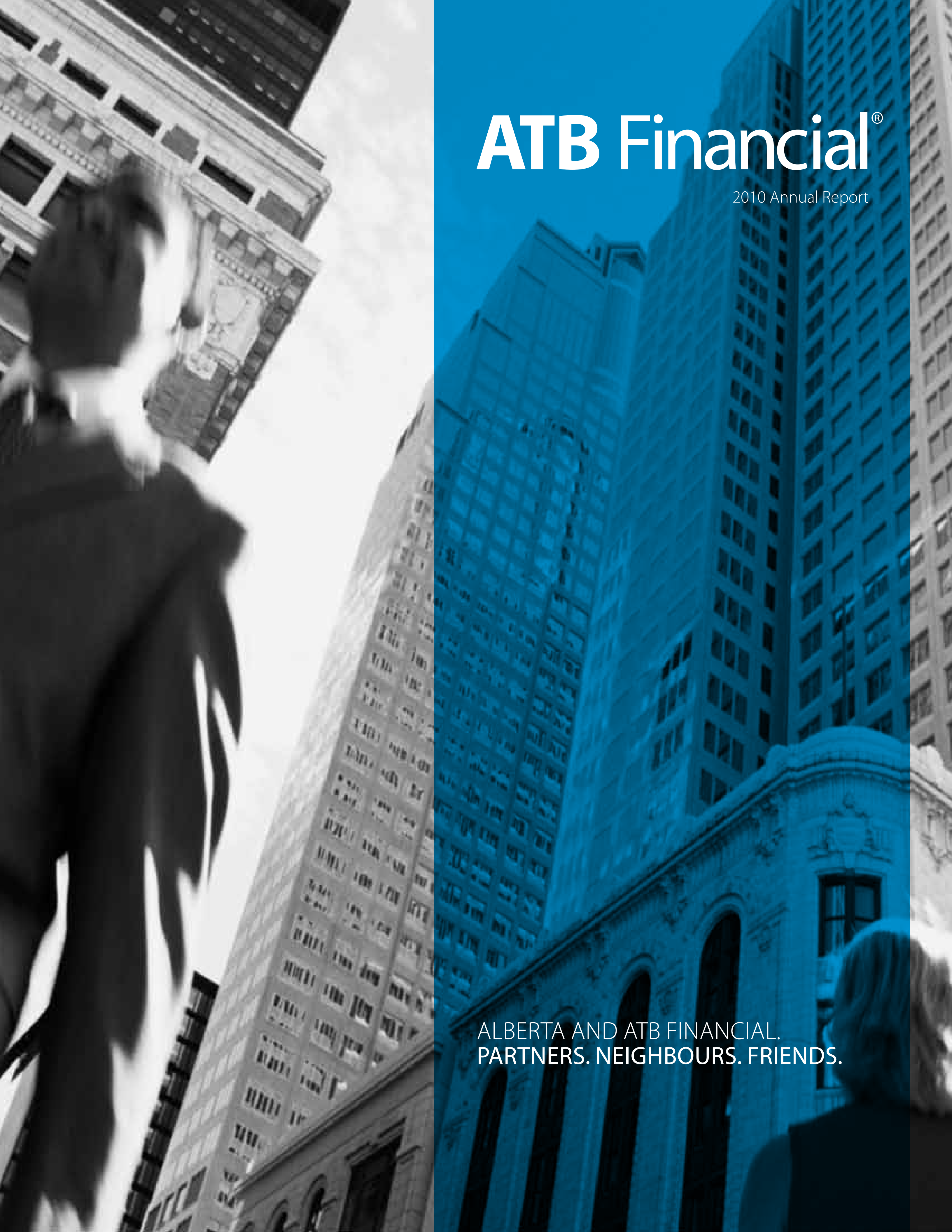


ATB Financial®

2010 Annual Report

ALBERTA AND ATB FINANCIAL.
PARTNERS. NEIGHBOURS. FRIENDS.

ATB FINANCIAL IS AN ALBERTA-BASED FINANCIAL INSTITUTION OFFERING RETAIL FINANCIAL SERVICES, INDEPENDENT BUSINESS AND AGRICULTURE FINANCIAL SERVICES, CORPORATE FINANCIAL SERVICES, AND INVESTOR SERVICES.

WITH ASSETS OF $25.4 BILLION, ATB FINANCIAL IS THE LARGEST ALBERTA-BASED DEPOSIT-TAKING FINANCIAL INSTITUTION. OUR 5,000 ASSOCIATES PROVIDE FINANCIAL PRODUCTS AND SERVICES TO OVER 685,000 CUSTOMERS IN 242 ALBERTA COMMUNITIES THROUGH A DISTRIBUTION NETWORK OF 165 BRANCHES, 131 AGENCIES, AND A CUSTOMER CONTACT CENTRE. 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.

PARTNERS
NEIGHBOURS
FRIENDS
2010

Table of Contents

ALBERTA AND ATB FINANCIAL. **PARTNERS. NEIGHBOURS. FRIENDS.**

For more than 70 years, ATB Financial has been committed to our customers, to our associates, and to our communities. We have served as partners, neighbours, and friends.

Last year was tough for many of our customers, which made us work even harder as partners to find solutions for them. As neighbours, we understand what it's like to live in Alberta. We've seen economic cycles before, we've shared our customers' stories and experiences, and we can offer the right products and services at the right time.

At ATB Financial, though, we want to be more than just partners and neighbours. We strive, too, to be friends. At the end of the day, our customers and our associates are more rewarded by meaningful relationships. Such friendships help us all to thrive. And through the economic ups and downs, we stayed put and continued to serve. That's just what friends do.

At the height of the credit crunch, we made a conscious effort to better understand our customers and reach out to them. We deliberately raised ATB's profile when times were tough, to show that we were still open for business and that we could help in many ways. We didn't scale back our donations and contributions to charities; instead, we celebrated them on our new WeAreAlberta website.

And the results are in. In a year of economic challenges, ATB Financial's approach—being partners, neighbours, and friends first—paid off. Our associates felt more engaged than ever, our customer satisfaction ratings increased during the economic slowdown, and our financial results were better than we predicted.

In the end, our relationships became even more important in the midst of uncertainty. It was you—our partners, our neighbours, and our friends—who strengthened our resolve last year and gave us real purpose. And for that, we feel more committed than ever.

ATB FINANCIAL IN 2009–10

- Has over 685,000 customers and 5,000 associates
- Recorded net income of $127.5 million
- Increased gross loans (including securitized mortgages) by 6.3% to $24.2 billion
- Was named Alberta's Most Respected Company in the area of corporate social responsibility by *Alberta Venture* magazine (chosen as the winner by *Alberta Venture*'s own readers)
- Gave over $2.7 million to communities across Alberta through a combination of charitable donations, fundraising, and volunteer time
- Received our highest-ever customer satisfaction ratings
- Beat our target and increased our engagement scores from 76 to 78 compared to last year
- Was named one of Canada's top 100 and Alberta's top 50 employers by Mediacorp Canada
- Was named one of the 50 best employers in Canada by *Report on Business* magazine
- Was named one of the 75 best workplaces in Canada by the Great Places to Work Institute
- Grew our mortgage book by over $1 billion for the first time ever
- Broke our record for the number of business loans in a quarter
- Surpassed the $5-billion mark for assets under management in ATB Investor Services
- Created the highly popular WeAreAlberta site (www.wearealberta.ca), which boasted 15,000 unique visitors in seven months

PARTNERS

WE WORKED WITH YOU TO CREATE ALBERTA-BASED SOLUTIONS TO YOUR FINANCIAL CHALLENGES.

BUILDING RELATIONSHIPS THROUGH FOUR LINES OF BUSINESS

In 2009–10, ATB Financial's 5,000 associates served more than 685,000 customers through four lines of business: Retail Financial Services, Independent Business and Agriculture, Corporate Financial Services, and Investor Services. (For more detailed information on the following business units and what they accomplished last year, please see the Management's Discussion and Analysis section.)

Retail Financial Services (RFS)

RFS is the face of ATB across the province. It includes a network of branches and agencies, online banking, card services, our Customer Contact Centre, direct sales associates, and mortgage brokers. With 3,000 associates, RFS is ATB's largest line of business, the main point of contact for most ATB customers, and a direct source of customers and connections for our other lines of business.

After years of steady growth, in 2009 RFS felt the impact of Alberta's economic slowdown. The competitive landscape impacted our deposit growth and overall profitability. RFS responded by aggressively managing budgets, enhancing product offerings, and building on existing relationships with customers.

RFS was a partner, neighbour, and friend by:

- Proactively reaching out to customers, checking in to make sure things were okay, encouraging them to talk to us, and trying to understand how to serve their unique needs
- Growing our loan book during tough times
- Applying an aggressive pricing strategy to residential mortgage rates
- Offering Alberta Growth Notes with a 4.25% rate of return (a market-leading rate) and investing every dollar raised in Albertans and Alberta businesses
- Selling market-linked GICs that offered potential gains from a well-performing market plus full protection against unexpected market declines
- Taking steps to transform our business by understanding our customers even better than we do today

For our efforts, RFS was rewarded by:

- Receiving our highest-ever client satisfaction rating—three points higher than last year
- Growing our mortgage book by over $1 billion for the first time ever
- Selling $225 million worth of Alberta Growth Notes in seven days
- Reducing employee turnover and growing our employee engagement score to 81%, 1% higher than average industry standards for best employers
- Promoting and receiving accolades for our new Branches of the Future

To deepen our relationships, RFS will focus on these strategies over the next year:

- Supporting the Core banking transformation initiative and launching world-class technology
- Transforming RFS to maximize the new Core banking system and enable associates to serve our customers better
- Continuing to build a strong and effective leadership framework that capitalizes on ATB's brand and culture
- Building strong associate engagement through expert leadership, relevant and timely training, a commitment to coaching, and effective tools so associates can deliver the right service and advice to our customers
- Creating amazing experiences for our customers in order to attract new customers, deepen our existing relationships, and build loyalty over the long term

> "THE MATH IS SIMPLE—ADD GREAT PEOPLE TO GREAT TOOLS, INFORMATION, STRATEGY, TRAINING, AND PRODUCTS. MULTIPLY THAT BY MORE TIME TO CONTACT MORE CUSTOMERS, AND THAT EQUALS GROWTH."
>
> —Michael Baker, Executive Vice-President, Retail Financial Services

Independent Business and Agriculture (IB&Ag)

In previous years, ATB's personal and business financial services included retail financial services and business and agricultural financial services. It soon became apparent that a separate line of business for independent business and agriculture was needed to better serve both our retail and business and agricultural customers.

IB&Ag, ATB's new line of business, was officially launched and began operating as a separate line of business on April 1, 2010, to answer the need for specialized services to customers operating in independent business and agriculture.

The independent business and agriculture market in Alberta represents a terrific opportunity for ATB. The independent business market is made up of more than 300,000 enterprises across a variety of industries, and the agriculture market includes approximately 50,000 farms. Independent business enterprises constitute over 90% of Alberta's businesses, ranging from part-time entrepreneurs to well-established corporations.

In 2009, lending to independent businesses and the agriculture industry continued steadily as ATB and other financial institutions took advantage of consolidation in the market due to the exodus of alternative credit suppliers and more restrictive lending policies. A renewed focus on providing value-added services, innovative products, and targeted pricing has created an opportunity for ATB to build the best IB&Ag offering in Alberta.

IB&Ag was a partner, neighbour, and friend by:

- Identifying and hiring the best leadership team to build out IB&Ag
- Creating compelling value propositions for both associates and customers
- Delivering innovative products and solutions to Alberta's independent business and agriculture markets
- Introducing Farmland Financing with its longer amortization period, lower down-payment requirement, competitive interest rate, and interest-only payment option
- Growing Farmland Financing at a tremendous rate and contributing significantly to ATB's agriculture loan portfolio, which reached near-record levels this year
- Offering the Principal Deferment Program, which let customers make interest-only payments on their term loans for up to six months
- Sponsoring 4-H events and programs, such as the 4-H Judging Competition, 4-H Senior Members' Conference and Leaders' Conference, and 4-H Awards of Excellence
- Serving as a proud partner of Alberta's Outstanding Young Farmers, which provides a positive platform to recognize and celebrate progress and excellence in agriculture
- Supporting various regional chambers of commerce, either through membership or by being a lead sponsor of their Small Business Week events and the Salute to Excellence gala
- Sponsoring the Fast 50, presented by *Alberta Venture* magazine, which celebrates Alberta's 50 fastest-growing companies

For our efforts, IB&Ag was rewarded by:

- Breaking our record for number of business loans in one quarter of 2009
- Achieving an outstanding rating of 88 for client satisfaction
- During a difficult year, growing our loans by 4.9% and business retail deposits by 2.3% over last year
- Demonstrating to customers that ATB understands the Alberta economy and provides innovative solutions

To deepen our relationships, IB&Ag will focus on these strategies over the next year:

- Attracting, retaining, and inspiring top experts in the industry by designing the best jobs and creating an environment that continuously inspires our associates to excel
- Understanding our customers and unleashing their business potential
- Improving monitoring and management practices to run the business prudently, while still offering a world-class customer experience

"WITH OUR NEW IB&AG LINE OF BUSINESS, OUR OPPORTUNITY IS UNIQUE. WE'LL HAVE OUR USUAL ATB FOCUS ON ALL THAT'S ALBERTA, WHILE TAKING A GLOBAL LOOK AT HOW WE CAN DELIVER THE BEST VALUE TO OUR CUSTOMERS. STARTING WITH A CLEAN SHEET OF PAPER, WE CAN BUILD THE BEST INDEPENDENT OFFERING IN ALBERTA."

—Curtis Stange, Executive Vice-President, Independent Business and Agriculture

ATB'S NEW "BRANCHES OF THE FUTURE" IN CALGARY AND EDMONTON BOAST NO LINE-UPS OR ROPES, AND SIT-DOWN TELLERS. 90% OF CUSTOMERS SAID THEY'D RECOMMEND THE BRANCH. 54% SAID THEY'D CONSIDER DOING MORE BUSINESS THERE.

AND THE RESULTS SUPPORT THESE NUMBERS.

