	1.55% ⁽¹⁾	Dec 2016	B (high)
Total third-party ABCP	947,127			
Bank-sponsored ABCP	67,021	0%–0.35% ⁽¹⁾	Dec 2013– Sept 2016	None–A (low)
Total ABCP	\$ 1,014,148			

¹ Spread over bankers' acceptance rate.

² Coupon rate floats based on the yield of the underlying assets.

All the ABCP investments have been designated as HFT, with the exception of the MAV 3 notes, which have been classified as AFS.

MAV Notes

The MAV 1 notes are supported in whole or in part by the originally pledged collateral and synthetic (or derivative-type) assets. These notes are subject to risk of loss and potential additional collateral calls relative to the leveraged super-senior trades included in the synthetic assets. The notes have different levels of subordination relative to potential losses and principal and interest payments. Specifically, C notes absorb the first realized losses, followed by B notes, A-2 notes, and A-1 notes. In addition, interest on C notes is cumulative and payable only when the principal and interest for the A-1, A-2, and B notes is settled in full. Interest on B notes is cumulative and payable only when the principal and interest for the A-1 and A-2 notes is settled in full. The structure is designed to ensure that the lowest-ranking notes—C and B—absorb the first losses, thereby reducing the risk of loss on the A-1 and A-2 notes.

MAV 1 also contains tracking notes for ineligible assets. The return and maturity of these notes is linked to the underlying assets.

MAV 1 note holders are required to provide a margin-funding facility (MFF) to cover possible collateral calls on the leveraged super-senior trades underlying the A-1, A-2, B, and C notes. Advances under this facility are expected to bear interest at a rate based on the bankers' acceptance rate. If ATB fails to fund any collateral under this facility, the notes held by ATB could be terminated or exchanged for subordinated notes. In order to continue to participate in MAV 1 and self-fund the MFF, ATB will have to maintain a credit rating equivalent to AA (high) with at least two of four credit-rating agencies. If ATB does not maintain the required credit rating, it will be required to provide collateral or obtain the required commitment through another entity with a sufficiently high credit rating.

ATB's share of the MFF credit commitment is \$551,500, for which ATB will not receive a fee. To recognize the fair value of this commitment, \$25,328 (2010: \$29,528) has been recorded in other liabilities. As at March 31, 2011, no amount has been funded under the MFF.

The Montreal Accord restructuring included an 18-month post-closing moratorium period during which time margin calls could not be made. The moratorium period expired in July 2010, and as a result, ATB is now exposed to collateralization triggers.

In addition to the MFF, there was also a senior funding facility. This facility was supported by the governments of Canada, Quebec, Alberta, and Ontario to cover possible shortfalls in the MFFs under MAV 1. This facility matured in August 2010. ATB and all other investors must continue to pay a fee to cover the cost of this facility until December 2016.

ATB's MAV 3 notes are supported exclusively by traditional assets with interest and maturity directly linked to the return and maturities of the underlying assets.

Other Third-Party ABCP

ATB holds one non-MAV third-party note with exposure to leveraged super-senior trades. There are no potential collateral calls relative to this note, although if losses were to occur the result would be significant based on the amount of leverage on the underlying exposure.

Bank-Sponsored ABCP

ATB holds three bank-sponsored notes: two issued by Apex Trust and one issued by Superior Trust. These notes have exposure to a combination of commercial mortgages and leveraged super-senior trades.

Establishing Fair Value

As at March 31, 2011, there is no observable market price for the various ABCP notes; accordingly, ATB has estimated the fair value of the various notes using a valuation technique. The table below provides a breakdown of the composition and fair value of ATB's ABCP holdings as at March 31, 2011 and 2010:

(\$ in thousands)	2010 cost	2010 estimated fair value	Note redemptions	Foreign exchange impact ⁽¹⁾	2011 cost	2011 estimated fair value
MAV 1	\$ 915,774	\$ 550,054	\$ (5,614)	\$ (1,622)	\$ 908,538	\$ 576,000
MAV 3	5,806	3,227	(1,987)	-	3,819	3,453
Other third-party sponsored ABCP	34,770	14,603	-	-	34,770	14,603
Bank-sponsored ABCP	67,021	46,039	-	-	67,021	44,070
Total ABCP	\$ 1,023,371	\$ 613,923	\$ (7,601)	\$ (1,622)	\$ 1,014,148	\$ 638,126

¹ MAV 1 includes securities with a carrying value of \$24,434 denominated in U.S. funds.

MAV Notes – Fair Value

ATB has estimated the fair value of the MAV 1 A-1, A-2, B, and C notes using a discounted cash flow model. The key assumption in this model is the market discount rate. The market discount rate is based on the CDX.IG index tranches adjusted to reflect the lack of liquidity inherent in these notes. The coupon rates, term to maturity, and anticipated cash flows have been based on the expected terms of each note.

The value of the MAV 1 tracking notes for ineligible assets and the MAV 3 tracking notes for traditional assets has been estimated based on a review of the underlying assets.

ATB has recognized a \$28,666 increase in fair value on the MAV 1 notes and a \$2,103 increase in the value of the MAV 3 notes this year.

Other Third-Party ABCP

ATB has maintained the fair value at \$14,603 (42.0% of cost), unchanged from the prior year. This valuation was based on a review of the underlying assets in the trust.

Bank-Sponsored ABCP

ATB also holds investments in certain bank-sponsored commercial paper that were restructured similar to the Montreal Accord notes. The valuation of these notes was based on a review of the underlying assets in each of the trusts. The fair value of these notes decreased from 68.7% of cost as at March 31, 2010, to 65.8% as at March 31, 2011. This decrease in value was due to a decline in the credit quality of the notes.

Income Impact

Because of the measurement uncertainty, ATB recognizes interest income on B notes, C notes, and the tracking notes in MAV 1 and MAV 3 only as it is received—no accruals are recorded.

In addition to the \$11,550 (2010: \$8,005) of interest income recognized on its ABCP during the year, ATB also recognized \$4,200 (2010: \$4,197) in other income, representing the accretion of the MFF deferral. ATB recorded a \$28,800 adjustment to the fair value of the ABCP portfolio, compared to the \$537 recognized in 2010, which was the net of the \$8,537 decrease in fair value and the \$9,074 payment received for amounts previously written off.

Measurement Uncertainty

There remains continued uncertainty regarding the amount and timing of cash flows and the value of the assets that underlie ATB's ABCP. Consequently, it is possible that the ultimate fair value of these assets may vary significantly from current estimates and that the magnitude of any such difference could be material

to our financial results. The most significant input into the estimate of value is the market discount rate. A 1% increase in the discount rate will decrease the value of ATB's ABCP notes by approximately \$30,000 (2010: \$34,900).

10. Loans

Loans are recorded at amortized cost using the effective-interest-rate method, net of specific and general allowances for credit losses. Incremental direct costs relating to the origination of loans are netted against deferred loan fees and recognized on an effective-yield basis in a manner consistent with the appropriate fee. The effective-interest-rate method also incorporates management's best estimate regarding expected future cash flows and the impact of off-market interest rates in the determination of amortized cost. Interest income related to loans is accounted for using the accrual basis of accounting.

Credit Fees

Origination, restructuring, and renegotiation fees and incremental direct costs relating to the origination of loans are deferred as received and amortized into income using the effective-interest-rate method. This method incorporates management's best estimate regarding expected future cash flows and the impact of off-market interest rates in the determination of amortized costs. Commitment fees are recorded as interest income over the term of the loan, unless it is expected that the loan commitment will not be used, in which case commitment fees are recorded as credit fees over the commitment period. Where ATB is the lead in a syndication, loan syndication fees are included in credit fees as the syndication is completed, 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.

Impaired Loans

Loans, except for credit cards, are classified as impaired when, in management's opinion, there is no longer reasonable assurance of timely collection of the full amount of principal and interest. If a payment on a loan is more than 90 days past due, the loan will be classified as impaired unless it is already classified as such, it is fully secured, or there is reasonable assurance as to the timely collection of principal and interest within 180 days of the loan initially going into arrears. Consumer credit card loans are classified as impaired and written off when payments become 180 days past due. Business and agriculture credit card loans that become past due for three consecutive billing cycles (approximately 90 days) are removed from the credit card portfolio and transferred into the applicable impaired loan category.

When a loan is classified as impaired, interest income ceases to be accrued, and the carrying amount of the loan is reduced to its estimated net realizable amount by writing off all or part of the loan or by taking a specific allowance for credit losses. Allowances are generally not recognized in respect of insured loans. No cash received on an impaired loan is recorded as interest income until such time as any prior writeoffs or specific allowances and external legal fees have been recovered and all past-due principal has been paid. Impaired loans are returned

to performing status when the timely collection of all principal and interest is reasonably assured, all arrears have been collected, all legal fees recovered, and allowances for credit losses reversed.

Foreclosed assets held for sale in settlement of an impaired loan are measured at estimated fair value at the date of foreclosure and are presented as a component of loans in the consolidated balance sheet.

Credit Quality

Loans consist of the following:

	2011				2010
(\$ in thousands)	Gross loans	Specific allowances	General allowances	Net carrying value	Net carrying value
Residential mortgages	\$ 7,823,647	\$ 1,866	\$ 10,590	\$ 7,811,191	\$ 7,977,129
Commercial	5,291,680	16,968	63,589	5,211,123	4,944,604
Personal	5,589,507	9,099	31,824	5,548,584	5,407,210
Independent business	2,446,204	6,488	47,580	2,392,136	2,311,964
Agricultural	1,401,198	756	14,651	1,385,791	1,316,619
Credit card	616,953	-	22,594	594,359	577,077
	\$ 23,169,189	\$ 35,177	\$ 190,828	\$ 22,943,184	\$ 22,534,603

The net carrying value of the above loans includes mortgages insured primarily by the Canada Mortgage and Housing Corporation, totalling \$2,606,926 as at March 31, 2011 (2010: \$2,908,963), and other insured loans, totalling \$114,804 (2010: \$94,148).