Corporate Financial Services (CFS)

CFS's mandate is to support and partner with Alberta's mid- and senior-market companies. This line of business is organized into three key sectors of specialization—energy, commercial (including real estate), and food and forestry—to ensure that customers are served by experienced relationship management teams who are intimately versed in their industries.

Last year, CFS kept its doors open during the global credit crunch and was able to reach out to more of Alberta's strongest companies. This resulted in a true strengthening of existing relationships and newfound trust in many more.

CFS was a partner, neighbour, and friend by:

- Knowing intimately the overall Alberta economy and the specific industries we serve
- Lending to successful companies when access to capital from our competitors was limited or non-existent
- Using ATB's capital efficiently by managing economic growth and retaining loans and deposits
- Creating the capabilities to lead and manage syndicated banking transactions to ensure ATB can continue to meet the capital needs of our growing client base and market
- Encouraging associates to contribute ideas and innovations that go beyond their formal roles
- Offering associates targeted training and development and opportunities for upward mobility

For our efforts, CFS was rewarded by:

- Having our best financial year ever, ending with CFS having an authorized loan book of just under $10 billion
- Achieving over $190 million in direct contribution for ATB, the largest amount since CFS's inception seven years ago
- Growing our revenue by $74.9 million
- Growing our authorized loans by 7.3% overall
- Achieving a customer satisfaction rating in the top 10% globally

To deepen our relationships, CFS will focus on these strategies over the next year:

- Employing a team of industry-expert associates that attracts and retains the best customers in Alberta
- Developing world-class technology, products, and capabilities
- Creating a supportive and nurturing environment to attract and retain the best people

"OUR REPUTATION IN THE MARKET FOR PROVIDING HIGHLY RESPONSIVE RELATIONSHIPS, ESPECIALLY IN CHALLENGING TIMES, HAS NEVER BEEN CLEARER OR MORE VALUED THAN IT IS TODAY. WE WILL LEVERAGE THIS REPUTATION TO CONTINUE TO PENETRATE AND SERVE OUR MARKET."

—Ian Wild, Executive Vice-President, Corporate Financial Services

Investor Services (ATBIS)

ATBIS has been the fastest-growing line of business at ATB since it was established in fiscal 2002–03. As the wealth management arm of ATB, ATBIS is responsible for growing, protecting, and transferring wealth for ATBIS customers.

Last year, amid difficult times in the investment business, ATBIS outperformed the mutual fund industry, attracted over 4,200 new customers, and retained the vast majority of existing clients.

ATBIS was a partner, neighbour, and friend by:

- Delivering unbiased investment advice, solid returns aligned with customer objectives, and attentive, dedicated personal service
- Committing to becoming world-class at understanding clients and helping them realize their dreams
- Continuing to build a quality team of advisors and specialists committed to the ATBIS value proposition of individualized investment plans and best-in-class portfolio solutions
- Expanding the advisory team, enhancing our advisory and service offering, and building strong and scalable operational and risk management infrastructure
- Launching ATBConnect and enhanced technology for our advisors and customers, and improving the quality and efficiency of the ATBIS offering to the mass market segment

For our efforts, ATBIS was rewarded by:

- Increasing client assets by $1.3 billion during the year and surpassing the $5-billion mark for assets under management
- Adding net assets of $601 million
- Growing our mutual fund assets by 44.8% compared to the industry's growth of 24.2% over the same period
- Adding over 4,200 clients to serve more than 50,000 Albertans
- Increasing our revenue by 9.7% and growing our sales force by 11.3%
- Achieving employee engagement scores at the level of the best employers in Canada
- Exceeding ATBIS employee share-ownership targets and industry norms for employee participation in the newly launched Achievement Notes program, which allows ATBIS associates who have invested their own dollars to participate in the shareholder value they create
- Achieving our highest-ever level of customer satisfaction

To deepen our relationships, ATBIS will focus on these strategies over the next year:

- Being relevant by touching the lives of and making dreams come true for more Albertans than we reach today
- Simplifying and streamlining our processes through world-class technology platforms and by expanding ATBConnect, which allows our customers, no matter where they are located, to connect by video with the best advisor for their situation
- Continuing to attract people with the required attributes and character for our business, and helping them to become the best investors
- Sustaining our line of business by generating consistent wins for customers, associates, and shareholders who invest in the business

"LAST YEAR, WE CONTINUED TO RAMP UP OUR NUMBER OF FINANCIAL ADVISORS ACROSS THE PROVINCE. AS A RESULT OF WORLD-CLASS SERVICE LEVELS AND HAVING EARNED THE TRUST OF OUR CLIENTS, OUR GROWTH WAS NEARLY DOUBLE THAT OF THE INDUSTRY. WE WILL CONTINUE TO INVEST STRATEGICALLY IN PEOPLE, PREMISES, AND TECHNOLOGY AND GROW OUR MARKET SHARE IN ALBERTA."

—Sheldon Dyck, Executive Vice-President, Investor Services

SUPPORTING RELATIONSHIPS THROUGH OUR STRATEGIC SERVICE UNITS

In addition to supporting the lines of business, ATB Financial's strategic service units (People and Marketing, Information Technology Service Delivery, Risk Management, and Finance and Administration) play an integral role in ATB's success and ability to be a partner, neighbour, and friend to customers. They help deliver on ATB's promise to our customers, associates, and shareholder by:

- Helping to provide a consistent customer and associate experience
- Helping the organization streamline processes and benefit from economies of scale
- Encouraging consistent enterprise-wide best practices where appropriate
- Providing specialized subject-matter expertise, information, and advice
- Maintaining and enhancing ATB's reputation across the province
- Supporting effective decision making
- Maintaining governance and compliance standards

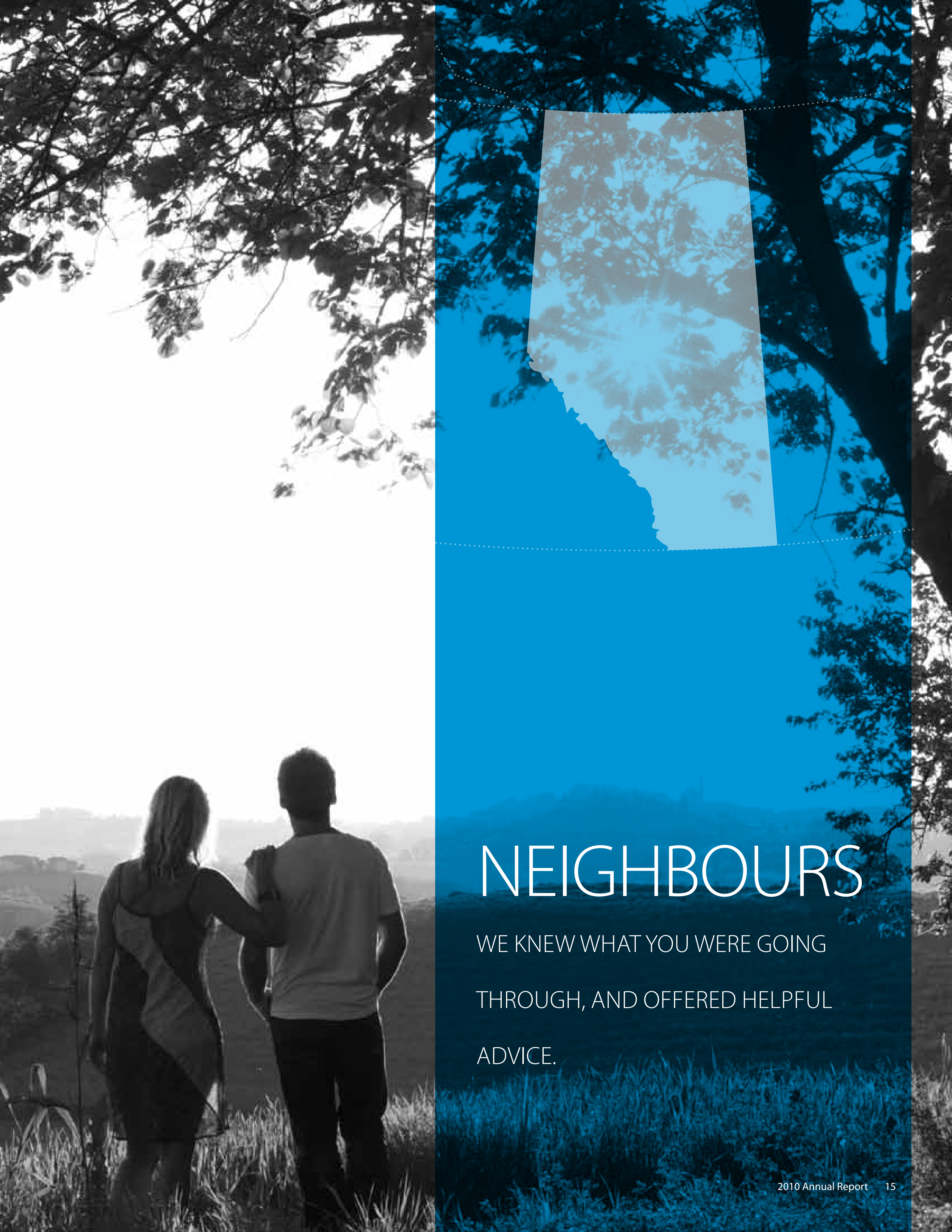
ENABLING OUR ASSOCIATES TO BE THE BEST

Our Core Transformation Initiative

In May 2008, ATB launched the Core transformation initiative (Core) to replace our outdated legacy banking technology with a new SAP for Banking solution to improve our ability to deliver leading-edge products and customer service. From the beginning, ATB realized that this was a significant initiative and allocated substantial resources—both people and capital—to ensure its success.

While we originally thought the new system could be implemented in April 2010, after extensive reviews and preparation of a detailed plan, the revised implementation date is now April 2011. The benefits of Core to ATB and its customers—increased productivity, improved efficiency, more flexible approaches to products and services, and expanded capacity—remain the same.

Once implemented, Core will help transform ATB into the financial institution of the future—one that will meet the needs of our customers, our associates, and our regulator. (For more information on the financial impacts of Core, see the Outlook for Fiscal Year 2010–11 – Capital Expenditures section of the MD&A.)



NEIGHBOURS

WE KNEW WHAT YOU WERE GOING THROUGH, AND OFFERED HELPFUL ADVICE.

ATB FINANCIAL 2009–10 HIGHLIGHTS

For the years ended March 31	**2010**	2009	2008	2007	2006
Operating results *($ in thousands)*					
Net interest income	**$ 674,688**	$ 647,345	$ 659,410	$ 571,805	$ 462,251
Other income	**220,783**	259,682	185,995	179,661	155,621
Total operating revenue	**895,471**	907,027	845,405	751,466	617,872
Provision for (recovery of) credit losses	**58,947**	42,712	12,906	(5,211)	688
Non-interest expenses	**671,516**	633,087	549,381	482,289	418,463
Adjusted net income[(1)]	**165,008**	231,228	283,118	274,388	198,721
Recovery (provision for loss) on ABCP	**537**	(224,816)	(253,133)	-	-
Payment in lieu of tax	**38,075**	-	-	-	-
Net income	**$ 127,470**	$ 6,412	$ 29,985	$ 274,388	$ 198,721
Financial position *($ in thousands)*					
Net loans	**$ 22,534,603**	$ 21,602,235	$ 19,443,517	$ 16,994,329	$ 14,846,694
Total assets	**$ 25,429,018**	$ 26,514,143	$ 23,343,153	$ 20,294,718	$ 17,647,815
Total deposits	**$ 22,579,167**	$ 23,881,246	$ 21,175,716	$ 18,252,838	$ 15,870,308
Equity	**$ 1,809,357**	$ 1,758,684	$ 1,668,452	$ 1,623,383	$ 1,348,995
Key performance measures *(%)*[(2)]					
Return on average assets	**0.62**	0.93	1.3	1.4	1.2
Operating revenue growth	**(1.3)**	7.3	12.5	21.6	14.8
Other income to operating revenue	**24.7**	28.6	22.0	23.9	25.2
Operating expense growth	**6.1**	15.2	13.9	15.3	14.5
Efficiency ratio	**75.0**	69.8	65.0	64.2	67.7
Net interest spread	**2.68**	2.69	3.07	3.06	2.85
Credit losses to average loans	**0.26**	0.21	0.07	(0.03)	0.00
Net impaired loans to total gross loans	**(0.40)**	(0.54)	(0.61)	(0.62)	(0.66)
Net loan growth	**4.3**	11.1	14.4	14.5	13.0
Total asset growth	**(4.0)**	14.1	16.3	15.0	14.7
Total deposit growth	**(5.5)**	12.8	16.0	15.0	14.7
Other information					
Investor Services' assets under management and administration *($ in thousands)*	**$ 5,149,924**	$ 3,878,178	$ 4,037,418	$ 3,716,420	$ 2,454,234
Branches	**165**	164	157	154	150
Agencies	**131**	133	134	134	135
ABMs	**265**	264	251	244	233
Associates (head count)[(3)]	**4,958**	4,870	4,764	4,332	3,964

1 Adjusted net income is a non-GAAP measure which excludes recovery (provision for loss) on asset-backed commercial paper (ABCP) and payment in lieu of tax (PILOT). (Refer to notes 9 and 27, respectively, of the consolidated financial statements.)

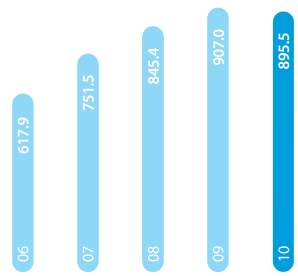
2 These objectives and achievements exclude the recovery (provision for loss) on ABCP and PILOT. (Refer to notes 9 and 27, respectively, of the consolidated financial statements.)