Included in loans as at March 31, 2011, are \$12,277 (2010: \$17,014) in foreclosed assets held for resale.

The total net carrying value of the above loans includes loans denominated in U.S. funds, totalling \$162,560 as at March 31, 2011 (2010: \$212,589).

Loans Past Due

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

(\$ in thousands)	Residential mortgages	Business	Personal	Credit card ⁽¹⁾	2011 Total	2010 Total
Up to one month	\$ 104,902	\$ 47,317	\$ 33,039	\$ 34,869	\$ 220,127	\$ 238,512
Over one month up to two months	27,551	3,297	11,939	8,352	51,139	37,463
Over two months up to three months	4,472	4,727	12,525	3,287	25,011	17,965
Over three months	-	4,863	3,303	5,541	13,707	18,012
Total past due but not impaired	\$ 136,925	\$ 60,204	\$ 60,806	\$ 52,049	\$ 309,984	\$ 311,952

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.

Impaired Loans

Impaired loans including the related allowances are as follows:

	2011			2010
(\$ in thousands)	Gross impaired loans	Specific allowances	Net carrying value	Net carrying value
Residential mortgages	\$ 74,017	\$ 1,866	\$ 72,151	\$ 67,954
Commercial	40,722	16,968	23,754	3,463
Personal	28,822	9,099	19,723	21,291
Independent business	27,734	6,488	21,246	19,255
Agricultural	4,277	756	3,521	3,223
	\$ 175,572	\$ 35,177	\$ 140,395	\$ 115,186

Industry Concentration

ATB is inherently exposed to significant concentrations of credit risk as its customers are all participants in the Alberta economy, which in the past has shown strong growth and occasional sharp declines. ATB manages its credit risk through diversification of its credit portfolio by limiting concentrations to single borrowers,

industries, and geographic regions of Alberta. As at March 31, 2011, no single industry segment represents more than 22.5% (2010: 22.3%) of total gross business loans, and no single borrower represents more than 0.30% (2010: 0.32%) of the total gross loan portfolio.

11. Allowance for Credit Losses

The allowance for credit losses is maintained at a level management considers adequate to absorb credit-related losses for all items in its credit portfolio. The allowance relates primarily to loans, but also provides for credit risk relating to off-balance-sheet items such as loan guarantees and letters of credit. (Refer to note 21.)

The allowance for credit losses consists of specific allowances for impaired loans and general allowances for credit risks. It is presented in the consolidated balance sheet as a reduction of total loan balances or, for any portion of loan-related allowances over the related loan balance, included in other liabilities. The allowance is increased by the provision for credit losses that represents ATB's net credit loss experience for the year and is recorded in the consolidated statement of income. The allowance is decreased by the amount of any provision related to loans written off and is net of any recoveries of previously recognized provisions.

Specific Allowances

The specific allowances on larger non-consumer impaired loans (including credit card balances) are established on a loan-by-loan basis to reduce the carrying value of the impaired loans to the amount expected to be recovered. Various methods are used to determine the net recoverable value of impaired loans, including the fair value of any underlying security, discounted to the amount recoverable in the event of realization, or to the observable market value for the loan. The specific allowance on consumer loans and smaller non-consumer loans is calculated using a formula based on recent loss experience for the particular product type. No specific allowance is provided for impaired consumer credit card loans, as balances are written off if payment has not been received within 180 days, though collection efforts may continue. Any change in the amount we expect to recover on an impaired loan is reflected in the provision for credit losses in the consolidated statement of income.

General Allowance

A general credit-loss allowance is established to provide for impairments in the credit portfolio as at the balance sheet date that cannot be specifically identified on an item-by-item basis and therefore have not been considered in establishing specific allowances.

The level of the general allowance is initially determined by applying expected loss factors to the loan and off-balance-sheet credit portfolios. For consumer balances (including personal and other instalment loans, residential mortgages, and personal credit cards, adjusted for utilization), expected losses are determined at the product portfolio level, based on credit-rating-based loss ratios, expected default rates, and historical loss experiences. For commercial balances (including business loans, business credit cards, and credit instrument balances, adjusted for utilization), expected losses are determined at the borrower-category level by reference to internal risk ratings, expected default rates by risk rating, and historical loss experiences. The consumer and commercial components of the general allowances are then adjusted to reflect management's best judgment concerning possible model and estimation risks, the strength of the Alberta economy, and the overall state of the business cycle.

The general allowance is reassessed quarterly and will normally fluctuate as a result of changes in credit

portfolio levels, composition, and risk profile. Trends in probability of loss, severity of loss, and eventual exposure on default are also considered, as is management's assessment of other factors that may affect the losses inherent in the credit portfolio, such as business mix, economic and credit market conditions, and trends.

Special General Allowance

In the event that certain industry sectors experience specific changes in economic conditions or adverse events considered to increase credit risk, an additional special general allowance may be established. Such allowances provide for losses inherent in the credit portfolio that have not been specifically identified and that the general allowance may not provide for. The amount of any special general allowance is reassessed quarterly using expected-loss methodologies that consider the probability of further changes in the conditions or adverse event that gave rise to the initial establishment of the allowance. The probability of default, potential loss given default, and level of expected recoveries, if any, are also considered. As at March 31, 2011 and 2010, there was no special general allowance.

The continuity of the allowances for credit losses is as follows:

(\$ in thousands)	Specific		General		Total	
	2011	2010	2011	2010	2011	2010
Balance at beginning of year	\$ 18,458	\$ 18,157	\$ 205,120	\$ 176,854	\$ 223,578	\$ 195,011
Writeoffs	(33,228)	(36,158)	-	-	(33,228)	(36,158)
Recoveries	8,824	5,778	-	-	8,824	5,778
Operating credit losses	546	-	-	-	546	-
Provision (recovery) for credit losses	42,744	30,681	(14,292)	28,266	28,452	58,947
Balance at end of year	37,344	18,458	190,828	205,120	228,172	223,578
Less: allowance for cost of credit recovery included in other liabilities	2,167	1,165	-	-	2,167	1,165
Allowance for credit losses	\$ 35,177	\$ 17,293	\$ 190,828	\$ 205,120	\$ 226,005	\$ 222,413

12. Securitization

ATB periodically securitizes residential mortgage loans by selling loans or packaged loans in the form of mortgage-backed securities (MBS) through the Canada Mortgage Bond (CMB) program. These transactions are accounted for as sales, and the transferred assets are removed from the consolidated balance sheet when ATB has surrendered control over such assets and has received consideration other than beneficial interests in the transferred loans. For control to have been surrendered, all of the following must occur: (i) the transferred loans must be isolated from the seller, even in bankruptcy or other receivership; (ii) the purchaser must have the legal right to sell or pledge the transferred loans; and (iii) the seller must not continue to control the transferred loans through an agreement to purchase them or have a right to cause the loans to be returned. If any one of these conditions is not met, the transfer is considered to be a secured borrowing and the loans remain on the consolidated balance sheet, with the proceeds received recognized as a liability.

ATB securitizes residential mortgage loans through the creation of MBS. Gains on the sale of loans or MBS are recognized in other income on the consolidated statement of income. Upon sale, ATB recognizes a retained interest in the securitized mortgages. The retained interest consists of the discounted value of the future mortgage interest and principal reinvestment receipts less the fixed interest payments

due on the CMB. Retained interests are classified as available-for-sale securities and are subject to periodic impairment review.

For loan securitizations in which servicing rights are retained, deferred servicing revenue is recognized in other liabilities. The deferred servicing revenue is amortized into other income in proportion to outstanding balances over the weighted average life of the mortgage pool.

Determination of the gain on sale and the value of the retained interest is based on fair values. Fair values are based on quoted market values, when available. When quoted market values are not available, ATB determines fair value based on the present value of expected future cash flows using management's best estimates of key assumptions, such as weighted average life of the loans, prepayment rates, excess spread, expected credit losses, and discount rates commensurate with the risks involved. ATB is exposed to prepayment and reinvestment risk relative to the retained interest asset.

No credit losses are anticipated, as the transferred residential mortgage loans are insured by the Canada Mortgage and Housing Corporation or by Genworth Financial.