3 Includes casual and commissioned associates.

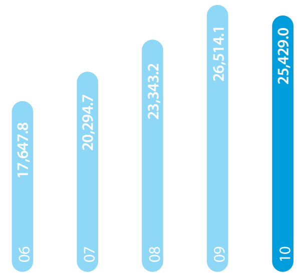
ATB FINANCIAL 2009–10 HIGHLIGHTS

For the years ended March 31

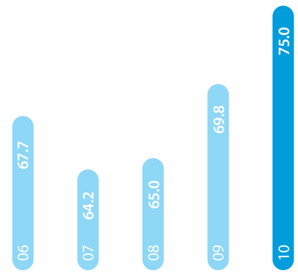
Operating Revenue *($ in millions)*



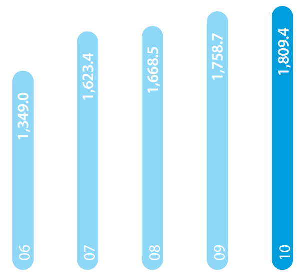
Total Assets *($ in millions)*



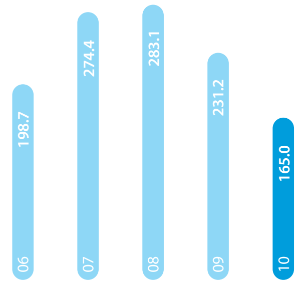
Efficiency Ratio *(in %)*



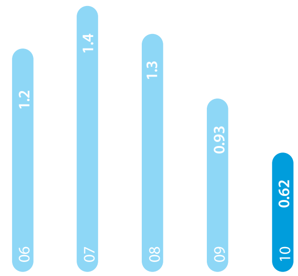
Equity *($ in millions)*



Adjusted Net Income *($ in millions)*



Return on Average Assets *(in %)*



The graphs exclude the recovery (provision for loss) on asset-backed commercial paper (ABCP) and payment in lieu of tax (PILOT). (Refer to notes 9 and 27, respectively, of the consolidated financial statements.)

MESSAGE FROM BOB SPLANE, CHAIRMAN OF THE BOARD

Throughout its history, ATB has been there for Albertans who need an Alberta-type answer for their financial services needs. Since becoming a Crown corporation in 1997, associates, management, and the Board have worked in unison to maintain our core values and serve our core businesses.

The past year was no exception, as our customers looked to us for reassurance and answers in the face of the recession. During this time, more than ever, Albertans needed partners, neighbours, and friends like ATB. We stood fast by our customers, discovering their needs, renewing our commitments in spite of the uncertainty we ourselves faced, and sometimes assuming additional risk.

Albertans responded to our commitment by giving us their trust and their business, resulting in an outstanding year. Among other achievements, we broke our record for the number of business loans in a single quarter, grew our mortgage book by over $1 billion, and sold $225 million worth of Alberta Growth Notes in less than a week.

In the coming year, the Board will continue to position ATB to meet the needs of our customers as business in most sectors appears to be improving. Our new enterprise risk management protocol will help us proactively identify and address risks, and the Core banking system, scheduled to go live in early 2011, will enhance and streamline our operations. Change will be driven by innovation in many sectors; in particular, we have shaped a new Independent Business and Agriculture offering to better meet the needs of that sector.

We are also taking steps to refine our governance practices, working with the Minister of Finance and Enterprise to update our Mandate and Roles Document. This document will clearly outline the responsibilities of the Ministry and the Crown corporation, and emphasize the principles of ethical behaviour, public accountability, prudent financial management, quality of service to the public, and fairness to our customers.

Last year, our Board benefited from adding the skills and experience of Dr. Mike Percy and two fellows of the Institute of Chartered Accountants, Doug Baker and Colette Miller. This year, we bid farewell to Bob Brawn, one of our founding Board members, along with Al O'Brien and Brian McCook. Each has made tremendous contributions to ATB and will be sincerely missed. In their places, we welcome the talents and insights of three new members: James Carter, James Drinkwater, and Patricia Glenn.

Special thanks to Dave Mowat, his executive management team, and our associates for their diligence during a challenging year. Thanks also to Minister Iris Evans for her keen interest in ATB during her tenure with us, and a warm welcome to Minister Ted Morton, who assumed the Finance and Enterprise portfolio in January of this year.

Finally, a sincere thank you to our faithful customers. You are the reason and inspiration for our existence.

Bob Splane
Chairman of the Board
May 19, 2010

MESSAGE FROM **DAVE MOWAT, PRESIDENT AND CEO**

The past year has proven to be a tough one for a lot of our customers. Times like these test the mettle of partners, neighbours, and friends. For ATB and Albertans, the economic challenges of 2009 demonstrated the continued strength of a relationship that has endured 72 years.

Seeing those challenges, we added more people, spent more time with our customers, authorized more loans, and provided more help. As partners, we worked with you to create Alberta-based solutions to your financial challenges. As neighbours, we knew what you were going through and offered helpful advice. As friends, we hope we provided some much-needed support and understanding that helped get you through.

And you also played those roles for us. As we navigated the challenging economic conditions, you referred business to us, your determination inspired our associates to go above and beyond, and you helped us grow our business better than we could have predicted.

These strong, reciprocal relationships have always driven the success of ATB Financial, and we are committed to growing and expanding these relationships by staying relevant and adaptable as we move into the future.

Despite the recent economic challenges, we have continued to invest in innovations designed to meet our customers' future needs—most notably through the Core banking system transformation. Although this project has proven to be more complex, challenging, and costly than originally anticipated, it will ultimately make us more efficient, reliable, and flexible in serving Albertans. Given the significant future benefits and improved productivity Core will enable, we remain fully committed to realizing this critical transformation.

We're also looking to the future with other exciting innovations. ATBConnect, for instance, is a simple but effective win-win use of technology that gives our customers more personal, specialized advice and allows our investment advisors to spend less time travelling and more time with our customers. Our new Independent Business and Agriculture line of business—officially launched in April 2010—will bring even greater focus and determination to building the best offering of its kind in the world.

As we move forward with these and other endeavours, we'll listen carefully to your feedback to make sure we understand what works and what doesn't for our associates, our customers, and our business.

With the worst of the storm behind us, we're continuing to stand with you as a partner, neighbour, and friend. Thank you for putting your trust and confidence in ATB. You can count on us to remain focused on serving the needs of Albertans and committed to becoming better and better.

We have exciting things in our future, and we invite you to continue the journey with us.

Dave Mowat
President and Chief Executive Officer
May 19, 2010

FRIENDS

WE PROVIDED SOME MUCH-NEEDED SUPPORT AND UNDERSTANDING.

CORPORATE SOCIAL RESPONSIBILITY

For more than 70 years, ATB Financial and its associates have proudly supported worthy causes across hundreds of Alberta communities. In 2009–2010, ATB gave over $2.7 million to community organizations and not-for-profit groups in Alberta through corporate and branch charitable donations, community fundraising programs, and associate volunteerism.

ATB community investments touch almost every community in Alberta, either directly or indirectly. We are extremely proud to have been recognized in 2009 as *Alberta Venture* magazine's Most Respected Corporation in the area of corporate social responsibility.

During the year, the Board approved a new corporate social responsibility policy, giving clear direction and expressing our strong commitment to communities and our province. A new framework for charitable giving was introduced, including a focus on three priority areas: children and youth, health and well-being, and community and social development. We are moving forward on a new environmental strategy to capture many of the initiatives already under way at ATB and to provide direction for our environmental priorities for the future. We also launched two highly successful Junior ATB projects where elementary school students get to run their own "bank" and children learn about the value of saving money. Plans are in place to expand these projects to more schools across the province.

Corporate Fundraising Activities – $1.3 Million

Every year, ATB Financial organizes corporate fundraising programs involving associates and customers across the province. Monies raised from these efforts are contributed by ATB Financial associates and customers, and are distinct from our corporate charitable donations.

For fiscal 2009–10, ATB's major fundraising programs included the following:

- Teddy for a Toonie. The past year marked the 10th 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 over $550,000.
- United Way. For the 2010 United Way campaign, we rolled out United Way at Work, an efficient online donation program for our associates, and expanded our corporate matching program. We surpassed our aggressive goal of $650,000, raising a total of $720,610.
- Edmonton Christmas Bureau. This year we raised $50,000 for the Christmas Bureau through the "Ornaments of Hope" raffle. The prize was a set of Christmas tree ornaments signed by the Edmonton Oilers, our partners in this fundraiser.

Charitable Giving – $1 Million

Consistent with our new corporate giving framework, ATB contributed almost $1 million to a wide range of charitable causes and community initiatives across the province. Charitable donations are provided at the corporate, regional, and branch levels and by each of the lines of business. Examples of the types of charitable causes we supported include Habitat for Humanity in Edmonton and Calgary, Hair Massacure (a fundraising event for cancer), Junior Achievement, the Medicine Hat Food Bank, the Ponoka Agriculture Society, and numerous scholarships and bursaries for post-secondary students.

Associate Volunteer Activities Supported by ATB Financial – $0.43 Million

ATB associates across the province demonstrate their tremendous compassion and commitment to their communities through numerous volunteer and charitable activities. We estimate that in 2009–10 our associates volunteered approximately 17,000 hours to support community initiatives.

Corporate Sponsorships – $3.5 Million

ATB Financial engages in sponsorships to support business objectives and raise awareness of ATB, and as visible expressions of investment that benefits the community and ATB. In 2009–10, we supported the following people, organizations, and events:

- CTV Rink of Dreams. ATB Financial partnered with CTV to host the ATB Financial Charity Shootout on CTV's Rink of Dreams, in which nine players competed to win money for their charity of choice. ATB Financial's executive vice-president, Michael Baker, won the contest on behalf of his chosen charity, Kids Kottage.
- ATB Financial Classic. The ATB Financial Classic features more than 150 of the top Canadian Tour professionals. The tournament raised $28,000 for student scholarships and awards at SAIT Polytechnic, the chosen charity.
- Art Gallery of Alberta. In January 2010, ATB Financial and the Art Gallery of Alberta announced a five-year partnership in which ATB will sponsor five series featuring Alberta artists. In addition, ATB will work with the Art Gallery of Alberta to develop an art competition for elementary students, to be launched in the fall of 2010.
- Sara Renner. ATB Financial was proud to sponsor cross-country skier Sara Renner, who represented Canada at the 2010 Winter Olympics in Vancouver.
- Chad Harden. ATB Financial sponsored Chad Harden and his team at the 2009 Calgary Stampede Rangeland Derby. ATB Financial customers and associates watched Harden cross the finish line first, winning the derby and the Dash For Cash.
- Giant Tee Contest. ATB Financial held one of the wackiest summer contests across Alberta, allowing communities across the province the opportunity to win the world's largest golf tee. We received more than 100 applications from across the province, ranging from videos and songs to community colouring contests. The Town of Trochu is now home to the giant tee.
- Untapped Alberta. ATB partnered with the Alberta Foundation for the Arts, Alberta Music, and Big Rock Brewery to launch a new five-date concert series, boasting an extraordinary lineup of the province's best emerging rock, folk, country, blues, hip-hop, and R&B artists. Almost $7,000 was raised to support local grassroots charities.
- Other provincial sponsorships. Other sponsorship programs throughout 2009–10 supported the Edmonton Oilers, Edmonton Oil Kings, Edmonton International Street Performers Festival, Red Deer CentreFest, Grande Prairie Street Performers Festival, Lethbridge Dragon Boat Festival, Cold Lake Air Show, Alberta Summer Games, Alberta Winter Games, Ponoka Stampede, Medicine Hat Exhibition and Stampede, and Lethbridge Whoop-Up Days.

WE ARE ALBERTA

Last year, ATB Financial launched the highly popular WeAreAlberta website (www.wearealberta.ca) as a creative way to celebrate the stories of Albertans. The site attracted 15,000 unique visitors in seven months, and its contribution to Alberta's sense of community was one reason why the readers of *Alberta Venture* magazine voted ATB Alberta's Most Respected Alberta Corporation for corporate social responsibility.

WeAreAlberta shares Alberta stories in five categories: Our People, Our Customers, Our Champions, Our Causes, and Our Communities. Here's just a taste!

Our People: Meredith Hillman

Two years ago, Meredith Hillman picked up a globe and gave it a spin. Wherever it stopped, she decided, would be the target of her humanitarian efforts. It stopped on Uganda.

After raising $10,000 through donations and selling homemade jewellery, the 26-year-old ATB Financial Red Deer retail development manager took a three-month leave of absence to travel at her own expense to Uganda. She volunteered in an orphanage housing 20 children, where she cooked, cleaned, and taught Sunday school. She also visited local villages and witnessed the conditions at a refugee camp in northern Uganda.

"You see all these World Vision commercials and hear stories, but it doesn't really affect you until you actually hear it and see it first-hand," says Hillman.

Despite some rough spots along the way—including becoming deathly ill with malaria—Hillman was able to make a real difference in the communities she visited. One of her vivid memories is of giving used soccer balls to children who had never played with a real one before. "When they got them, all the kids were just so excited," she recalls. "They gave me their local soccer ball for a trade, made up of manure, bags, rope and banana leaves, anything they could find."

Hillman also offered the local villagers advice on budgeting and banking, and provided loans to local entrepreneurs from the funds she had raised. But of all her contributions, she is most proud of the water system she helped build for her village. She hired local workers to build it. "I'll never forget walking up the road and looking at how much they accomplished and thinking: 'I really hope that this works,'" says Hillman. "All of a sudden, water just shot up out of this pipe and into the air. Everybody was running with their yellow jugs, wanting to fill them up, and they were dancing and bathing in it. They were just so excited."

Asked to reflect on how her work helped the people of Uganda, Hillman shakes her head. "Honestly, I think that they helped me more than anything. I went there thinking that I was going to change them and I was going to rule the world and clear out poverty in the country of Uganda. My heart is what changed."

Our Customers: John Scott

John Scott, longtime ATB customer and wrangler coordinator for the hit CBC television series *Heartland*, has worked in the motion picture industry dating back to 1969. He started out making $25 a day as a riding extra on the set of *Little Big Man*, filmed here in Alberta.

Soon after, Scott headed to Hollywood to get a crash course on coordinating stunts for movies. He is also a stuntman himself and has doubled for actors like Gene Hackman, Burt Lancaster, and Paul Newman. Now in his mid-60s, Scott still performs many of his own stunts. "Quite a bit, yeah. I don't fall off of [the horses] as much as I used to, but I still do quite a bit of stunt work as far as riding goes and setting things up."

He has worked on several Academy Award-winning movies like *Days of Heaven, Lord of the Rings: The Two Towers*, and *Unforgiven*. The film he's most proud of is *Legends of the Fall*. "I spent four years trying to get it to Alberta, and then when it came and it did very well, it was a successful feeling."

From his Longview ranch, which he has owned since 1976, Scott also runs one of the film industry's largest stock-contractor operations. "I'm a third-generation rancher on the same ranch that my grandfather homesteaded in 1904. It's a working cow ranch. We also run buffalo. And it's home for 150 head of horses that work in the motion picture business."

He has built three movie sets on his land, which have been used as locations for several feature films, television series, and commercials. "I have one set that's a complete western town," Scott says. "It was built for a [made-for-TV] movie called *Monte Walsh* with Tom Selleck. Since then *Little House on the Prairie* has used it, and *The Virginian* and a German television series."

Scott's ranch-based business has been a huge success, with the help of ATB Financial, which financed its expansion in the mid-1980s.

"I had a chance to buy a ranch west of me which I thought would never come for sale, but it did, and it had quite a bit of lease land on it," Scott says. "ATB, being a Crown corporation, would finance lease land. They're about the only ones that would. We've been with ATB ever since, and it's been a wonderful relationship."

Our Champions: Sara Renner

On the night of February 26, 2010, Canmore's Sara Renner had a lot on her mind. The next day, in her fourth and final Olympics, she would compete as a world-class cross-country skier for the last time. Still, she found the time to email her biggest friends and fans:

To the fine folks at ATB,
The Olympics have been wonderful and something that all Canadians can be proud of. The spirit has been incredible. I've had some great races with two top-10 performances, but my best chance is coming up tomorrow. It's raining tonight, and I know our wax men will have great skis for tomorrow. I'm psyched!

Thank you to everyone at ATB for all your cheering and best wishes. I have my last race tomorrow—the 30-kilometre classic. Your support gives me strength, and I will use every last ounce of it on the ski trails.
- Sara

The rain persisted, and conditions were miserable throughout the entire 30-kilometre event. Renner's ski suit was sopping wet, her feet swimming in her boots. When it was over, she crossed the line in 16th place.

"I was disappointed because I think if I had an excellent day, I could have been on the podium," she says. "As it turned out, I had a good day. It wasn't enough, but at the same time I skied with every ounce of energy that I had and I really gave it my all."

While she didn't bring home the Olympic hardware she had dreamed about, Renner's Vancouver 2010 experience was everything she had hoped for. "It was a really magical time in Canada," Renner said. "It surpassed everyone's expectations—how people got behind it, how it moved them and made them think about reaching higher. Just as the '88 Olympics changed my life, I think we'll see that in kids who were at the Vancouver games."

While the 2009–2010 World Cup cross-country season carries on, Renner has officially said goodbye to ski racing. She has no regrets. "It's time to move on. I feel like I ended it the right way."

Her 14-year career is filled with highlights, including an Olympic silver medal in 2006 and six World Cup podium finishes. For Renner, a bronze in her final World Cup event this February in her hometown stands out. "That was really special," Renner says. "Just to perform really well in front of my friends and family, and to see the whole community rally around cross-country skiing. It was a magical weekend."

Your Stories: Todd Babiak's Story

Todd, a novelist and Edmonton newspaper columnist, submitted a story to wearealberta.ca while feeling nostalgic during a year-long sabbatical in France.

"I'm writing from far away from Alberta, at the moment, and the things I miss about the place are oddly sharpened by the separation.

Inside Edmonton and Calgary, there are urban neighbourhoods where local businesses and local people come together in a way that is traditional and authentic, and completely Alberta. I'm thinking of Old Strathcona and Oliver in Edmonton, and the Kensington and Inglewood neighbourhoods in Calgary. Entrepreneurs take a risk on baking bread, or opening a small restaurant using local food, or making children's clothes, and their neighbours support them. Soon, they're thriving.

Oddly, this is the most 'conservative' spirit in Alberta, even though these neighbourhoods are considered to be the most progressive. Every other corner of the province—urban and rural—has been taken over by chains.

I miss these real places and love them and I do hope that when I return they are still alive—and spreading."

ANATOMY OF AN ATB BRANCH MANAGER

ATB's branch managers do more than just oversee operations within the four walls of the branch. They're central to the communities in which they live and work—as partners, neighbours, and friends who participate in a wide array of activities that enhance life in their communities. Branch managers Tony Lacher and Ed Sperling are fine examples of the character and commitment that are hallmarks of their role.

Tony Lacher

Tony Lacher, branch manager in Drumheller, is spearheading an effort to build a world-class community and meeting centre in the Badlands.

The Badlands Community Facility, now in the design stage, will feature a multi-functional meeting space, a multi-use gymnasium and field house, and an expanded municipal library in its first of two phases. "To measure how badly we need it, it would be 10 out of 10," says Drumheller mayor Bryce Nimmo.

Despite that need, gaining approval for the $23-million project has not been easy. Town citizens defeated a 2007 plebiscite to approve the project by a margin of just 56 votes. Lacher led a group of 13 local businesspeople who convinced the town council to hold another plebiscite in 2009. Thanks to improved communication and increased participation from key citizens, the project passed easily, garnering 68% of the vote.

"He was the glue that kept the whole organization together and has continued to be the glue to keep the people of our town involved," says Nimmo of Lacher's tireless efforts. Lacher believes once the Badlands Community Facility is complete, it will benefit Drumheller in many ways. "There is a lot of opportunity to attract business," he noted. "We've had one company look into relocating 50 of its employees here. One thing an employer looks at when relocating is what you have to offer families."

As much work as Lacher has put into this project, it's only a portion of what he does in the community. He is also president of the local Lions Club, the chair of the Drumheller Recycling Committee, and coach and manager of the Drumheller midget hockey team. He's involved with countless charities.

"If you're down at the rink and you want a hot dog," says Nimmo, "guess who's going to give it to you? Tony. I was down watching the Santa Claus parade, and guess who gives you a cup of hot chocolate? It's Tony. If you want to see somebody who's involved in anything you want, you look up and there's Tony."

Ed Sperling

It's been patched up, stitched onto, and bandaged together for more than 40 years. It's the Fort Saskatchewan Health Centre, a 32-bed acute care and emergency medical facility, and it's served its time.

Recognizing the need for a new, more modern hospital, Ed Sperling, an eight-year resident of Fort Saskatchewan and ATB's branch manager, spearheaded a community effort to lobby the provincial government for funding to build one. He became chair of the Fort Saskatchewan Replacement Hospital Committee in 2003.

Fort Saskatchewan's arguments for an expanded, modern, permanent medical centre were strong. "With industry right here in our backyard," says Fort Saskatchewan mayor Jim Sheasgreen, "we need to have very close proximity, knock on wood, should something happen in terms of a major incident or flare-up. So the hospital here is very important for the residents, the business community, and the petro-chemical industry."

The community's four-year lobbying effort finally succeeded in 2007 when the province approved funding for Fort Saskatchewan's new hospital. Sheasgreen says it may not have happened without Sperling's tireless efforts. "Ed had a lot of responsibility," he points out. "Not just chairing the meetings and helping the entire group create a strategy and lobbying effort, but as the spokesperson, the public face to all of that was Ed."

Leading the effort to build the new hospital is only one of Sperling's many contributions to Fort Saskatchewan since his family arrived in 2001. The 29-year ATB associate has served as president of the local Chamber of Commerce, is the current chair of the Fort Saskatchewan Economic Development Board, and is an active member of the Downtown Redevelopment Advisory Committee.

Sperling's incredible dedication to his community has not gone unnoticed. In 2008, he was presented the Terry Douglas Award for excellence in community service. "In a variety of ways, he's just a very, very big part of the community by volunteering his time," says Sheasgreen. "His efforts are over and beyond what are called for, and he's just a fantastic, positive person in the community."

CORPORATE GOVERNANCE – MARCH 31, 2010

ATB believes in the importance of a strong Board and effective corporate governance policies and practices for leading and managing its affairs. ATB has voluntarily adopted best practices in governance, including full 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:

- The Code of Conduct and Ethics for Directors
- 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 Corporate Governance Guidelines as found in the following documents:
  - Disclosure of Corporate Governance Practices (NI 81-101)
  - Audit Committees (NI 52-110)
- The Shareholder Memorandum of Understanding (to be replaced by the Mandate and Roles Document), including the required public accountability documents, such as quarterly and annual financial statements (including management's discussion and analysis)
- Key policies required or recommended by regulatory authorities 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 compensations
- Board Bylaw #1: General and Board Bylaw #2: Related Party

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, is to engage in or to carry on any business generally appertaining to the business of providing financial services. Pursuant to the Alberta Public Agencies Governance Act, ATB and the Minister of Finance and Enterprise are working towards signing 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, ATB operates on sound financial institution and business principles with the objective of earning a fair return.

Board of Directors

The Board of Directors of ATB 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.

On an annual basis, the Governance and Conduct Review Committee reviews questionnaires completed by the directors to determine Board member 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 a full report to the Board of Directors is made by the Board Chair. Further, the Audit Committee conducts an annual review of its effectiveness, including an assessment of the financial literacy of its members.

Ethical Conduct

The Board of Directors 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 Alberta Treasury Branches Act and Board Bylaw #2: Related Party. Annually, each director confirms his or her compliance to this code of conduct. In addition, the Board of Directors has been instrumental in developing standards for ethical business conduct for associates since 1998. In 2009, the Board of Directors 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 of Directors 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 Governance and Conduct Review Committee is responsible for, among other duties, working with an independent consultant who assists the Board of Directors in nominating new directors based on an inventory of the Board of Directors' overall skill-set requirements and competencies and a review of Board size, composition, and tenure. The committee ensures that the Board-appointment process complies with the Alberta Public Agencies Governance Act and the Shareholder Memorandum of Understanding. 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 2010 to fill vacancies due to the retirements of Al O'Brien, Brian McCook, and Robert Brawn on June 15, 2010. The new appointments take effect on June 15, 2010.

Board Committees

The Board of Directors 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. During the past year, oversight of key enterprise and operational risks was transitioned from the Audit Committee to the Risk Committee (formerly called the Credit and Risk Committee), leaving the Audit Committee with oversight of financial risks. 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. The terms of reference for each of these committees are made publicly available on ATB's website.

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 a legal and regulatory compliance policy. The key focus of the guideline and related policy is to ensure that a compliance framework is followed. Annually, the directors of ATB provide a formal report to the Minister pursuant to Section 23.2 of the Alberta Treasury Branches Regulation.

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 condition of Alberta Treasury Branches (operating as ATB Financial or ATB) for the year ended and as at March 31, 2010. The MD&A is current as of May 19, 2010, 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 93 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 of this MD&A for more details.)

Caution Regarding Forward-Looking Statements

This annual report includes forward-looking statements. ATB from time to time may 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.

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 $25.4 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 165 branches and 131 agencies in 242 communities throughout the province, plus our own Customer Contact Centre in Calgary. Services are also available through 265 automated banking machines (ABMs) across the province, Internet banking, and telephone banking. A workforce of 5,000 associates provides Personal and Business Financial Services, Corporate Financial Services, and Investor Services to over 685,000 Albertans and Alberta-based businesses. (For financial reporting purposes, Retail Financial Services and Independent Business and Agriculture are combined under Personal and Business Financial Services, as Independent Business and Agriculture was not officially launched as a separate line of business until April 1, 2010.)

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 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 memorandum of understanding between the Minister of Finance and Enterprise 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 companies that provide investor services are also subject to regulatory oversight by the Mutual Fund Dealers Association of Canada, the Investment Dealers Association of Canada, or the Alberta Securities Commission.

ATB operates under the direction of a board of directors appointed by the Lieutenant-Governor in Council and has investment, liquidity, and risk standards broadly comparable to other Canadian financial institutions.

Our regulator, the Alberta Superintendent of Financial Institutions (ASFI), has provided us with a draft framework that will require us to comply with certain components of the Basel II framework (International Convergence of Capital Measurement and Capital Standards: A Revised Framework). ATB has initiated steps toward this implementation, but the implementation process is expected to be a multi-year initiative.

ATB and all of its subsidiaries place significant emphasis on compliance with all applicable laws and regulations. ATB created a Compliance department during 2009, which 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 the applicable legislation.

Overview of Strategies and Priorities

There is a sense that stability has returned to the Alberta economy, after a global slowdown the likes of which had not been seen since the 1930s. The Bank of Canada has held the prime rate at the historically low rate of 2.25% since April 2009. Although this has had an adverse impact on net interest income for ATB Financial, it has supported economic recovery across the country. As a result, individuals have seen their investment and retirement funds recover significantly. Reports of layoffs and spending reductions, so common a year ago, have been replaced by announcements of projects being resumed and of temperate growth.

With the economic outlook improving, ATB Financial continues to position itself to be the first choice for Albertans. At the heart of understanding the special nature of ATB is the question of relevance. To be just another financial institution is not what was envisioned 70-plus years ago, and it is not what we aspire to today. ATB's history and future lie in maximizing our relevance to Albertans, and increasing that relevance represents success for ATB.

How do we become relevant to more and more Albertans? By having a dream to give us purpose. By enunciating our brand to give us personality. By proving ourselves with lines of business and strategic service units that deliver on our brand promise and create value for customers. By having diligent associates with passion, creativity, and initiative.

Over the 2011–2015 planning period, ATB will successfully implement and then leverage our new core banking system, which will yield significant enhancements in efficiency, productivity, and capability. The core business transformation (Core) will enable ATB to expand and revitalize our product and service offerings, sustain substantial growth, and create an unmatched ability to serve Albertans across the province. By year five we will have established an earnings base that will be much more diversified across our four lines of business:

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

The convergence of the interests of customers, associates, and owners is a powerful business model. Add *Alberta pride* to that combination and we have captured what makes ATB and Alberta special. All of these elements support our overall goal of building a successful and innovative financial institution that Albertans are proud to call their own.