The following table summarizes the residential mortgage loans securitized by ATB:

(\$ in thousands)	2011	2010
Proceeds, net of transaction fees	\$ 942,893	\$ 1,001,484
Retained interests	35,976	40,413
Deferred servicing revenue	(6,542)	(7,283)
	972,327	1,034,614
Residential mortgages securitized and sold	948,320	1,001,904
Gain on sale, net of transaction fees	\$ 24,007	\$ 32,710

The following table summarizes the impact of securitization activities on the consolidated statement of income:

(\$ in thousands)	2011	2010
Gain on sale, net of transaction fees	\$ 24,007	\$ 32,710
Servicing revenues	4,140	3,977
Other securitization loss	(2,521)	(18,414)
Securitization income	\$ 25,626	\$ 18,273

The following table summarizes certain cash flows received from the CMB program:

(\$ in thousands)	2011	2010
Net proceeds from new securitizations	\$ 942,893	\$ 1,001,484
Cash flows received on retained interests	\$ 25,708	\$ 13,852

The following tables outline the key assumptions used to measure the fair value of the retained interest and the sensitivity of the resulting fair value to a change in the assumptions:

	2011	2010
Expected weighted average life of mortgage pool in months	34.3	40.8
Prepayment rate	15.0%	15.0%
Excess spread	1.8%	2.1%
Discount rate	2.9%	3.3%

(\$ in thousands)	2011	2010
Carrying amount of retained interest	\$ 70,078	\$ 57,046
Prepayment rate	15.0%	15.0%
Impact on fair value of 10% adverse change	(1,793)	(1,364)
Impact on fair value of 20% adverse change	(3,473)	(2,685)
Residual cash flows discount rate	2.9%	3.3%
Impact on fair value of 10% adverse change	(412)	(261)
Impact on fair value of 20% adverse change	(828)	(476)

These sensitivities are hypothetical and should be used with caution. Changes in fair value based on a variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. The effect of a variation in a particular assumption on the fair value

of the retained interest is calculated without changing any other assumptions. Generally, the changes in one factor may result in changes in another, which may magnify or counteract the sensitivity.

The following table summarizes information on residential mortgages serviced by ATB:

(\$ in thousands)	2011	2010
Total residential mortgages being serviced	\$ 9,943,805	\$ 9,451,744
Less mortgages securitized	2,120,158	1,462,740
Total residential mortgages on consolidated balance sheet	\$ 7,823,647	\$ 7,989,004

13. Premises and Equipment

Premises and equipment are carried at cost less accumulated amortization, except for land, which is carried at cost. Buildings, computer equipment, other equipment, and leasehold improvements are amortized on a straight-line basis over their estimated useful lives. The amortization period for buildings under capital lease corresponds to the lesser of the useful life or lease term plus the first renewal option, if applicable. No amortization is calculated on premises and equipment under construction or development until the assets are used. The estimated useful life for each asset class is as follows:

- Buildings: up to 20 years
- Buildings under capital lease: up to 15 years
- Computer equipment: 3 years
- Other equipment: 5 years
- Leasehold improvements: lease term plus first renewal period, to a maximum of 10 years

Amortization expense charged to the consolidated statement of income for the year ended March 31, 2011, for premises and equipment was \$41,139 (2010: \$32,466).

Gains and losses on the disposal of premises and equipment are recorded in the consolidated statement of income in the year of disposal. When events or changes in circumstances indicate that the carrying value of premises and equipment may not be recoverable, ATB assesses whether the asset may have been impaired. The net carrying value of such impaired assets is written down to their estimated fair value. There were no impairment write-downs recognized during the year ended March 31, 2011 (2010: nil).

	2011			2010
(\$ in thousands)	Cost	Accumulated amortization	Net carrying value	Net carrying value
Leasehold improvements	\$ 169,331	\$ 99,582	\$ 69,749	\$ 64,852
Computer equipment	86,629	52,222	34,407	24,799
Buildings	89,517	61,476	28,041	21,726
Other equipment	46,433	32,285	14,148	11,457
Leasehold improvements under construction	13,046	-	13,046	29,251
Computer equipment under development	8,594	-	8,594	20,150
Buildings under capital lease	9,518	1,092	8,426	9,050
Land	7,470	-	7,470	7,546
	\$ 430,538	\$ 246,657	\$ 183,881	\$ 188,831

14. 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. No amortization is calculated on software under construction or development until the assets are used. The estimated useful life for software and other intangibles is three to five years, with certain software licences having a useful life of 15 years. The majority of the software under development relates to the current project to replace ATB's banking system. ATB expects to amortize the majority of these costs over 15 years once the system is ready for use.

Amortization expense charged to the consolidated statement of income for the year ended March 31, 2011, for software and intangibles was \$22,460 (2010: \$21,952).

When events or changes in circumstances indicate that the carrying value of software and other intangibles may not be recoverable, ATB assesses whether the asset may be impaired. The net carrying value of any impaired assets is written down to its estimated fair value. There were no impairment write-downs recognized during the year ended March 31, 2011 (2010: nil).

	2011			2010
(\$ in thousands)	Cost	Accumulated amortization	Net carrying value	Net carrying value
Software under development	\$ 238,891	\$ -	\$ 238,891	\$ 139,705
Software	141,522	84,656	56,866	61,002
Other intangibles	2,125	874	1,251	1,060
	\$ 382,538	\$ 85,530	\$ 297,008	\$ 201,767

15. Other Assets

Other assets consist of the following:

(\$ in thousands)	2011	2010
Accrued interest receivable	\$ 126,800	\$ 114,600
Prepaid expenses and other receivables	87,687	44,462
Cheques and other items in transit	66,400	56,700
Accrued pension-benefit asset (note 19)	51,398	33,419
Other	15,261	14,227
	\$ 347,546	\$ 263,408

16. Deposits

Deposit balances consist of the following:

(\$ in thousands)	2011								2010
	Payable on demand	Payable after notice	Payable on a fixed date						
			Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years		
Personal	\$ 1,751,404	\$ 3,793,020	\$ 2,618,133	\$ 1,607,412	\$ 339,629	\$ 294,209	\$ 156,130	\$ 10,559,937	\$ 10,427,133
Business and other	4,338,950	2,287,986	3,550,798	169,943	32,487	29,524	12,365	10,422,053	9,544,040
Wholesale	-	-	2,200,891	399,632	399,632	-	-	3,000,155	2,607,994
	\$ 6,090,354	\$ 6,081,006	\$ 8,369,822	\$ 2,176,987	\$ 771,748	\$ 323,733	\$ 168,495	\$ 23,982,145	\$ 22,579,167

Total deposits presented above include \$1,216,193 (2010: \$667,528) denominated in U.S. funds.

As at March 31, 2011, deposits by various departments and agencies of the Government of Alberta included in the preceding schedule total \$9,245 (2010: \$23,600).

The repayment of all deposits 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, 2011, the fee was \$24,530 (2010: \$23,706).

17. Other Liabilities

Other liabilities consist of the following:

(\$ in thousands)	2011	2010
Accounts payable and accrued liabilities	\$ 290,504	\$ 388,635
Accrued interest payable	120,229	125,509
Payment in lieu of tax payable (note 27)	59,298	38,075
Deposit guarantee fee payable	25,499	23,706
Cheques and other items in transit	17,900	16,500
Due to clients, brokers, and dealers	14,136	16,998
Achievement Notes (note 29)	12,385	7,350
Accrued pension-benefit liability (note 19)	7,847	6,659
	\$ 547,798	\$ 623,432

18. 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 27, subordinated debentures were issued in 2010 to settle the outstanding liability for ATB's payment in lieu of tax as at March 31, 2010.

Subordinated debentures consist of the following:

Maturity date	Interest rate	(\$ in thousands)	
		2011	2010
June 30, 2010	4.2%	\$ -	\$ 15,784
June 30, 2011	4.6%	13,402	13,402
June 30, 2012	4.5%	15,990	15,990
June 30, 2015	3.6%	38,075	-
		\$ 67,467	\$ 45,176

19. Employee Future Benefits

ATB provides future 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 DB and DC provisions. ATB also provides a non-registered DB supplemental retirement plan (SRP) and other post-employment benefits (OPEB) for designated management employees.

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

CPS benefits were affected by the withdrawal of ATB from the Management Employees Pension Plan.

Following execution of the PSPP take-on agreements, certain assets and liabilities were transferred from the PSPP into the ATB Plan in respect of all employees promoted to management positions between January 1, 1994, and December 31, 2005, who were employed by ATB on July 15, 2006. In addition, there are ongoing annual transfers of obligations and assets in respect of employees promoted into management positions in the previous calendar year.

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

The DB portion of the ATB Plan, SRP, and OPEB obligations provide future employee benefits based on members' years of service and highest average salary. Actuarial determination of the accrued benefit obligations uses the projected benefit method pro-rated on service, which incorporates management's best estimate of long-term investment return on plan assets,

member salary growth and other cost-escalation factors, retirement ages of employees, mortality, and other actuarial factors.

ATB determines the actuarial value of plan assets based on its best estimate of the expected long-term rate of return and fair value of plan assets.

Accounting for Public Service Pension Plan and Defined Contribution Plans

ATB accounts for its participation in the PSPP in the same way it accounts for the cost of the DC provisions of the ATB Plan. In both cases, funding contributions are expensed as they become due and are recorded in salaries and employee benefits in the consolidated statement of income. For the year ended March 31, 2011, expenses related to the PSPP were \$10,141 (2010: \$7,907), and expenses related to DC provisions of the ATB Plan were \$14,151 (2010: \$12,762).

Plan Valuations, Asset Allocation, and Funding

ATB measures its accrued benefit obligations and the fair values of plan assets for accounting purposes as at March 31 each year for the ATB Plan, SRP, and OPEB obligations. ATB makes regular funding contributions to the DB plan according to its funding policy and 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 for funding purposes was performed as at December 31, 2008. The next required actuarial valuation for funding purposes will be as at December 31, 2011.