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 following table:

Alberta Economy at a Glance

	Reference period		Year/year
Unemployment (seasonally adjusted)	**Mar 2010**	7.5%	1.4%
Housing starts urban areas (seasonally adjusted, annualized rate)	**Mar 2010**	31,200	209.0%
Building permits ($ in millions, seasonally adjusted)	**Feb 2010**	1,009	87.0%
Manufacturing sales ($ in millions, seasonally adjusted)	**Jan 2010**	4,863	(0.1)%
New motor vehicle sales (# vehicles, seasonally adjusted)	**Jan 2010**	15,884	(4.7)%
Consumer Price Index	**Feb 2010**	122.7	1.0%
Retail trade ($ in millions, seasonally adjusted)	**Jan 2010**	4,799	1.5%
Wholesale trade ($ in millions, seasonally adjusted)	**Jan 2010**	5,085	(7.4)%

Our outlook for the upcoming fiscal year and beyond, prepared as at April 12, 2010, is as follows:

The global economic situation improved dramatically over the latter half of 2009. After what will go down in history as the worst and most synchronized global economic downturn since World War II, the world economy stabilized and began to grow as 2009 came to a close. Growth was led primarily by emerging-market economies (such as China and Brazil), although with the G-20 implementing substantial fiscal and monetary stimulus, even developed economies began to grow in the final quarter of 2009.

Moving into the second quarter of 2010, Alberta's economy appears to have gathered momentum. Many economic indicators have shown that the provincial economy grew in late 2009 and that growth has gathered steam in the first quarter of 2010. The broader national economic picture seems to be improving more quickly than in Alberta, particularly in terms of job growth, although both provincially and nationally the recovery is in the early stages.

Oil and Gas

After averaging US$62 a barrel during 2009, oil prices appear to be on a more solid footing, with substantially less price volatility than during the wild ride of the previous two years. Looking ahead, many forecasters are again using demand growth from emerging markets and the lack of low-cost, non-OPEC investment opportunities to justify resilient oil price forecasts for the short and medium terms. Despite this, oil storage levels in the U.S. remain high by historical standards, and demand in the world's largest economy remains significantly below peak levels.

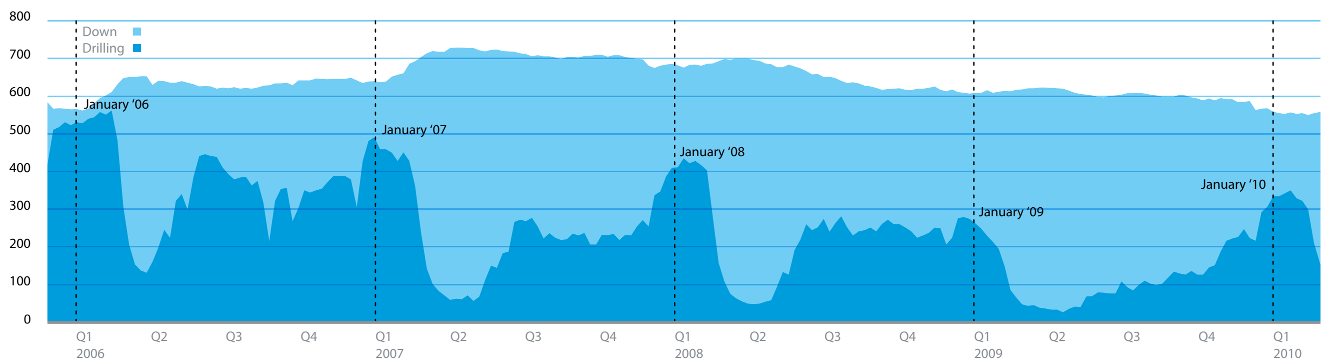
More resilience in oil prices, along with an improving environment for costs, has prompted a return of some optimism to the oilsands. A few of the major players have confirmed they will go ahead with planned projects, and a general willingness to reinvest capital seems to be returning to the sector. Access to financing has generally improved, as evidenced by narrowing corporate bond spreads, although capital still remains a problem for some junior companies.

Natural gas prices have also stabilized recently, on the back of colder weather in the northeastern U.S. and a higher level of industrial activity across North America. Current indications show that prices reached US$6.00/mmbtu on NYMEX in late December, their highest level since 2008. Colder weather, higher expected demand from industrial sources, and a reduction in storage levels are all contributing to the rally. Despite the recent price surge, near- and medium-term fundamentals for natural gas prices remain uncertain, and further volatility is quite likely. The high Canadian dollar has also weighed on Alberta gas prices, a factor that could continue to impact them negatively for some time.

Drilling rigs were a rare sight on the Alberta horizon for the majority of 2009. But with the recovery in energy prices and gradual willingness of companies to take on risk, the number of active drilling rigs in early 2010 is returning to levels that were not far below those observed in 2007 and 2008 for similar times of the year (see graph). Considering that conventional gas drilling is still in a difficult position, much of the strength in drilling is probably occurring in Alberta and B.C.'s Montney and Horn River shale gas plays. Moving forward, these two plays are likely to become an increasingly important part of Alberta's oil and gas economy. There has also been renewed interest in the central-western portion of Alberta known as the Cardium. These three energy plays may continue to be a source of optimism in the industry over the next year.

Alberta Oil and Gas Rig Activity

# of wells per week



Source: Canadian Association of Oilwell Drilling Contractors

Agriculture

For Alberta crop farmers, 2009 turned out to be a below-average year, with very poor growing conditions in the spring only partially offset by good weather later in the year. Total 2009 crop production was down 25% from the record set in 2008 and was 6% lower than the 10-year average. Wheat and canola production was relatively robust when compared to their 10-year averages, while barley and oats production was well below historical norms.

Prices for all Alberta crops fell dramatically from their 2008 highs, with wheat and barley prices experiencing the largest drops. Overall, grain and oilseed prices remain significantly below peak levels as we move further into the new year, but with the global economic recovery under way and long-term fundamentals in place, there is potential for a recovery in crop prices in the medium term.

Livestock prices have remained relatively stable over the past few years, albeit at soft levels. For Alberta cattle exporters the new challenge will be maintaining sales to the U.S., as new labelling legislation puts Canadian beef at a relative disadvantage. U.S. packers will be reluctant to accept Canadian beef, and many will only do so at lower prices than for U.S. beef. Cattle prices have barely changed over the past 10 years, despite costs rising substantially over that period. In response to this situation, the number of cattle on Alberta farms has fallen quite 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 remains very difficult, and new data indicates that herds have been culled in response.

Currency Exchange Rates

The Canadian dollar was in for a fairly wild ride for 2009 as a whole. At the beginning of the year, with the world mired in recession, investors sought the safe haven of U.S. treasury bills, which meant the U.S. dollar strengthened considerably vis-à-vis the Canadian dollar. However, as 2009 progressed and the financial and economic situation improved, investors became more comfortable holding assets outside the U.S., which pushed the commodity-driven Canadian dollar back toward the mid- and high-US$0.90 range.

Looking ahead, with the recent dramatic improvement in the global economic situation, the medium- and long-term outlook for the Canadian dollar remains bullish. The Canadian government's fiscal situation is the best among all G-7 countries, and the Canadian economy also appears to be on a relatively sound footing.

In Alberta and nationally, the strong dollar has negatively impacted relative export prices for things such as natural gas, oil, and agriculture products. This phenomenon has prompted the Bank of Canada to warn against the impacts of the high-flying Canadian dollar. However, with the medium outlook still somewhat bullish, the Canadian dollar may continue to be a drag on the national and provincial economies.

Interest Rates

In early 2009, the U.S. Federal Reserve and the Bank of Canada cut overnight interest rates to their lowest possible levels (0.25%), where they still remain. The Bank of Canada recently lifted its conditional commitment to keep interest rates at current low levels, and has stated its intention to quickly remove the emergency monetary accommodation put in place as a result of the financial market crisis of fiscal 2008–09. Considering that the Canadian economy has shown strong signs of recovery recently and that housing prices are near all-time highs due to the favourable rate environment, we expect that rates will move higher as 2010 progresses.

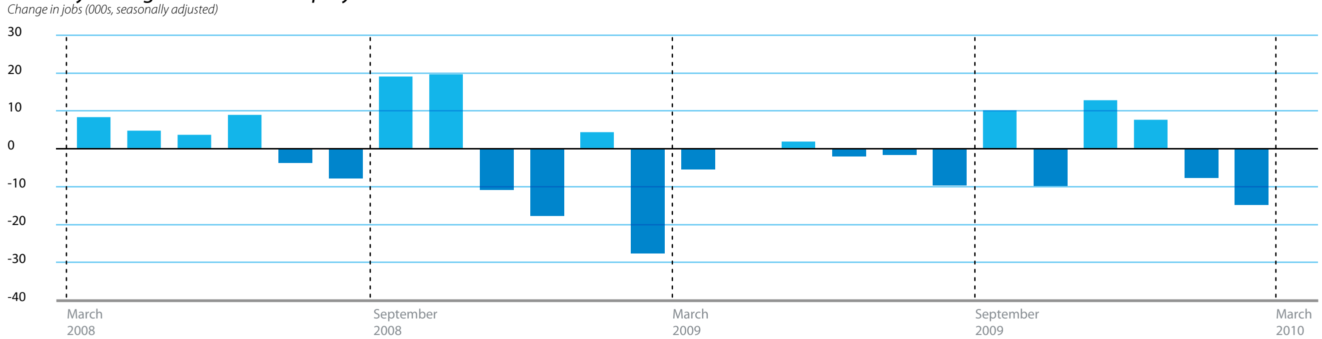
The global dislocations in financial markets, which partially prompted central banks to undertake the unprecedented monetary stance, have dissipated. Global financial market conditions have nearly returned to normal, and this, combined with economic recovery, will allow central banks around the world to slowly raise rates. The outlook for rates is somewhat more precarious in the U.S., and it appears that rate increases could be slightly longer in coming. This discrepancy in timing makes the ultimate path of rate increases difficult to predict, because although interest rates must be moved higher here, the relative increase could put further upward pressure on the Canadian dollar, a result that the Bank of Canada has been trying to combat.

Labour Market

Alberta's unemployment rate climbed to 7.5% in March 2010, its highest level of the recent cycle and up from 6.9% in February. The increase was largely the result of an increase in the number of job-seekers as employment declined only moderately during the month.

Monthly Change in Alberta's Employment

Change in jobs (000s, seasonally adjusted)



Source: Statistics Canada, The Daily, April 9, 2010

Total employment in the province has declined by nearly 75,000 jobs since the employment peak in October 2008. Almost all the job losses were concentrated in goods-producing industries like manufacturing, construction, and energy. The only service sectors to see materially lower employment were retail and professional scientific and management; all other categories increased or saw no change in employment.

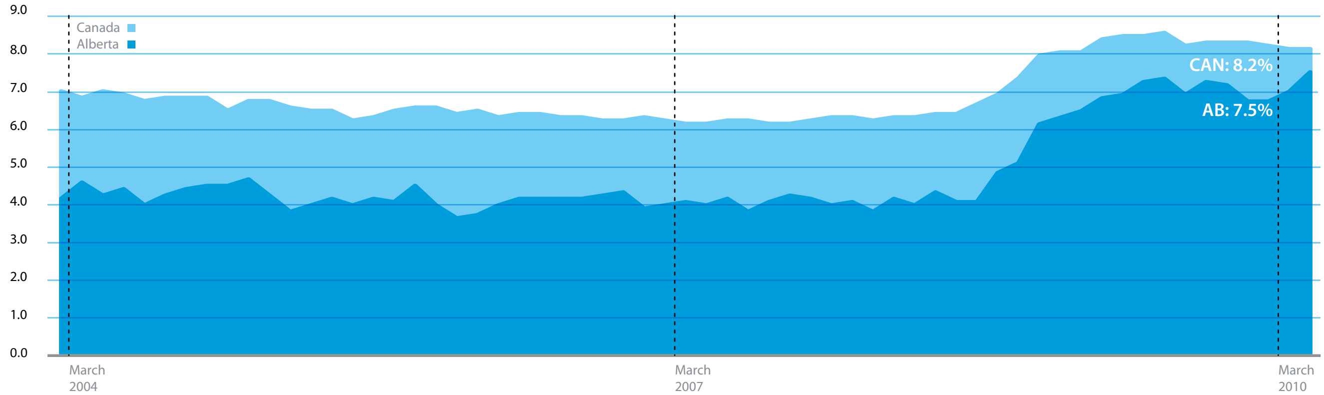
Compared to the rest of the country, Alberta's labour markets have been very slow to recover. Nearly all other economic indicators began to show definite signs of economic improvement in the province by the end of the first quarter of 2010, except for those related to employment.

Just as the unemployment rate was pushed upward by a rising labour force in 2009, it has been pushed downward by a shrinking labour force in late 2009 and early 2010. Interprovincial and international migration has been the primary driver of this change. Net interprovincial out-migration, which emerged in the third and fourth quarters of 2009, lowered the number of unemployed workers. If this process continues in 2010, unemployment rates will decline despite only moderate gains in employment.

Despite the unambiguously weaker labour markets compared to 2008, wages remain the highest among all Canadian provinces and continued to grow throughout the recession.

Unemployment Rate

%, seasonally adjusted



Source: Statistics Canada, The Daily, April 9, 2010

Housing Starts and Real Estate

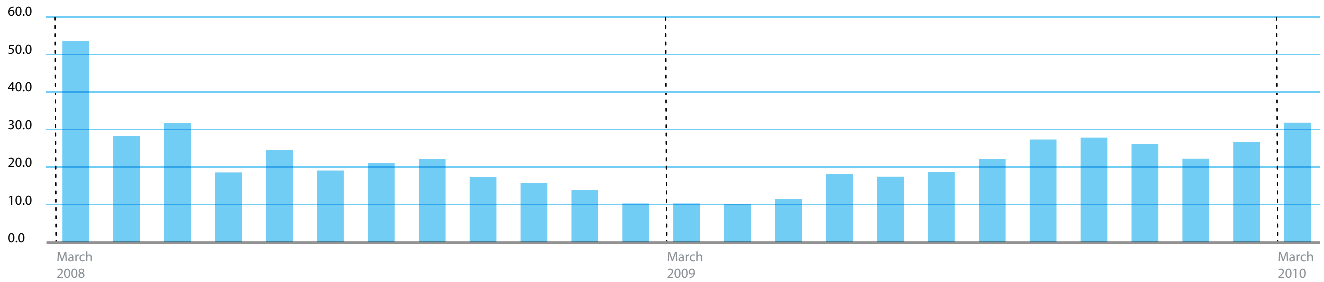
Housing markets in both Edmonton and Calgary demonstrated remarkable resilience in 2009, with the housing sector being one of the most positive of all the major sectors. Record levels of inventory at the beginning of 2009 were mostly absorbed, and home prices returned to levels not far below the peak seen in 2007.