The DB plan's investment policy sets targets for an acceptable range for the allocation of plan assets between equity, debt, and other assets. The DB plan's actual and target asset allocations are as follows:

(%)	Target 2011		Actual 2011	Target 2010		Actual 2010
	Normal	Min-max		Normal	Min-max	
Equities						
Canadian	22	20-30	20	25	20-30	19
Foreign	40	40-50	42	45	40-50	41
	62		62	70		60
Fixed income						
Canadian	38	20-40	38	30	20-40	40
Cash	-	0-15	-	-	0-15	-
	100		100	100		100

Cash Payments

Total cash paid or payable for employee future benefits for the year ended March 31, 2011—consisting of cash contributed by ATB in respect of the DB and DC provisions of the ATB Plan, cash payments made directly to beneficiaries for the unfunded SRP, and cash contributed to the PSPP—was \$53,927 (2010: \$41,222). The cash payments increased over the prior year as ATB made an additional contribution to improve the DB plan's solvency ratio.

Net Accrued Benefit Asset (Liability)

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

(\$ in thousands)	2011	2010
Registered plan		
Fair value of plan assets	\$ 195,544	\$ 153,015
Projected benefit obligation	(227,066)	(198,867)
Plan funding deficit	(31,522)	(45,852)
Unamortized past-service amendment	13,211	14,065
Unamortized actuarial net loss	69,709	65,206
Accrued pension-benefit asset	\$ 51,398	\$ 33,419
Supplemental and other		
Unfunded projected benefit obligation, representing the plan funding deficit	\$ (9,200)	\$ (7,929)
Unamortized past-service amendment	1,176	1,326
Unamortized actuarial net loss (gain)	177	(56)
Accrued pension-benefit liability	\$ (7,847)	\$ (6,659)

The net accrued benefit asset and liability are included in other assets and other liabilities in the consolidated balance sheet as appropriate. (Refer to notes 15 and 17.)

Change in Plan Assets and Benefit Obligations

Changes in the estimated financial position of the DB provisions of the ATB Plan and of the SRP and OPEB obligations consist of the following:

(\$ in thousands)	Registered plan		Supplemental and other	
	2011	2010	2011	2010
Change in fair value of plan assets				
Fair value of plan assets at beginning of year	\$ 153,015	\$ 111,247	\$ -	\$ -
Contributions from ATB	29,274	20,149	361	404
Contributions from employees	1,147	1,120	-	-
Actual return on plan assets	14,691	23,181	-	-
Benefits paid	(5,594)	(5,095)	(361)	(404)
Net transfer in – Public Service Pension Plan	3,800	3,600	-	-
Actual plan expenses	(789)	(1,187)	-	-
Fair value of plan assets at end of year	\$ 195,544	\$ 153,015	\$ -	\$ -
Change in projected benefit obligation				
Projected benefit obligation at beginning of year	\$ 198,867	\$ 133,118	\$ 7,929	\$ 4,900
Actuarial loss	13,345	53,574	243	2,323
Current service cost	2,496	1,406	890	653
Contributions from employees	1,147	1,120	-	-
Plan amendment – Public Service Pension Plan	1,045	90	-	-
Net transfer in – Public Service Pension Plan	3,800	3,600	-	-
Interest cost	11,960	11,054	499	457
Benefits paid	(5,594)	(5,095)	(361)	(404)
Projected benefit obligation at end of year	\$ 227,066	\$ 198,867	\$ 9,200	\$ 7,929

Defined Benefit Pension Expense

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

(\$ in thousands)	Registered plan		Supplemental and other	
	2011	2010	2011	2010
Current service cost (including provision for expenses)	\$ 3,469	\$ 2,165	\$ 890	\$ 653
Interest cost on projected benefit obligation	11,960	11,054	499	457
Plan amendments	1,045	90	-	-
Actual return on plan assets	(14,691)	(23,181)	-	-
Actuarial losses	13,345	53,574	243	2,323
	15,128	43,702	1,632	3,433
Adjustments to recognize the long-term nature of employee future-benefit costs:				
Difference between actual and expected return on plan assets	3,326	14,606	-	-
Difference between actual actuarial gains arising and actuarial gains amortized	(8,013)	(51,908)	(233)	(2,568)
Amortization of initial transition asset	-	-	-	-
Difference between actual past-service amendment arising and past-service amendments amortized	854	1,775	150	150
Net pension-benefit expense recognized	\$ 11,295	\$ 8,175	\$ 1,549	\$ 1,015

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	
	2011	2010	2011	2010
Accrued benefit obligation as at March 31				
Discount rate at end of year	5.7%	6.0%	5.7%	6.0%
Rate of compensation increase ⁽¹⁾	3.8%	3.1%	3.8%	3.1%
Defined benefit expense for the year ended March 31				
Discount rate at beginning of year	6.0%	8.3%	6.0%	8.3%
Expected long-term return on plan assets	6.6%	7.3%	-	-
Rate of compensation increase ⁽¹⁾	3.1%	2.6%	3.1%	2.6%
Average remaining service period of active employees	8.5 years	8.5 years	8.3 years	9.0 years
Average remaining service period of active employees (PSPP transfer)				
2006 PSPP transfer	10.6 years	10.6 years	-	-
2007 PSPP transfer	11.2 years	11.2 years	-	-
2008 PSPP transfer	11.2 years	11.2 years	-	-
2009 PSPP transfer	11.0 years	11.0 years	-	-
2010 PSPP transfer	9.5 years	9.5 years	-	-
2011 PSPP transfer	10.1 years		-	-

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, 2011, and the related expense for the year then ended:

	Registered plan		Supplemental and other	
(\$ in thousands)	Benefit obligation	Benefit expense	Benefit obligation	Benefit expense
Discount rate				
Impact of: 1.0% increase	\$ (30,074)	\$ (3,335)	\$ (1,012)	\$ (140)
1.0% decrease	38,053	4,078	1,260	103
Inflation rate				
Impact of: 1.0% increase	18,029	2,863	197	30
1.0% decrease	(16,056)	(2,552)	(234)	(45)
Rate of compensation increase				
Impact of: 0.25% increase	1,550	237	10	5
0.25% decrease	(1,512)	(234)	(10)	(3)
Expected long-term rate of return on plan assets				
Impact of: 1.0% increase	-	(1,712)	-	-
1.0% decrease	-	1,712	-	-

This sensitivity analysis should be used with caution as it is hypothetical and the effect of changes in each significant assumption may not be linear. Also, the sensitivities in each key variable have been calculated independently of changes in other key variables, and

actual experience may result in simultaneous changes to a number of key assumptions. Changes in one factor could result in changes to another that may serve to amplify or reduce certain sensitivities.

20. 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 derivative contracts in the normal course of business, including interest rate swaps and options, equity and commodity options, and foreign-exchange and commodity forwards. ATB uses such instruments for two purposes: for its risk management program and to meet the needs of ATB customers (referred to as “non-trading” and “trading” portfolios, respectively).

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

ATB’s trading (or “client derivative”) portfolio is not used to generate trading income through active assumption of market risk, but rather is used to meet the risk management requirements of ATB customers. ATB does not accept any 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.

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:

- In interest rate swaps, 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.
- In cross-currency swaps, ATB exchanges interest and principal payments in different currencies. These are used in the corporate portfolio to manage ATB’s foreign-exchange risk.

Options

Options are transactions in which the party that writes an option contract charges the buyer a premium in exchange for the right, but not the obligation, to either buy or sell a specified amount of currency or financial instruments at a specified price on a future date or within a specified time period. ATB buys specialized forms of option contracts such as interest rate caps, collars, and swap options, as well as equity- and commodity-linked options direct from counterparties in the over-the-counter market (i.e., not purchased on market exchanges). These are used in the corporate derivative portfolio to manage exposure to interest rate and equity and commodity market fluctuations, primarily arising from the loan and deposit portfolios. ATB also buys and sells (or writes) similar option contracts relating to energy commodities in the client derivative portfolio.

Forwards

Foreign-exchange or commodity forwards are transactions conducted in the over-the-counter markets in which two parties agree to either buy or sell a specified amount of a currency or security at a specific price or within a specified time period. 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.

Accounting for Derivatives

All derivative financial instruments, including embedded derivatives, are classified as held for trading (HFT) and measured at fair value on the consolidated balance sheet. Derivatives having positive fair value are presented as derivative assets, and those having 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 other comprehensive income.

Hedge Accounting

Hedge accounting is optional and allows recognition of the effective component of a hedging derivative in net income at the same time as the hedged item, thus reducing income volatility. The change in fair value attributable to any ineffective component of a hedging derivative is recognized in net income during the period of ineffectiveness.

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. No derivative instruments have been designated as fair value hedges as at March 31, 2011 (or as at March 31, 2010).

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 securities and loans as well as certain 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 other comprehensive income, and the ineffective portion in net income. Any such amounts recognized in accumulated other comprehensive income are reclassified from other comprehensive income into net income in the same period that the underlying hedged item affects net income.

The amount of other comprehensive income that is expected to be reclassified to the consolidated statement of income over the next 12 months is \$12,525 (2010: \$20,732). This will be offset by gains and losses on assets and liabilities that were hedged.

Embedded Derivatives

Embedded derivatives are components within a financial instrument or other contract that have 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.

Derivative-Related Credit Risk

Derivative financial instruments traded in the over-the-counter 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 believed 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 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:

(\$ in thousands)	2011		2010	
	Favourable position	Unfavourable position	Favourable position	Unfavourable position
Contracts ineligible for hedge accounting				
Interest rate contracts				
Options	\$ 39	\$ -	\$ 233	\$ -
Swaps	8,695	(3,866)	-	-
	8,734	(3,866)	233	-
Embedded derivatives				
Equity- and commodity-linked deposits	-	(68,856)	-	(45,930)
Other	-	(189)	-	(217)
	-	(69,045)	-	(46,147)
Foreign-exchange contracts				
Forwards	6,222	(16,273)	6,451	(6,843)
Equity contracts				
Options	69,457	-	48,405	-
Forward contracts				
Commodities	149,433	(147,995)	86,937	(85,944)
Total fair value ineligible contracts	233,846	(237,179)	142,026	(138,934)
Contracts eligible for hedge accounting				
Interest rate contracts				
Swaps	38,040	(17,232)	84,483	(7,958)
Total fair value eligible contracts	38,040	(17,232)	84,483	(7,958)
Total fair value	\$ 271,886	\$ (254,411)	\$ 226,509	\$ (146,892)
Less impact of master netting agreements	(9,628)		(7,958)	
Less impact of financial institution counterparty collateral held	(19,350)		(86,730)	
Residual credit exposure on derivatives to ATB	\$ 242,908		\$ 131,821	

All of the residual credit exposure presented above relates to contracts with financial institution counterparties, except for \$127,889 that relates to client counterparties (2010: \$33,022).

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 balance sheet. The remaining contractual terms to maturity for the notional amounts of all derivative instruments are as follows:

(\$ in thousands)			Residual term of contract					
	Ineligible for hedge accounting	Eligible for hedge accounting	Within 3 months	3–12 months	1–5 years	2011 Total	2010 Total	
Interest rate contracts								
Options	\$ 28,871	\$ -	\$ 4,280	\$ 16,412	\$ 8,179	\$ 28,871	\$ 53,889	
Swaps	15,315,000	2,182,000	2,275,000	12,762,000	2,460,000	17,497,000	2,969,000	
Foreign-exchange contracts								
Forwards	1,793,500	-	1,469,063	312,724	11,713	1,793,500	1,184,142	
Equity contracts								
Options	352,670	-	3,800	18,175	330,695	352,670	369,680	
Forward contracts								
Commodities	2,891,961	-	69,796	1,428,701	1,393,464	2,891,961	1,622,390	
Embedded derivatives								
Equity- and commodity-linked deposits	350,045	-	3,504	17,097	329,444	350,045	330,615	
Other	30,930	-	978	3,952	26,000	30,930	40,177	
Total	\$ 20,762,977	\$ 2,182,000	\$ 3,826,421	\$ 14,559,061	\$ 4,559,495	\$ 22,944,977	\$ 6,569,893	

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 \$13,214 as at March 31, 2011 (2010: \$15,545).

21. 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 proves 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 is unable to meet its financial or performance contractual obligations. In the event of a call on such commitments, ATB has recourse against the customer.

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

Guarantees

Guarantees also represent an irrevocable obligation to make payments to a third party in certain situations. Guarantees include contracts or indemnities that contingently require ATB to make payments (either in

the form of some asset or in the form of services) to another party based on changes in an asset, liability, or equity the other party holds; failure of a third party to perform under an obligating agreement; or failure of a third party to pay its indebtedness when due. The term of these guarantees varies according to the contracts and normally does not exceed one year. In the event of a call on such commitments, ATB has recourse against the customer.

Commitments to Extend Credit

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

The contractual amounts of all such credit instruments are outlined in the table below.

The amounts presented in the current and comparative year for commitments to extend credit include demand facilities of \$10,072,528 (2010: \$8,835,193). For demand facilities, ATB considers the undrawn portion to represent a commitment to our 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. In addition, credit facilities are contracted for a limited period of usually less than one year and may expire or terminate without being drawn upon.

(\$ in thousands)	2011	2010
Guarantees	\$ 181,306	\$ 156,062
Letters of credit	165,876	177,335
Commitments to extend credit	12,350,010	11,759,001
	\$ 12,697,192	\$ 12,092,398

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, 2011, the total amount of pledged assets encumbered was \$69,753 (2010: \$70,875).

As at March 31, 2011, ATB held \$19,350 (2010: \$86,730) in financial assets as collateral from financial institution counterparties related to derivative contracts.

ATB has also pledged \$371,994 in mortgages to support the repurchase agreements outstanding at March 31, 2011 (2010: nil).

(\$ in thousands)	2011		2010	
Assets pledged to:				
Bank of Canada	\$	425,460	\$	687,377
Clearing and Depository Services Inc.		14,000		14,000
Total	\$	439,460	\$	701,377

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 balance sheet as at March 31, 2011, and March 31, 2010, in respect of such indemnifications.

Contingent Liabilities

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

Margin-Funding Facility

As a participant of MAV 1 under the Montreal Accord, ATB must provide a margin-funding facility (MFF) to cover any potential collateral calls associated with the leveraged super-senior trades underlying the Montreal Accord notes. ATB has the same rank as the other participants in the MFF. This credit commitment totals \$551,500 and matures in July 2017. ATB does not receive any fee for providing this commitment. The advances that could be made under the MFF are expected to bear interest at the bankers' acceptance rate. All amounts advanced under the MFF will take precedence over amounts payable on the notes issued under MAV 1.

Contractual Obligations

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

<i>(\$ in thousands)</i>		2011
2012	\$	144,953
2013		95,074
2014		53,402
2015		25,580
2016		19,931
2017 and thereafter		75,503
	\$	414,443

The total expense for premises and equipment operating leases charged to the consolidated statement of income for the year ended March 31, 2011, is \$38,413 (2010: \$36,470).

Major Capital Project

In 2008, the ATB Board approved a project to replace ATB's banking system. Cumulative spending on the project to March 31, 2011, was approximately \$309,221 (2010: \$176,924). Although not committed contractually,

ATB management intends to complete this project in fiscal 2011–12 and expects to spend an additional \$35,779. The final project costs may vary depending on the final implementation date.

22. Disclosure of Salaries and Benefits

Salaries and Benefits

ATB is an agent of the Crown in right of Alberta and, as such, is required to disclose certain information prepared in accordance with Treasury Board Directive 12/98 as amended. This directive applies to all departments, regulated funds, provincial agencies,

and Crown-controlled organizations. In accordance with the directive, the amounts disclosed in the following table reflect amounts earned in the year ended March 31, 2011:

	2011							2010
	Base salary ⁽¹⁾	Incentive plan		Other cash benefits ⁽⁴⁾	Retirement and other post-employment benefits	Other non-cash benefits ⁽⁵⁾	Total	Total
(\$ in thousands)		short-term ⁽²⁾	long-term ⁽³⁾					
Chairman of the Board	\$ -	\$ -	\$ -	\$ 81	\$ -	\$ -	\$ 81	\$ 79
Board Members ⁽⁶⁾	-	-	-	471	-	-	471	435
President and Chief Executive Officer ⁽⁷⁾	502	342	386	22	518	17	1,787	1,476
Chief Risk Officer	246	101	182	7	95	17	648	448
Chief Financial Officer	247	99	182	13	74	13	628	445
Chief People and Marketing Officer	241	97	155	11	78	11	593	419
Executive Vice-President Retail Financial Services ⁽⁸⁾	130	117	153	110	5	10	525	-
Executive Vice-President Retail Financial Services ⁽⁹⁾	62	-	-	730	12	2	806	420
Executive Vice-President Corporate Financial Services	241	188	230	28	81	15	783	487
Executive Vice-President Independent Business & Agriculture	246	196	229	105	23	8	807	547
Executive Vice-President and President ATB Investor Services	251	224	300	50	71	12	908	648

¹ Base salary consists of all regular pensionable base pay earned.

² Short-term incentive plan pay is accrued based on goal attainment for the fiscal year but is paid after the fiscal year-end.

³ Long-term incentive plan pay is earned in the year, though payment is deferred for up to 36 months and depends on the employee's continued employment with ATB. The actual amount each employee receives appreciates or depreciates from the amount reported above based on a specified methodology to reflect ATB's actual financial performance over the next two fiscal years.

⁴ Other cash benefits consist of fees for attendance at meetings, retainers, honoraria, lump-sum payments, perquisite allowances, termination payments, and other direct cash remuneration.

⁵ Other non-cash benefits consist of ATB's share of all employee benefits and contributions or payments made on behalf of employees, including statutory contributions, health care, parking, group life insurance, accidental disability and dismemberment insurance, long-term disability plans, tuition, and professional memberships.

⁶ The Board consists of 12 members plus the Chairman, whose remuneration is disclosed separately.

⁷ The incumbent does not participate in either the registered pension plan or the supplemental retirement plan, but does receive other post-employment benefits.

⁸ Two incumbents occupied this position during fiscal 2010–11. Amounts presented relate to the current incumbent, who only participates in the registered pension plan.

The incumbent does not participate in the supplemental pension plan and is not eligible for any other non-pension benefits.

⁹ Two incumbents occupied this position during fiscal 2010–11. Amounts presented relate to the previous incumbent.

Retirement and Other Post-Employment Benefits

Retirement and other post-employment benefits presented in the Salaries and Benefits table reflect the period expense for pension and other post-employment benefit (OPEB) rights to future compensation. Executive officers may receive such benefits through participation in either the defined benefit or defined contribution

provisions of ATB's registered pension plan (the ATB Plan) together with participation in the non-registered defined benefit supplemental retirement plan (SRP), or through other supplemental post-retirement benefit arrangements. (Refer to note 19.)