First-time homebuyers were a large reason for the strength in 2009, and it is possible this extra boost may subside in 2010. The housing market will face some offsetting factors going forward, with rising interest rates lowering demand even as a steadily recovering economy and employment growth fuel demand.

Housing starts throughout the province exhibited a healthy recovery in the second and third quarters of 2009 (see graph), on the back of interest rates and strong demand. However, during January 2010, starts in Alberta's cities slipped to a seasonally adjusted annualized rate of 21,100, down from 27,400 in November. Also, building permits, which are an indication of future starts, have begun to turn slightly downwards, indicating that there could be some moderation in housing starts in early 2010.

Housing Starts in Alberta (Urban Centres)

000s units, seasonally adjusted annual rate



Source: CMHC March 8, 2010

Growth Prospects

Alberta's economy has seen both ends of the boom/bust spectrum during the past five years. Currently, Alberta's economy is recovering from a fairly low level and appears poised to return to a moderate level of growth in 2010.

Challenges

The most significant challenges facing Alberta's economy in 2010 are weakness in conventional gas drilling, and a more protracted economic recovery in the U.S. Weak conventional drilling severely reduces direct employment and investment in the province, and also dampens indirect activities in manufacturing, business and personal services, and the food and accommodation sectors (particularly in areas heavily dependent on this drilling activity). The weakness in conventional gas will be somewhat offset by increased oilsands investment, although the benefits of the latter are more concentrated geographically in Fort McMurray and Greater Edmonton than those of conventional gas drilling.

Although the global economy appears to be on a solid path to recovery, the recovery is being driven largely by emerging markets, which are more susceptible to shocks and sudden economic malaise than developed nations. A hiccup in emerging-market growth could put the global recovery in jeopardy, which would negatively impact commodity prices and have serious implications for Alberta's economy.

Other risks include the impact of rising interest rates on housing markets and a more protracted recovery in employment. Although economic activity appears to be picking up, the recovery will be somewhat weaker than anticipated if employment does not follow suit.

Implications for ATB

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

Rising interest rates are likely to dampen activity in real estate markets, as low rates were the principal driver of increasing sales and prices during 2009 and early 2010. Some slowing in prices and sales is already evident as of the second quarter of 2010. However, higher rates will be at least partially offset by the general economic recovery and improving employment prospects.

Higher interest rates 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, impacting their bottom lines and tempering their demand for capital investment. However, the broader economic recovery will imply 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 higher interest rates. This could mean that more companies will draw down on operating lines of credit and ATB's corporate loan utilization levels will increase.

After Alberta comes out of the worst recession the province has seen for at least 30 years, credit losses are likely to remain elevated compared to the 2005–08 period; they tend to lag the broader economic cycle by a few quarters, as companies survive on cash reserves and lines of credit. However, stronger economic growth over the next few years implies that the longer-term trend for credit losses should begin to move downward again, improving ATB's profitability.

The financial crisis, which began in the middle of 2007 and persisted until the recession lost momentum in the latter half of 2009, severely limited access to credit for many of ATB's corporate clients. According to a survey by the Bank of Canada, conditions in the credit markets have improved recently, with many financial institutions 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 dramatically and are almost back to normal. For smaller businesses, which cannot directly access capital markets for funds, financing conditions have begun to stabilize, but credit can still be tough to come by. Credit markets are already on the mend in North America, and this trend appears likely to continue along with the economic recovery until the markets are back to normal. This will help Alberta companies gain access to credit, encouraging more capital investment in the province.

The ATB MasterCard division will also almost certainly benefit from the broader economic recovery. During 2009, provincial retail sales declined by over 8%. Moving into 2010, retail activity has already begun to pick up and is expected to continue to grow as the year progresses. The resulting rise in transaction volumes may increase the fees generated by the MasterCard division.

Another impact of the relatively robust Canadian economic landscape has been an increase in the value of the Canadian dollar. Although ATB does not operate in the U.S. or report in U.S. funds, a strong Canadian dollar will impact many of ATB's customers who trade with U.S. firms. A lofty Canadian dollar will force Alberta companies to seek out efficiencies and keep costs down in order to remain competitive on 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 in 2009 and 2010 but are set to increase as the Bank of Canada raises 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.

2009–10 Performance and 2010–11 Objectives

We have met or exceeded our goal on six measures and failed to achieve our goal on two measures. Detailed analysis of our 2009–10 consolidated operating results and our financial position as at March 31, 2010, can be found beginning on pages 47 and 54, respectively.

Performance Measure[1]

(%)	2010 goal	**2009–10 results achieved**	2011 goal
Return on average assets	0.30–0.40	**0.62 (exceeded goal)**	0.55–0.75
Net interest spread	2.30–2.40	**2.68 (exceeded goal)**	2.90–3.05
Other income as a percentage of total operating revenue	28.0–30.0	**24.7 (under goal)**	25.0–27.0
Operating revenue growth	(4.0)–(6.0)	**(1.3) (exceeded goal)**	8.5–10.5
Credit losses as a percentage of average loans	0.20–0.30	**0.26 (met goal)**	0.20–0.30
Non-interest expenses to operating revenue (efficiency) ratio	79.0–82.0	**75.0 (exceeded goal)**	75.0–77.0
Performing loan growth[2]	6.0–8.0	**6.0 (met goal)**	6.5–8.5
Retail deposit growth	6.0–8.0	**(4.7) (under goal)**	2.0–3.0

1 These objectives and achievements are before payment in lieu of tax (PILOT) and ABCP provisions or recovery. (Refer to notes 9 and 27, respectively, of the consolidated financial statements.)
2 Excludes the impact of mortgage securitization.

Overall, we expect adjusted net income[1] for fiscal 2010–11 to be between $155 million and $165 million. This fiscal 2010–11 adjusted net income forecast is in line with the results for the current year. For fiscal 2010–11, we anticipate continued challenges in securing growth in retail deposits. The anticipated increases in the prime rate will cause an increase in net interest income during fiscal 2010–11. This will be offset by an anticipated decrease in yields for corporate loans. Other income and credit-loss provisions will hold relatively flat year over year, so the significant offset to the growth in net interest income will be non-interest expenses. Increases in the operating expenses for the core business transformation (Core), along with continued investment in Investor Services, will drive year-over-year expense growth. We expect the efficiency ratio in fiscal 2010–11 to be in line with the level achieved in fiscal 2009–10. (Refer to the Review of 2009–10 Consolidated Operating Results section of this MD&A for a more detailed analysis of these expectations.)

1 Adjusted net income is a non-GAAP measure which excludes recovery (provision for loss) on asset-backed commercial paper (ABCP) and payment in lieu of tax (PILOT). (Refer to notes 9 and 27, respectively, of the consolidated financial statements.)

REVIEW OF 2009–10 CONSOLIDATED OPERATING RESULTS

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

Adjusted Net Income

For the year ended March 31, 2010, ATB earned adjusted net income of $165.0 million, down 28.6% from the $231.2 million earned in fiscal 2008–09. $35.5 million of the $66.2-million reduction in earnings was due to lower gains on the sale of securitized mortgages while $22.0 million was due to losses on derivative financial instruments. The remainder of the reduction in earnings was due to weaker operating performance in a very difficult economy.

Return on Average Assets

Return on average earning assets based on adjusted net income (adjusted return on average assets) for fiscal 2009–10 was 0.62%, down from 0.93% in fiscal 2008–09. The major factors driving this decrease in return on average assets were slight increases in average earning assets of 5.9% offset by significant decreases in adjusted net income, down by 28.6%.

For the years ended March 31 *($ in thousands)*		2010	2010 vs 2009 Increase (decrease)			2009
Net income before payment in lieu of tax	$	**165,545**	$ 159,133	2481.8%	$	6,412
Adjusted net income		**165,008**	(66,220)	(28.6)%		231,228
Average total assets	$	**26,470,310**	$ 1,473,502	5.9%	$	24,996,808
Return on average assets before payment in lieu of tax		**0.63%**	0.60%	2000.0%		0.03%
Adjusted return on average assets		**0.62%**	(0.31)%	(33.3)%		0.93%

Outlook for Fiscal 2010–11 – Return on Average Assets

We are targeting a return on average assets of between 0.55% and 0.75% for fiscal 2010–11. This target is based on anticipated adjusted net income of $155 million to $165 million and average total assets in excess of $26.8 billion. These objectives reflect our expectations for increased net interest income (through a forecasted increase in both spread and volume-derived revenue), offset by increased non-interest expenses, while provisions for credit losses and other income hold relatively stable.

Operating Results – Other Key Performance Measures

(%)	2011 Target	2010 Actual	2010 Target	2009 Actual
Net interest spread on average earning assets	2.90–3.05	**2.68**	**2.30–2.40**	2.69
Other income to operating revenue	25.0–27.0	**24.7**	**28.0–30.0**	28.6
Non-interest expenses to operating revenue (efficiency ratio)	75.0–77.0	**75.0**	**79.0–82.0**	69.8
Credit losses to average loans	0.20–0.30	**0.26**	**0.20–0.30**	0.21

Net interest spread earned for fiscal 2009–10 on average earning assets was 2.68%, higher than the year's target range of 2.30% to 2.40% and in line with the prior year's spread of 2.69%. Fluctuations in the level of interest rates normally affect ATB's net interest spread (i.e., the spread between ATB's deposit and loan products). Over fiscal 2009–10, ATB has managed to exceed its targeted levels following increases in yields from corporate loan products that exceeded plan. (Refer to the Net Interest Income section of this MD&A for further analysis of net interest income.)

The ratio of other income to operating revenue excluding ABCP (adjusted operating revenue) was at 24.7%, below the year's target range of 28.0% to 30.0% and significantly below the prior year's ratio of 28.6%. Derivative losses and lower securitization income drove other income down by about 15% over the prior year.

Efficiency ratio, or the ratio of non-interest expenses to adjusted operating revenue, was 75.0% for fiscal 2009–10, compared to 69.8% for the prior year. Despite a year-over-year deterioration in efficiency ratio, this is better than the fiscal year's target rate of 79.0% to 82.0 %. (Refer to the Non-Interest Expense section of this MD&A for further analysis of non-interest expenses.)

Provision for credit losses, measured as a percentage of average net loans outstanding during the year, was 0.26%, in line with the fiscal 2009–10 plan but higher than the prior year's ratio of 0.21%. While the Alberta economy appears to be recovering from last year's recession, ATB continues to experience defaults by customers due to the challenging credit environment that prevailed throughout the 2009 calendar year. The experience of previous recessions suggests that credit losses will remain elevated, lagging the broader economic cycle. Therefore, in spite of an improving economy, ATB expects credit losses to be similar to fiscal 2009–10 in fiscal 2010–11.

Operating Revenue

Operating revenue consists of net interest income and other income.

For the years ended March 31 *($ in thousands)*		**2010**		2010 vs 2009 Increase (decrease)			2009
Net interest income	**$**	**674,688**	$	27,343	4.2%	$	647,345
Other income		**220,783**		(38,899)	(15.0)%		259,682
Operating revenue before the undernoted		**895,471**		(11,556)	(1.3)%		907,027
Recovery (provision for loss) on ABCP		**537**		225,353	100.2%		(224,816)
Total operating revenue	**$**	**896,008**	$	213,797	31.3%	$	682,211

For fiscal 2009–10 , ATB Financial experienced a decrease in adjusted operating revenue of $11.6 million (1.3%). While net interest income increased by $27.3 million (4.2%) over the year, other income decreased by 15.0%, primarily due to derivative losses of $11.4 million and a substantial reduction in securitization income to $18.3 million.

Outlook for Fiscal 2010–11 – Operating Revenue

Our expectation for next fiscal year is an expansion of operating revenue by 8.5% to 10.5%. This target reflects an expected increase in net interest income that exceeds the impact of a slight reduction in other income (driven by reduced securitization revenue and credit fees). The revenue derived from securitization is expected to decline by $3.3 million to $15.0 million as the reduction in the volume of securitization reduces the potential gains on sale.

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

	Average balances		Interest		Average rate (%)	
($ in thousands)	**2010**	2009	**2010**	2009	**2010**	2009
Assets						
Interest-bearing deposits with financial institutions, and securities	**$ 2,849,858**	$ 3,327,432	**$ 43,567**	$ 95,814	**1.5**	2.9
Loans						
Residential mortgages	**7,696,895**	7,704,727	**333,445**	395,995	**4.3**	5.1
Personal	**5,197,538**	4,546,414	**169,387**	243,705	**3.3**	5.4
Other	**9,391,618**	8,478,976	**484,713**	459,473	**5.2**	5.4
	22,286,051	20,730,117	**987,545**	1,099,173	**4.4**	5.3
Total earning assets	**25,135,909**	24,057,549	**1,031,112**	1,194,987	**4.1**	5.0
Non-earning assets	**1,334,401**	939,259	**-**	-	**-**	-
Total assets	**$ 26,470,310**	$ 24,996,808	**$ 1,031,112**	$ 1,194,987	**3.9**	4.8
Liabilities and equity						
Deposits						
Demand	**$ 6,159,391**	$ 5,481,447	**$ 7,234**	$ 38,481	**0.12**	0.70
Notice	**5,862,709**	3,816,109	**34,541**	71,879	**0.59**	1.9
Fixed-term	**11,813,638**	13,446,302	**306,428**	434,448	**2.6**	3.2
Total deposits	**23,835,738**	22,743,858	**348,203**	544,808	**1.5**	2.4
Non-interest-bearing liabilities	**493,368**	434,993	**-**	-	**-**	-
Subordinated debentures	**47,900**	60,823	**2,107**	2,616	**4.4**	4.3
Capital investment notes	**127,837**	-	**5,432**	-	**4.2**	-
Securities sold under repurchase agreements	**198,364**	25,268	**682**	218	**0.34**	0.86
Equity	**1,767,103**	1,731,866	**-**	-	**-**	-
Total liabilities and equity	**$ 26,470,310**	$ 24,996,808	**$ 356,424**	$ 547,642	**1.3**	2.2
Net interest margin	**n/a**	n/a	**$ 674,688**	$ 647,345	**2.55**	2.59
Net interest spread	**n/a**	n/a	**n/a**	n/a	**2.68**	2.69

Net Interest Margin

Net interest margin is the ratio of net interest income to average total assets. Net interest margin decreased from 2.59% last year to 2.55% for fiscal 2009–10. A slight deterioration of four basis points year over year reflects the low interest rate environment prevailing in the deposits market.