	2011				2010
(\$ in thousands)	Registered plan service cost	Supplemental and other post-employment benefit service costs ⁽¹⁾	Prior service and other costs	Total	Total
President and Chief Executive Officer ⁽²⁾	\$ -	\$ 422	\$ 96	\$ 518	\$ 438
Chief Risk Officer	13	42	40	95	51
Chief Financial Officer	13	41	20	74	42
Chief People and Marketing Officer	13	34	31	78	37
Executive Vice-President Retail Financial Services ⁽³⁾	5	-	-	5	-
Executive Vice-President Retail Financial Services ⁽⁴⁾	3	5	4	12	26
Executive Vice-President Corporate Financial Services	13	41	27	81	43
Executive Vice-President Independent Business & Agriculture	23	-	-	23	4
Executive Vice-President and President ATB Investor Services	13	29	29	71	36

¹ As the SRP and the OPEB provided are unfunded obligations and are paid from operating revenues as they come due, none of the SRP and OPEB costs represent cash payments in the period; they represent the period expense for rights to future payments. These benefit costs also represent the total estimated cost incurred in the year ended March 31, 2011 to provide annual pension income over an actuarially determined post-employment period. Current-service cost is the actuarial present value of the benefits earned in the fiscal year. Prior service and other costs for both SRP and OPEB may include amortization of actuarial gains and losses, amortization of past-service amendments, and interest accruing on the accrued benefit obligation.

² The incumbent does not participate in either the registered pension plan (ATB Plan) or the SRP, but does receive OPEB.

³ Two incumbents occupied this position during fiscal 2010–11. Amounts presented relate to the current incumbent, who only participates in the registered pension plan.

The incumbent does not participate in the supplemental pension plan and is not eligible for any other non-pension benefits.

⁴ Two incumbents occupied this position during fiscal 2010–11. Amounts presented relate to the previous incumbent.

The accrued SRP and OPEB obligation for each executive is as follows:⁽⁴⁾

(\$ in thousands)	Accrued obligation March 31, 2010	Change in accrued obligation	Accrued obligation March 31, 2011 ⁽³⁾
President and Chief Executive Officer ⁽¹⁾	\$ 1,182	\$ 706	\$ 1,888
Chief Risk Officer	467	95	562
Chief Financial Officer	250	72	322
Chief People and Marketing Officer	369	83	452
Executive Vice-President Retail Financial Services ⁽²⁾	178	(178)	-
Executive Vice-President Corporate Financial Services	327	81	408
Executive Vice-President and President ATB Investor Services	316	78	394

¹ The incumbent does not participate in either the ATB Plan or the SRP, but does receive OPEB.

² Two incumbents occupied this position during fiscal 2010–11. Amounts presented relate to the previous incumbent.

³ The accrued obligation is the amount of funds that would need to be set aside today to meet the obligations in the future based on predetermined assumptions. The discount rate was decreased from 6.0% on March 31, 2010, to 5.7% on March 31, 2011, because of changes in market interest rates. Consequently, there was a large increase in the accrued obligation on March 31, 2011.

⁴ The Executive Vice-Presidents of Independent Business & Agriculture and Retail Financial Services do not participate in the SRP.

23. 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 16.)

During the year, ATB leased certain premises from the Government of Alberta and paid insurance premiums as a participant in the Alberta Finance Risk Management Fund. For the year ended March 31, 2011, the total of these payments was \$1,004 (2010: \$921). 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 16 and 27.) ATB also has subordinated debt outstanding with the Crown in right of Alberta. (Refer to note 18.)

ATB entered into a wholesale borrowing agreement with the Minister of Finance and Enterprise on November 24, 2003 (amended November 9, 2007). Under this agreement, the Minister of Finance and Enterprise acts as fiscal agent of ATB under the Financial Administration Act and is involved in raising wholesale deposits in the marketplace.

ATB provides banking services to its directors on terms similar to those offered to non-related parties, and to its officers and employees at preferential rates. The total outstanding balances of residential mortgages and loans to all of these parties are as follows:

<i>(\$ in thousands)</i>	2011	2010
Residential mortgages	\$ 300,815	\$ 274,041
Personal	128,459	117,121
Credit card	16,381	15,909
Business and other	12,524	28,783
	\$ 458,179	\$ 435,854

24. Accumulated Other Comprehensive (Loss) Income

The components of accumulated other comprehensive (loss) income are:

<i>(\$ in thousands)</i>	2011	2010
Net unrealized gains on available-for-sale securities and interest-bearing deposits with financial institutions, net of hedging activities	\$ 2,183	\$ 2,703
Net unrealized (losses) gains on derivative instruments designated as cash flow hedges	(14,209)	29,431
Accumulated other comprehensive (loss) income	\$ (12,026)	\$ 32,134

25. Interest Rate Risk

Interest Rate Gap Analysis

Gap analysis involves the allocation of interest-rate-sensitive assets and interest-rate-sensitive liabilities into categories according to their maturity or repricing date. Gaps can change significantly within a short period of time. The impact of changes in interest rates on net interest income will depend upon the size and rate

of change in interest rates, the size and maturity of the total gap position, and management of these positions over time. ATB actively manages its interest rate gap position to protect net interest income while minimizing risk. The following table shows ATB's interest rate gap position as at March 31:

(\$ in thousands)	Term to maturity/repricing							
	Within 3 months	3–12 months	Total within 1 year	1–5 years	Over 5 years	Non-interest- rate-sensitive		Total
As at March 31, 2011								
Assets								
Cash resources and securities	\$ 2,408,234	\$ 1,318,480	\$ 3,726,714	\$ -	\$ -	\$ (382,156)	\$	3,344,558
Loans	15,637,668	2,009,792	17,647,460	7,653,764	45,301	53,049		25,399,574
Other assets	-	-	-	-	-	1,100,321		1,100,321
Derivative financial instruments ⁽¹⁾	2,920,000	2,847,000	5,767,000	1,235,000	200,000	-		7,202,000
Total	\$ 20,965,902	\$ 6,175,272	\$ 27,141,174	\$ 8,888,764	\$ 245,301	\$ 771,214	\$	37,046,453
Liabilities and equity								
Deposits	\$ 11,494,977	\$ 4,077,420	\$ 15,572,397	\$ 3,983,241	\$ -	\$ 4,426,507	\$	23,982,145
Mortgage securitization funding	-	-	-	2,186,233	270,157	-		2,456,390
Other liabilities	-	-	-	-	-	1,143,766		1,143,766
Capital investment notes	-	-	-	230,972	-	-		230,972
Subordinated debentures	13,403	-	13,403	54,064	-	-		67,467
Equity	-	-	-	-	-	1,963,713		1,963,713
Derivative financial instruments ⁽¹⁾	5,307,000	1,895,000	7,202,000	-	-	-		7,202,000
Total	\$ 16,815,380	\$ 5,972,420	\$ 22,787,800	\$ 6,454,510	\$ 270,157	\$ 7,533,986	\$	37,046,453
Interest-rate-sensitive gap	\$ 4,150,522	\$ 202,852	\$ 4,353,374	\$ 2,434,254	\$ (24,856)	\$ (6,762,772)		
As percentage of assets	11.2%	0.55%	11.8%	6.6%	(0.07%)	(18.3%)		
As at March 31, 2010								
Total assets	\$ 18,761,266	\$ 2,529,123	\$ 21,290,389	\$ 6,279,157	\$ 52,596	\$ 775,876	\$	28,398,018
Total liabilities and equity	12,166,791	3,086,660	15,253,451	6,035,160	-	7,109,407		28,398,018
Interest-rate-sensitive gap	\$ 6,594,475	\$ (557,537)	\$ 6,036,938	\$ 243,997	\$ 52,596	\$ (6,333,531)		
As percentage of assets	23.2%	(2.0%)	21.3%	0.86%	0.19%	(22.3%)		

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:

(%)	Within 3 months	3–12 months	Total within 1 year	1–5 years	Over 5 years	Total
<i>As at March 31, 2011</i>						
Total assets	3.3%	2.6%	3.1%	4.5%	3.2%	3.4%
Total liabilities and equity	1.2%	1.7%	1.3%	1.8%	2.8%	1.4%
Interest-rate-sensitive gap	2.1%	0.90%	1.8%	2.7%	0.40%	2.0%
<i>As at March 31, 2010</i>						
Total assets	2.7%	4.2%	2.9%	5.6%	4.6%	3.5%
Total liabilities and equity	0.89%	2.7%	1.3%	2.8%	0.0%	1.7%
Interest-rate-sensitive gap	1.8%	1.5%	1.6%	2.8%	4.6%	1.8%

Interest Rate Sensitivity

The following table provides the potential impact of an immediate and sustained 100-basis-point and 200-basis-point increase and decrease in interest rates on ATB's net income:

(\$ in thousands)	2011	2010
Impact on net earnings in succeeding year from:		
Increase in interest rates of:		
100 basis points	\$ 42,955	\$ 60,583
200 basis points	85,588	122,154
Decrease in interest rates of:		
100 basis points	(65,637)	(37,918)
200 basis points	(99,092)	(52,628)

26. Segmented Information

In previous years ATB organized its operations and activities around the following three business segments or lines of business:

- **Personal and Business Financial Services** comprises the branch, agency, and ABM networks and provides financial services to individuals, independent business, and agricultural customers.
- **Corporate Financial Services** provides financial services to medium- and large-sized corporate borrowers.
- **Investor Services** provides wealth management solutions, including retail brokerage, mutual funds, portfolio management, and investment advice.

ATB has determined that the Personal and Business Financial Services line should be separated into two separate segments effective April 1, 2010:

- **Retail Financial Services** comprises the branch, agency, and ABM networks and provides financial services to individuals.
- **Independent Business & Agriculture** provides financial services to independent business and agricultural customers.