Net Interest Spread

Net interest spread (spread) is a key performance measure ATB uses to evaluate its financial performance, and is the ratio of net interest income to average interest-earning assets. ATB's spread for fiscal 2009–10 was 2.68% compared to a targeted range of 2.30% to 2.40% and a fiscal 2008–09 level of 2.69%. ATB exceeded its targeted levels through increases in yields from corporate loan products.

Change in Net Interest Income

($ in thousands)	2010 vs 2009 Increase (decrease) due to changes in volume	2010 vs 2009 Increase (decrease) due to changes in rate	2010 vs 2009 net change	2009 vs 2008 Increase (decrease) due to changes in volume	2009 vs 2008 Increase (decrease) due to changes in rate	2009 vs 2008 net change
Assets						
Interest-bearing deposits with financial institutions, and securities	$ (7,301)	$ (44,946)	$ (52,247)	$ 6,446	$ (57,351)	$ (50,905)
Loans						
Residential mortgages	(339)	(62,211)	(62,550)	15,292	(9,544)	5,748
Personal	21,220	(95,538)	(74,318)	50,665	(36,445)	14,220
Other	47,102	(21,862)	25,240	60,783	(137,423)	(76,640)
Total loans	67,983	(179,611)	(111,628)	126,740	(183,412)	(56,672)
Change in interest income	60,682	(224,557)	(163,875)	133,186	(240,763)	(107,577)
Liabilities						
Deposits						
Demand	(796)	32,043	31,247	(1,973)	32,668	30,695
Notice	(12,058)	49,396	37,338	(17,283)	29,851	12,568
Fixed-term	42,349	85,671	128,020	(51,217)	103,127	51,910
Total deposits	29,495	167,110	196,605	(70,473)	165,646	95,173
Subordinated debentures	569	(60)	509	436	121	557
Capital investment notes	(5,432)	-	(5,432)	-	-	-
Securities sold under repurchase agreements	(595)	131	(464)	(218)	-	(218)
Change in interest expense	24,037	167,181	191,218	(70,255)	165,767	95,512
Change in net interest income	$ 84,719	$ (57,376)	$ 27,343	$ 62,931	$ (74,996)	$ (12,065)

As presented in the preceding table, the largest driver of the increase in net interest income over fiscal 2009–10 is the significant change in volume for both loans and deposits.

Outlook for Fiscal 2010–11 – Net Interest Spread

Our target for next fiscal year is to earn net interest spread in the range of 2.90% to 3.05%, up from this past year's results. This target reflects our expectation that the Canadian prime interest rate will increase quickly from the historically low level of 2.25% commencing in the summer of 2010. This rising interest rate environment is expected to stem the movement of client borrowing from fixed-rate products to the traditionally leaner-spread variable-rate products that has occurred during the low interest rate environment. Competition for deposits within the industry is expected to persist well into the year, which will slow the recovery of spreads on deposit products.

Other Income

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.

For the years ended March 31 *($ in thousands)*		2010		2010 vs 2009 Increase (decrease)			2009
Service charges	$	**70,900**	$	1,152	1.7%	$	69,748
Securitization income		**18,273**		(35,536)	(66.0)%		53,809
Card fees		**49,338**		4,396	9.8%		44,942
Investor Services		**42,340**		5,591	15.2%		36,749
Insurance		**12,633**		(9,713)	(43.5)%		22,346
Credit fees		**20,157**		8,917	79.3%		11,240
(Loss) gains on derivative financial instruments, net		**(11,440)**		(22,037)	(208.0)%		10,597
Foreign exchange		**11,257**		1,214	12.1%		10,043
Sundry		**7,325**		7,117	3421.6%		208
	$	**220,783**	$	(38,899)	(15.0)%	$	259,682

Other income was $220.8 million for fiscal 2009–10, a decrease of $38.9 million (15.0%) compared to last year's $259.7 million. This decrease was driven by a $35.5-million reduction in securitization income and a $22.0-million decrease in derivative income, partially offset by positive variances in other areas.

ATB securitized $1.0 billion in residential mortgages during the year, an amount consistent with the prior year. The resulting gain on sale of $32.7 million was significantly smaller than the prior year's gain of $53.3 million. This decrease was due to a change in the rate and term of mortgages sold. Securitization income was also negatively impacted by changes in the fair value of retained interests from previous securitization transactions.

ATB experienced a loss on derivatives of $11.4 million compared to the $10.6-million gain in the prior year. This change was driven by the changing rate environment, which has changed the direction of fair value adjustments from positive to negative.

The ratio of other income to adjusted operating revenue was 24.7%, a decrease from 28.6% last year. ATB's ratio of other income to operating revenue is expected in the short to medium term to continue to be significantly less than that of all the major Canadian banks, as ATB does not generate revenue from trading, investment banking, or major brokerage activities. ATB is actively pursuing strategies to improve this ratio over the next five years.

Outlook for Fiscal 2010–11 – Other Income as a Percentage of Total Operating Revenue

Our targeted ratio of other income to operating revenue for fiscal 2010–11 is 25.0% to 27.0%. This target reflects our expectation that growth in other income will be limited (excluding ABCP) as improvements in Investor Services fees will be offset by the reduction in securitization revenue and 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 7.0% to 9.0% increase in net interest income.

Provision for (Recovery of) Credit Losses

ATB's results for fiscal 2009–10 reflect a $58.9-million provision for credit losses as compared to $42.7 million for the prior year. The increase in our net provision was driven by an increase in new specific provisions of $11.0 million, and a $4.4-million net increase in the general credit-loss allowance.

For the years ended March 31 *($ in thousands)*		**2010**		2010 vs 2009 Increase (decrease)			2009
New specific provisions	**$**	**39,923**	$	11,001	38.0%	$	28,922
Reversal of previous allowances		**(3,464)**		2,848	45.1%		(6,312)
Recoveries of prior writeoffs		**(5,778)**		(2,036)	(54.4)%		(3,742)
Specific provisions for credit losses		**30,681**		11,813	62.6%		18,868
General allowance		**28,266**		4,422	18.5%		23,844
	$	**58,947**	$	16,235	38.0%	$	42,712
Provision as a percentage of average net loans		**0.26%**		0.05%	23.8%		0.21%

The ratio of the annual provision for credit losses to average net total loans is 0.26% for fiscal 2009–10, exceeding last year's ratio of 0.21%, as the impact from the economic downturn continues to be felt in this area. ATB places an emphasis on strong credit and effective loss-limitation practices, which serves to minimize our credit-loss experience. (Refer to the Risk Management section of this MD&A for a discussion of ATB's approach to credit risk management.)

Outlook for Fiscal 2010–11 – Credit Losses as a Percentage of Average Loans

We expect our credit-loss provisions to hold relatively stable in fiscal 2010–11 as economic stability improves for both business and personal banking financial services. Although specific credit losses are expected to increase relative to general credit losses, we are targeting the ratio of credit losses to average loan balances to fall in the range of 0.20% to 0.30%.

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 (provision for loss) on ABCP.

For the years ended March 31 *($ in thousands)*		**2010**		2010 vs 2009 Increase (decrease)			2009
Salaries and employee benefits	$	**367,830**	$	34,802	10.5%	$	333,028
Data processing		**72,594**		(1,028)	(1.4)%		73,622
Premises and occupancy		**72,229**		16,811	30.3%		55,418
Professional and consulting costs		**32,927**		(393)	(1.2)%		33,320
Equipment and software		**41,062**		7,165	21.1%		33,897
Marketing and supplies		**28,842**		(918)	(3.1)%		29,760
Communication		**19,994**		1,309	7.0%		18,685
Deposit guarantee fee		**23,706**		(5,711)	(19.4)%		29,417
ATB agencies		**8,175**		(317)	(3.7)%		8,492
Other		**4,157**		(13,291)	(76.2)%		17,448
	$	**671,516**	$	38,429	6.1%	$	633,087
Efficiency ratio (based on adjusted operating revenue)		**75.0%**		5.2%	7.4%		69.8%

Non-interest expenses amounted to $671.5 million for fiscal 2009–10, an increase of $38.4 million or 6.1% compared to the fiscal 2008–09 total of $633.1 million.

The most significant increase this year was in salaries and employee benefits costs (including salaries, benefits, and training), which increased by $34.8 million. The increase reflects planned increases in accrued salaries for some union members and benefit plan increases, along with increased staffing levels to support the growth in our lines of business.

Premises and occupancy costs are up by $16.8 million, reflecting planned office space increases. Equipment, software, and intangibles increased by $7.2 million over the prior year, driven by increased amortization costs for computer hardware and software.

ATB pays a deposit guarantee fee to the Government of Alberta in compensation for the unlimited principal and interest guarantee it provides to our depositors. The fee is assessed on total deposits outstanding as at the end of each fiscal year, both retail and wholesale. The fee payable on deposits is consistent with the Canada Deposit Insurance Corporation's (CDIC's) risk-based premium methodology. In fiscal 2009–10, ATB recognized a $23.7-million deposit guarantee expense, a decrease of $5.7 million that is related to the decrease in deposits and a reduction in the premium.

Efficiency Ratio

The 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 efficiency ratio (excluding recovery or provision for loss on ABCP) was 75.0%, increasing from last year's ratio of 69.8%. Although this represents a deterioration compared to the prior year, it is nevertheless an improvement over the fiscal 2009–10 targeted range of 79.0% to 82.0%.

> *Outlook for Fiscal 2010–11 – Efficiency Ratio*
>
> We have targeted the efficiency ratio for fiscal 2010–11 to be within a range of 75.0% to 77.0%. This reflects our plan to invest in growth initiatives—such as enhancing customer-facing technology, strengthening our support infrastructure, and implementing ATB's core business transformation (Core)—that are consistent with the long-term strategic direction of the organization. This investment will continue to be a focus even though revenue generation for the organization will not compensate for the increased expenditures; ultimately, this will put upward pressure on our efficiency ratio over the next two years as we undertake these significant endeavours. We expect a substantial increase in productivity following completion of these initiatives.

REVIEW OF MARCH 31, 2010, 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		2009
(%)	Target	Actual	Target	Actual
Performing loan growth[1]	6.5 – 8.5	6.0	6.0 – 8.0	16.0
Personal and business deposit growth	2.0 – 3.0	(4.7)	6.0 – 8.0	17.8

1 Excludes the impact of securitization program.

ATB operates as a full-service financial institution with a balance sheet that primarily consists of loans, deposits, and equity. At any time, ATB's financial position is reflected by the performance of its loan and deposit portfolios. This performance is impacted by the level of interest rates, the level of competitive activity, the economic environment here in Alberta, our credit practices, and the liquidity of our balance sheet.

ATB's performing loan growth for fiscal 2009–10 is 6.0%, in line with the targeted growth of 6.0% to 8.0%. Despite the economic downturn in fiscal 2009–10, competitive marketing strategies on the residential mortgages side and historically low prime rates have fuelled utilization of ATB's prime retail loan products over the year. Though not as robust as last year, ATB continues to experience growth in its home equity line of credit balances. Personal and agricultural loans have also experienced an increase over the year following the absence of major players in the conditional sales market and the strength of ATB's Farmland Financing products. The loan balances within the Corporate Financial Services line of business decreased by $412 million or 7.0% as utilization of committed financing lines decreased by 8.4% this year. However, committed commercial lines increased by $665 million or 7.0% over last year. (Refer to note 10 to the statements for a detailed analysis of ATB's loan portfolio.)

In fiscal 2009–10, ATB was below its targeted personal and business deposit growth of 6.0% to 8.0%, with an actual decline in deposit balances of nearly $1 billion or about 4.7%. Low levels of absolute rates, combined with decreased corporate cash holdings as capital market conditions improved in the wake of the 2007–2009 financial market crisis, led to a decrease in large-balance deposits held by corporate and institutional customers. In addition, retail competitive pressures were strong, particularly in fixed-date and registered deposit products, limiting ATB's ability to attain its aggressive growth goals in these products.

Total Assets

ATB's total assets were over $25.4 billion as at March 31, 2010, a decrease of almost $1.1 billion, or 4.1%, from $26.5 billion as at March 31, 2009. This decrease in total assets was driven primarily by a deliberate reduction in our interest-bearing deposits with financial institutions, which decreased by $1.8 billion over the course of fiscal 2009–10. The decrease in investments was a function of the implementation of a new liquidity management policy during the year, which is discussed below. This decrease in total assets was partially offset by an increase of $0.9 billion in our net loans.

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.

For the years ended March 31 *($ in thousands)*		2010	2010 vs 2009 Increase (decrease)			2009
Cash and items in transit	$	**219,624**	$ (160,900)	(42.3)%	$	380,524
Interest-bearing deposits with financial institutions		**675,576**	(1,840,913)	(73.2)%		2,516,489
Securities[1]		**487,448**	357,654	275.6%		129,794
Cash and securities	$	**1,382,648**	$ (1,644,159)	(54.3)%	$	3,026,807
As a percentage of total assets		**5.4%**	(6.0)%	(52.6)%		11.4%

1 Includes unencumbered liquid securities.

Prior to this fiscal year, ATB used a simple liquidity metric that measured the amount of short-term investments and cash held on the balance sheet. During the year, management undertook a review of existing liquidity risk management policies to bring them in line with new global and Canadian federal liquidity risk management guidance issued as a result of regulatory experiences in the 2007–2009 global financial crisis. As a result, a new liquidity risk management policy was approved. Transition to this new policy occurred over the last two quarters of this year, and the policy was fully implemented by March 31, 2010.

As a direct result of the new liquidity policy, ATB's holdings of cash and qualifying investments decreased from 11.4% of total assets as at March 31, 2009, to 5.4% as at March 31, 2010.