The results for these new business segments are being reported separately effective April 1, 2010. Prior periods have not been restated as past information is not

available for these new segments. The results for the previous Personal and Business Financial Services segment have been reported in the current fiscal year for comparative purposes.

The four identified segments differ in products and services offered, but are all within the same geographic region as virtually all of ATB's operations are limited to customers in the province of Alberta.

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, with the exception of Financial

Instruments Accounting Standards and Accounting Guideline 4-related adjustments, which are recorded at the corporate level only. Since these lines of business are based on ATB's internal management structure, they may not be directly comparable to those of other financial institutions.

(\$ in thousands)	Retail Financial Services	Independent Business & Agriculture	Personal and Business Financial Services Subtotal	Corporate Financial Services	Investor Services	Corporate units ⁽¹⁾	Total
March 31, 2011							
Net interest income	\$ 337,570	\$ 193,275	\$ 530,845	\$ 166,905	\$ 5,190	\$ 35,772	\$ 738,712
Other income (loss)	90,710	62,740	153,450	61,076	52,205	(15,453)	251,278
Recovery on ABCP	-	-	-	-	-	28,800	28,800
Total operating revenue	428,280	256,015	684,295	227,981	57,395	49,119	1,018,790
Provision for (recovery of) credit losses	32,918	5,819	38,737	(1,350)	-	(8,935)	28,452
Non-interest expenses	386,692	121,785	508,477	40,468	70,686	112,893	732,524
Income (loss) before payment in lieu of tax	8,670	128,411	137,081	188,863	(13,291)	(54,839)	257,814
Payment in lieu of tax	-	-	-	-	-	59,298	59,298
Net income (loss)	\$ 8,670	\$ 128,411	\$ 137,081	\$ 188,863	\$ (13,291)	\$ (114,137)	\$ 198,516
Total assets	\$ 15,743,135	\$ 4,105,036	\$ 19,848,171	\$ 5,264,349	\$ 47,301	\$ 2,228,242	\$ 27,388,063
Total liabilities	\$ 9,985,007	\$ 5,855,063	\$ 15,840,070	\$ 4,406,360	\$ 744,412	\$ 4,433,508	\$ 25,424,350
March 31, 2010							
Net interest income			\$ 472,031	\$ 154,796	\$ 4,895	\$ 42,966	\$ 674,688
Other income (loss)			157,937	54,865	40,278	(32,297)	220,783
Recovery on ABCP			-	-	-	537	537
Total operating revenue			629,968	209,661	45,173	11,206	896,008
Provision for (recovery of) credit losses			49,727	16,378	-	(7,158)	58,947
Non-interest expenses			478,152	35,830	58,853	98,681	671,516
Income (loss) before payment in lieu of tax			102,089	157,453	(13,680)	(80,317)	165,545
Payment in lieu of tax			-	-	-	38,075	38,075
Net income (loss)			\$ 102,089	\$ 157,453	\$ (13,680)	\$ (118,392)	\$ 127,470
Total assets			\$ 18,863,167	\$ 5,012,210	\$ 39,800	\$ 1,513,841	\$ 25,429,018
Total liabilities			\$ 15,855,761	\$ 3,367,720	\$ 731,949	\$ 3,664,231	\$ 23,619,661

¹ Composed of business units of a corporate nature, such as investment, risk management, asset/liability management, and treasury operations, as well as expenses, general allowances, and recoveries for credit losses not expressly attributed to any line.

Customer-related assets and liabilities (and the directly related revenues and expenses) are allocated among ATB's lines of business based on management of the client relationship rather than the specific nature of the loan, deposit, or other product provided or service rendered.

Net interest income is attributed to each line of business 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. Specific provisions for credit losses

are allocated based on the individual underlying impaired-loan balances, and general provisions (except any special general provisions) are allocated pro rata based on total performing loan balances.

Direct expenses are attributed between lines as incurred. Certain indirect expenses are allocated between Investor Services and the other lines 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 corporate units.

27. Payment in Lieu of Tax

Pursuant to the ATB Act, the Government of Alberta has the ability to 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. As at March 31, 2011, ATB accrued a total of \$59,298 (2010: \$38,075) for payment in lieu of tax.

The amount outstanding as at March 31, 2010, was settled on June 30, 2010, with ATB issuing a subordinated debenture to the Government of Alberta. (Refer to note 18.) 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 7.)

28. Capital Investment Notes

Capital investment notes are five-year non-redeemable guaranteed notes issued to the general public. As described in note 7 to these financial statements, ATB's capital requirements were amended during the prior fiscal year to expand the definition of Tier 2 capital

to include the eligible portion of capital investment notes to a maximum of \$500,000. As at March 31, 2011, \$230,972 (2010: \$224,994) of these notes were outstanding with a fixed rate of return of 4.25% and will mature in fiscal 2014–15.

29. Achievement Notes

ATB sold Principal at Risk Achievement Notes to certain eligible employees as an incentive for promoting the growth of the subsidiaries of ATB Financial that provide, or will in the future provide, services under the ATB Investor Services brand name. Under this plan, eligible employees were provided an opportunity to purchase

a 25-year note with a rate of return linked to the value of certain ATB subsidiaries. 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:

- A cash payment at maturity representing the original invested amount adjusted for a proportionate share in the change in fair value of certain ATB subsidiaries
- Cash distributions, if any, based on the net positive dividends paid by certain ATB subsidiaries to ATB

There is no public market for these notes; thus the valuation is based on a model prepared by an external consultant using market data where available. This valuation model was used to establish the initial purchase price of the notes and the changes in fair value period to period until the notes mature.

The notes are not redeemable at the option of the note holder, or ATB, prior to maturity, subject to the occurrence of an extraordinary event for ATB

(i.e., winding up, dissolution, or liquidation of ATB) or a catastrophic event for the note holder. The notes are not guaranteed under the deposit guarantee provided by the Crown in right of Alberta, and there is the risk, if the valuation of the ATB subsidiaries reduces, that the note holder will lose some or all of the original investment.

During the year, ATB issued \$844 (2010: \$5,097) of these notes, which are recorded in other liabilities on the consolidated balance sheet. An expense of \$4,191 (2010: \$2,253) was recognized during the year to reflect the increase in the fair value of the notes based on the March 31, 2011, valuation of the notes. As at March 31, 2011, the liability for these notes was \$12,385 (2010: \$7,350).

30. Comparative Amounts

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

Glossary

Adjusted Efficiency Ratio

Non-interest expenses for the year divided by total adjusted operating revenue for the year. May be referred to as the “productivity ratio” by other financial institutions.

Adjusted Net Income

Net income excluding any recoveries or losses on ATB’s asset-backed commercial paper portfolio, net of payment in lieu of tax.

Adjusted Operating Revenue Growth

The current year’s adjusted total operating revenue less the previous year’s adjusted total operating revenue divided by the previous year’s adjusted total operating revenue.

Adjusted Other Income to Operating Revenue

Other income for the year divided by adjusted operating revenue for the year.

Adjusted Return on Average Assets

Adjusted net income for the year divided by average total assets for the year.

Allowance for Credit Losses

Total allowance for credit losses consists of specific and general allowances. The allowance represents management’s best estimate of anticipated credit-related losses inherent in the loans portfolio.

Assets Under Administration and Management

Assets that are beneficially owned by customers for which management and custodial services are provided. These assets are not reported on ATB’s balance sheet.

Average Assets

The simple average of the daily total asset balances during the year.

Average Earning Assets

The monthly average for the year of deposits with financial institutions, securities, and loans excluding impaired loans and loan loss provisions.

Basis Point

One one-hundredth of one per cent (0.01%).

Carrying Value

The value of an asset or liability as reported within the consolidated financial statements.

Cash Flow at Risk (CFaR)

The statistically modelled change in replacement costs, relative to a particular expectation, that could be experienced due to the impact of market risks on a specified set of financial instruments (bonds, swaps, investments, etc.), over a particular period of time and selected confidence level.

Collateral

Assets pledged as security for a loan or other obligation.

Credit Losses to Average Loans

Provision for (recovery of) credit losses to average net loans.

Derivative or Derivative Contract

A contract whose value changes by reference to a specified underlying variable such as interest rates, foreign-exchange rates, or equity or commodity prices. Use of derivatives allows for the mitigation of current or expected risks relating to these variables. Derivatives typically require little or no initial net investment and are settled at a future date. The most common types of derivatives ATB uses include interest rate swaps and forward-rate agreements, foreign-exchange forward contracts, and foreign currency, equity, and interest rate options and swap options.

Effective Interest Rate

Rate that exactly discounts estimated future cash payments or receipts over the expected life of a financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset or liability.

Embedded Derivative

A component within a financial instrument or other contract that has features similar to a derivative.

Equity- and Commodity-Linked Options

A class of options that gives the purchaser the right but not the obligation to buy an individual share, a basket of shares, or an equity or commodity index at a predetermined price, on or before a fixed date, on a fixed date, or on a series of fixed dates.

Fair Value

Fair value is the amount for which an asset or liability could be exchanged between knowledgeable, willing parties in an arm's-length transaction.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset/liability is the right to receive/deliver cash or another financial asset or the right to exchange financial instruments with another party under favourable or unfavourable conditions. An equity instrument is a contract that represents a residual interest in another entity's assets.

Foreign-Exchange Forward Contract

A commitment to buy or sell a fixed amount of foreign currency on a future specified date at a set rate of exchange.

Forward-Rate Agreement

A contract between two parties whereby a designated interest rate, applied to a notional principal amount, is locked in for a specified period of time. The difference between the contracted rate and prevailing market rate is paid in cash on the settlement date. These agreements are used to protect against, or take advantage of, future interest rate movements.

Forwards and Futures

Commitments to buy or sell designated amounts of securities or currencies on a specified date at a predetermined price. Forwards are customized contracts transacted in the over-the-counter market. Futures are traded on recognized exchanges.

Guarantee or Letter of Credit

A contractual agreement to provide assurance that if a client defaults on payment to a third party, ATB will make that payment under specified conditions. ATB has recourse against its clients for any such advanced funds.

Hedging

A risk management technique used to reduce uncertainty associated with current or anticipated exposure to future movements in interest rates, foreign exchange rates, and equity or commodity prices.

Impaired Loan

A loan for which there is no longer reasonable assurance of the timely collection of principal or interest.

Interest Rate Cap

Contract whereby the buyer pays the seller a premium in exchange for the payment of any difference above a set strike interest rate and the prevailing market interest rate on a predetermined basis.

Interest Rate Collar

The simultaneous purchase of an interest rate cap and the sale of an interest rate floor with the goal of maintaining interest rates within a defined range. The premium income from the sale of the floor reduces or offsets the cost of buying the cap.

Interest Rate Floor

Contract whereby the buyer pays the seller a premium in exchange for the payment of any difference below a set strike interest rate and the prevailing market interest rate on predetermined dates.

Market Value of Equity (MVE)

The current fair market value of assets less the current fair market value of liabilities. MVE does not attempt to measure the value of non-financial assets, such as goodwill, or measure an external expectation of value based on future enterprise earnings capacity. It is used solely to measure the impact of market risks (e.g., interest rates and foreign-exchange rates) on the fair market value of financial instruments held or issued by the company.

Mark-to-Market

A valuation that reflects current market rates as at the balance sheet date for financial instruments that are carried at fair value.

Net Impaired Loans to Total Gross Loans

Impaired loans less any allowance for credit losses compared to total loans outstanding.

Net Interest Income

The difference between interest earned on assets, such as securities and loans, and interest paid on liabilities, such as deposits.

Net Interest Margin

The ratio of net interest income for the year to the value of average total assets for the year.

Net Interest Spread

The ratio of net interest income for the year to the value of average earning assets for the year.

Net Loans

Gross loans, net of the impacts of securitization, impaired loans, and loan loss provisions.

Net Loan Growth

Net loans outstanding at year-end less net loans outstanding at the previous year-end, divided by net loans outstanding at the previous year-end.

Notional Amount

The principal value used to calculate interest and other payments under derivative contracts. The amounts are termed "notional" because they are not usually exchanged, except in the case of cross-currency swaps; they serve only as the basis for calculating amounts that do change hands.

Off-Balance-Sheet Instrument

Assets or liabilities that are not recorded on the balance sheet but have the potential to produce positive or negative cash flows in the future. A variety of products offered to clients can be classified as off balance sheet, and they fall into two general categories: credit-related arrangements, such as letters of credit, and the notional amount of derivatives for hedging.

Operating Expense Growth

The current year's non-interest expenses less the previous year's non-interest expenses divided by the previous year's non-interest expenses.

Option

Contract between two parties whereby the buyer of the option has the right but not the obligation to buy (call) or sell (put) a specified financial instrument or currency at a set price or rate on or before a specified future date, on a specified date, or on a series of specified dates.

Performing Loans

Net loans excluding the impacts of securitization, impaired loans, and loan loss provisions.

Performing Loan Growth

Performing loans outstanding at year-end less performing loans outstanding at the previous year-end, divided by performing loans outstanding at the previous year-end.

Provision for Credit Losses

An amount charged to income that represents an amount deemed by management to fully provide for impairment in existing credit portfolios, given the composition of the credit portfolios, the probability of default, the economic environment, and the allowance for credit losses already established.

Risk-Weighted Assets

Value of assets calculated by applying a predetermined risk-weight factor to on- and off-balance-sheet exposures.

Securitization

The process by which a pool of financial assets, mainly loans, are converted into asset-backed securities and transferred to a trust that normally issues a series of asset-backed securities to investors to fund the purchase of loans.

Swaps

A contractual agreement between two parties to exchange a series of cash flows. For interest rate swaps, counterparties generally exchange fixed- and floating-rate interest payments based on a notional amount in a single currency. For cross-currency swaps, counterparties generally exchange one currency for another, at a set date.

Swap Option or "Swaption"

An option on an interest rate swap. The buyer of a swap option has the right to enter into an interest rate swap agreement by some specified date in the future. The swap option agreement will specify whether the buyer of the swap option will be a fixed-rate receiver or fixed-rate payer.

Total Adjusted Operating Revenue

The total of net interest income and other income before any recoveries or losses on ATB's asset-backed commercial paper portfolio.

Total Asset Growth

Total assets outstanding at year-end less total assets outstanding at the previous year-end, divided by total assets outstanding at the previous year-end.

Total Deposit Growth

Total deposits outstanding at year-end less total deposits outstanding at the previous year-end, divided by total deposits outstanding at the previous year-end.

Total Operating Revenue

The total of net interest income, other income, and recovery on ABCP.

Come Together with Alberta's Communities.

ATB associates provide financial products and services to over 680,000 Albertans in 242 Alberta communities through a network of 167 branches and 130 agencies, telephone and Internet banking, a Customer Contact Centre, and 270 automated banking machines.

Branches

Airdrie	Castor	Fort Macleod	Leduc	Provost	Sylvan Lake
Andrew	Claresholm	Fort McMurray (2)	Lethbridge (2)	Raymond	Taber
Athabasca	Coaldale	Fort Saskatchewan	Linden	Red Deer (3)	Thorsby
Banff	Cochrane	Fort Vermilion	Lloydminster	Redwater	Three Hills
Barrhead	Cold Lake	Grande Prairie (3)	Magrath	Rimbey	Tofield
Beaverlodge	Consort	Gratum	Manning	Rocky Mountain House	Trochu
Black Diamond	Coronation	Grimshaw	Mayerthorpe	Rycroft	Two Hills
Bonnyville	Crossfield	Hanna	McLennan	Ryley	Valleyview
Bow Island	Daysland	High Level	Medicine Hat (3)	Sherwood Park (2)	Vegreville
Boyle	Didsbury	High Prairie	Milk River	Slave Lake	Vermilion
Breton	Drayton Valley	Hinton	Nanton	Smoky Lake	Viking
Brooks	Drumheller	Hythe	Okotoks	Spirit River	Vulcan
Bruderheim	Edmonton (22)	Innisfail	Olds	Spruce Grove	Wainwright
Calgary (25)	Edson	Jasper	Oneway	St. Albert (2)	Westlock
Camrose	Elk Point	Killam	Oyen	St. Paul	Wetaskiwin
Canmore	Fairview	La Crete	Peace River	Stettler	Whitecourt
Cardston	Falher	Lac La Biche	Picture Butte	Stony Plain	Wildwood
Caroline	Foremost	Lacombe	Pincher Creek	Strathmore	
Carstairs	Forestburg	Lamont	Ponoka	Sundre	

Agencies

Acadia Valley	Carbon	Elnora	Irma	New Norway	Tangent
Alberta Beach	Carmangay	Enchant	Irricana	New Sarepta	Thorhild
Alder Flats	Carseland	Evansburg	Irvine	Newbrook	Tilley
Alix	Cereal	Fawcett	Islay	Nobleford	Torrington
Alliance	Champion	Ferintosh	Kinuso	Paradise Valley	Vauxhall
Amisk	Chauvin	Fort Assiniboine	Kitscoty	Peers	Veteran
Barons	Chipman	Fox Creek	Lake Louise	Plamondon	Vilna
Bashaw	Cleardale	Galahad	Lomond	Radway	Wabamun
Bassano	Clive	Gibbons	Lougheed	Rainbow Lake	Wabasca
Bawlf	Compeer	Gleichen	Mallaig	Red Earth Creek	Wandering River
Beaumont	Coutts	Glenodon	Mannville	Redcliff	Wanham
Benalto	Czar	Glenwood	Marwayne	Rockyford	Warburg
Berwyn	Delburne	Grande Cache	Millarville	Rolling Hills	Warner
Big Valley	Delia	Grassland	Millet	Rosemary	Waskatenau
Blackie	Devon	Halkirk	Minburn	Sangudo	Wembley
Blairmore	Dewberry	Hardisty	Mirror	Sedgewick	Westerose
Bon Accord	Donalda	Hay Lakes	Morinville	Sexsmith	Willingdon
Bonanza	Duchess	Heisler	Morrin	Standard	Winfield
Bowden	Eaglesham	High River	Mulhurst	Stavely	Worsley
Bragg Creek	Eckville	Hines Creek	Mundare	Stirling	Youngstown
Bruce	Edberg	Holden	Myrnam	Strome	
Calmar	Edgerton	Innisfree	Nampa	Swan Hills	

Our Acknowledgments to Associates

We would like to take this opportunity to thank all of you, our associates, for the extreme dedication you've shown in preparing us to launch our new banking system. Because of you, we're ready to take ATB to the next level—a level that will open new doors and opportunities to make a real difference for our customers. Thank you for your patience and your persistence. ATB is indeed getting better and better... because of you.

- Your ATB executive team

A handwritten signature in black ink, appearing to read "Dave", is positioned below the text. The signature is stylized with a large, looping initial "D" and a cursive "ave".



ATB Financial®

*Registered Trademark of Alberta Treasury Branches.