Cash and items in transit are highly variable as a result of changes in customer product preferences and the timing of certain interbank activities such as foreign currency clearing, cheque clearing, and other transit items. Interest-bearing deposits with financial intermediaries dropped substantially in the year as a result of changes in liquidity management policies. In prior periods, all liquidity needs were met through holding short-term corporate securities and bank deposits, necessitating ongoing wholesale funding requirements significantly in excess of ATB's lending activities. In the current period, as a result of the revised liquidity risk policy, cash and Canadian government securities are used as a reserve against short-term cash needs. Intermediate-term liquidity needs are primarily met through unused borrowing capacity from government-guaranteed sources. (Refer to the Risk Management section of this MD&A for greater detail regarding our liquidity risk and related management strategies.)

To support our participation in Canadian clearing and payment systems, a portion of our liquid assets are pledged as collateral. (Refer to notes 8 and 21 to the statements for details.)

Loans, Net of Allowances for Credit Losses

Loans, net of allowances for credit losses, increased by $0.9 billion from the previous year to $22.5 billion as at March 31, 2010. This overall increase in net loans represents a 4.3% growth over last year. (Refer to notes 10 and 11 to the statements for details.)

Loans and Allowances

As at March 31 *($ in thousands)*		**2010**		2010 vs 2009 Increase (decrease)			2009
Gross loans	$	**22,757,016**	$	961,604	4.4%	$	21,795,412
Less: specific allowances		**(17,293)**		(970)	(5.9)%		(16,323)
Loans, net of specific allowances		**22,739,723**		960,634	4.4%		21,779,089
Less: general allowances		**(205,120)**		(28,266)	(16.0)%		(176,854)
Loans, net of allowances for credit losses	$	**22,534,603**	$	932,368	4.3%	$	21,602,235

Outlook for Fiscal 2010–11 – Performing Loan Growth

We are targeting overall growth in our gross performing loan balance of 6.5% to 8.5% in fiscal 2010–11, based primarily on our expectation of a normalized commercial loan growth for the year. Additionally, the improving economic environment is expected to generate consistent retail lending across product categories, even in light of an anticipated increasing interest environment commencing in the summer.

Remaining Assets

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

As at March 31 *($ in thousands)*		**2010**		2010 vs 2009 Increase (decrease)			2009
Premises and equipment	$	**188,831**	$	13,308	7.6%	$	175,523
Software and other intangibles		**201,767**		91,149	82.4%		110,618
Accrued interest receivable		**114,600**		(19,317)	(14.4)%		133,917
Derivative financial instruments		**226,509**		(32,185)	(12.4)%		258,694
Other		**148,808**		14,170	10.5%		134,638
	$	**880,515**	$	67,125	8.3%	$	813,390

The balance for software and intangibles increased by $91.1 million (82.4%) from the prior year. The increase primarily relates to ATB's investment in the core business transformation (Core).

The increase in premises and equipment relates to branch expansions and renovations.

The decrease in accrued interest receivable is largely the result of declining prime rates and net interest spreads. This is partially offset by an increase in average interest-bearing assets held with ATB.

The decrease in derivative financial instruments primarily relates to the decrease in fair value of certain interest rate swaps due to increasing interest rates, partially offset by increases in equity- and commodity-linked options used to hedge certain deposit products.

Outlook for Fiscal 2010–11 – Capital Expenditures

Our most significant ongoing initiative is Core, the replacement of our legacy banking system. Core was launched in fiscal 2007–08 and will not only replace our current banking system, but transform the way we transact business. The new system capabilities, combined with the opportunity to streamline our processes, will enable us to offer new and improved products and services, increased productivity, and better value to our customers. The switch from the legacy system to Core has experienced delays, and implementation is now expected early in fiscal 2011–12.

We will continue our ongoing strategies and investments in sustaining and enhancing our information technology infrastructure. Our facilities investments in fiscal 2010–11 will reflect our real estate sustainment strategy, as well as planned growth in our branch network. We are forecasting the completion of three to five branch renovations and one to two branch relocations, and plan to open four to six new retail branches in fiscal 2010–11.

ATB has initiated several projects within its lines of business. Specifically, Retail Financial Services continues its migration to a chip-enabled environment intended to replace all magnetic strip cards in early fiscal 2011–12, shortly after Core is implemented. Investor Services will continue building its Wealth Management Foundation technology platform, which will improve the efficiency of advisors, and is required to achieve the levels of growth planned in this line of business. Expenditures are also planned in fiscal 2010–11 to begin developing a non-retail-lending technology platform to support growth and efficiency in the Corporate Financial Services and Independent Business and Agriculture lines of business. Our fiscal 2010–11 capital expenditure plan also includes various risk and regulatory projects, most notably processes and systems to support a Basel framework and to improve our treasury management capabilities.

Total capital expenditures budgeted for fiscal 2010–11 are $176 million, including $110 million for Core, $27 million for facilities construction and renovations, $16 million for information technology infrastructure, and $23 million for enhancements to customer-facing and corporate-support technology, together with associated process improvements.

Deposits

ATB has two principal sources of deposits: our personal and business or commercial deposits, primarily sourced through our retail network, and our 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.

As at March 31 *($ in thousands)*		Payable on demand		Payable after notice		Payable on fixed date		Total	Percentage of total
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%**	
2009									
Retail									
Personal		1,603,916		3,154,013		6,039,640		10,797,569	45.2%
Business and other		4,067,659		2,141,341		3,949,290		10,158,290	42.5%
Wholesale		-		-		2,925,387		2,925,387	12.3%
	$	5,671,575	$	5,295,354	$	12,914,317	$	23,881,246	100.0%
		23.7%		22.2%		54.1%		100.0%	

During fiscal 2009–10, total deposits decreased to $22.6 billion (a 5.5% decrease year over year).

Personal and business and other deposits decreased by $984.7 million (4.7%). There was mixed performance across the deposit categories, with customers moving their money from fixed-date deposits to demand deposits as interest rates decreased. We expect a migration back to fixed-date accounts when interest rates move to levels that are more attractive to customers. Part of the decline in business deposits is a function of customers using excess cash to pay down loans as opposed to investing in low-return deposits.

Our wholesale deposits are used as a source of funds to supplement retail deposits in supporting our lending activities, and the balances outstanding can fluctuate significantly over the course of each year to compensate for fluctuations in loan and deposit balances. As of March 31, 2010, our operating agreement with the Government of Alberta limits the total volume of such deposits to $4.3 billion.

Outlook for Fiscal 2010–11 – Growth in Retail Deposits

We are targeting a retail deposit growth rate of 2.0% to 3.0% for fiscal 2010–11. The impact of the current low interest environment is expected to linger well into the year as clients, both business and personal, seek alternative investment opportunities in order to secure higher returns. Considering the industry-wide nature of this deposit challenge, the competition for available deposits should continue to be significant, which will further challenge growth in these balances.

Remaining Liabilities

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

As at March 31 *($ in thousands)*	2010	2010 vs 2009 Increase (decrease)		2009
Accrued interest payable	$ **125,509**	$ (33,975)	(21.3)%	$ 159,484
Securities sold under repurchase agreement	**-**	(286,404)	(100.0)%	286,404
Derivative financial instruments	**146,892**	19,374	15.2%	127,518
Subordinated debentures	**45,176**	(11,837)	(20.8)%	57,013
Capital investment notes	**224,994**	224,994	100.0%	-
Other	**497,923**	254,129	104.2%	243,794
	$ **1,040,494**	$ 166,281	19.0%	$ 874,213

The decrease in accrued interest payable reflects decreased interest rates and an overall decrease in deposit balances as at March 31, 2010.

ATB periodically sells certain long-term securities under repurchase agreements as an alternative to interest rate swaps. As at March 31, 2010, ATB had no outstanding obligations to repurchase such securities.

As at March 31, 2010, ATB had recognized derivative-financial-instrument liabilities with a fair value of $146.9 million, compared to $127.5 million last year. This increase is primarily due to growth and the fair value of embedded derivatives related to certain deposit products.

The decrease in the balance of subordinated debentures outstanding at the end of fiscal 2009–10 reflects our annual obligation to the Government of Alberta for the deposit guarantee fee to repay debentures that matured during the year.

Capital investment notes are five-year non-redeemable guaranteed notes issued to the general public. The first tranche of these notes was issued during the year with a fixed rate of return of 4.25%. (Refer to note 28 to the statements for details.)

The significant increase in other remaining liabilities reflects an increase in accounts payable, accrued liabilities, items in transit, and amounts due to clients, brokers, and dealers, as well as the increase for payment in lieu of tax (PILOT) and Achievement Notes. The growth in this balance is a function of the timing of the settlement of these liabilities. The increase is slightly offset by a decrease in the deposit guarantee fee payable.

Regulatory Capital

ATB manages capital to ensure that it meets the minimum levels set out by its regulator, Alberta Finance and Enterprise, while supporting the continued growth of its business and building stakeholder value.

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). Capital investment notes are five-year non-redeemable guaranteed notes issued to the general public. They were added as permitted Tier 2 capital via an amendment to ATB's Capital Adequacy Guideline in June 2009.

Regulatory Capital and Capital Ratios

As at March 31 *($ in thousands)*	2010	2010 vs 2009 Increase (decrease)		2009
Tier 1 capital				
Retained earnings	**$ 1,777,223**	$ 127,470	7.7%	$ 1,649,753
Tier 2 capital				
Eligible portions of:				
Subordinated debentures	**9,076**	9,076	100.0%	-
Capital investment notes	**179,995**	179,995	100.0%	-
General allowance for credit losses	**172,657**	8,419	5.1%	164,238
Notional capital	**568,133**	(31,867)	(5.3)%	600,000
	929,861	165,623	21.7%	764,238
Total regulatory capital	**$ 2,707,084**	$ 293,093	12.1%	$ 2,413,991
Total risk-weighted assets	**$ 19,732,223**	$ 962,140	5.1%	$ 18,770,083
Risk-weighted capital ratios				
Tier 1 capital ratio	**9.0%**	0.22%	2.5%	8.8%
Total regulatory capital ratio	**13.7%**	0.86%	6.7%	12.9%
Assets-to-capital multiple	**9.4**	(1.6)	(14.5)%	11.0

Our Tier 1 capital was 9.0% and total capital was 13.7% of risk-weighted assets as at March 31, 2010.

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

		2010					2010 vs 2009				2009	
As at March 31 ($ in thousands)	Risk-weighted percentage		**On- or off-balance-sheet value**		**Risk-weighted value**		Risk-weighted value Increase (decrease)			On- or off-balance-sheet value		Risk-weighted value
Balance sheet amounts												
Cash resources	0–20	**$**	**855,000**	**$**	**135,115**	$	(368,183)	(73.2)%	$	2,870,213	$	503,298
Securities	0–100		**1,158,900**		**620,530**		(401,946)	(39.3)%		1,228,305		1,022,476
Residential mortgages	0–100		**7,977,129**		**2,632,405**		240,583	10.1%		7,307,908		2,391,822
Other loans	0–100		**14,557,474**		**13,357,918**		194,978	1.5%		14,294,327		13,162,940
Other assets	0–100		**880,515**		**809,027**		75,126	10.2%		813,390		733,901
Total balance sheet amounts			**25,429,018**		**17,554,995**		(259,442)	(1.5)%		26,514,143		17,814,437
Off-balance-sheet amounts												
Guarantees and letters of credit	50–100		**11,098,074**		**2,052,713**		1,206,027	142.4%		10,653,602		846,686
Derivative financial instruments	20–50		**6,164,031**		**124,515**		15,555	14.3%		5,969,194		108,960
Total off-balance-sheet amounts			**17,262,105**		**2,177,228**		1,221,582	127.8%		16,622,796		955,646
Total risk-weighted assets		**$**	**42,691,123**	**$**	**19,732,223**	$	962,140	5.1%	$	43,136,939	$	18,770,083

Outlook for Fiscal 2010–11 – Regulatory Capital

Over fiscal 2010–11, we expect our capital levels to continue to exceed both our regulatory and internal policy 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, credit instruments, guarantees, and the margin-funding facility (MFF) required as part of ATB's investment in asset-backed commercial paper (ABCP) as a Master Asset Vehicle (MAV) 1 note holder. (Refer to note 9 to the statements for further information regarding ABCP.)

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 management and administration increased from $3.9 billion to $5.2 billion during the year. This increase was due to a combination of strong market returns and net assets gathered.

Derivative Financial Instruments

ATB enters into over-the-counter derivative contracts in the normal course of business. These contracts are either used 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.

Derivative financial instruments are accounted for on the consolidated balance sheet at fair value, including those qualifying for hedge accounting. 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 additional information on the types of derivatives used by ATB and the method of accounting for them.)

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, overdraft, credit card authorized limits, etc. To the extent that a customer's authorized limit on a facility exceeds the outstanding balance drawn as at March 31, 2010, 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 a detailed description of these arrangements, including the maximum amount of additional credit ATB may be obligated to extend as at March 31, 2010, and the portion thereof that relates to demand facilities.)

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 of these obligations.) We are also obligated to make future interest payments in respect of our subordinated debentures. (Refer to note 18 to the statements for 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 (CICA) 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 additional information on these guarantees.)

MAV Margin-Funding Facility

MAV 1 note holders are required to provide an MFF to cover possible collateral calls on the leveraged super-senior trades underlying the individual notes. (Refer to note 9 to the statements for 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. $29.5 million has been recorded in other liabilities as a deferred credit fee to recognize the fair value of this commitment. As at March 31, 2010, no amount has been funded under the MFF.

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 information regarding securitization.)

Operating Results by Segment

ATB is organized into three customer-focused lines of business: Personal and Business Financial Services (PBFS), Corporate Financial Services (CFS), and Investor Services (ATBIS).

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 standards and Accounting Guideline 4–related adjustments, which are recorded at the other business unit (corporate) level only. (Note: Because these lines of business 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)	Personal and Business Financial Services	Corporate Financial Services	Investor Services	Other business units	Total
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
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
Increase (decrease) from 2009					
Net interest income	(2,614)	56,844	(356)	(26,531)	27,343
Other income	22,268	18,105	4,350	(83,622)	(38,899)
Recovery (provision for loss) on ABCP	-	-	-	225,353	225,353
Provision for (recovery of) credit losses	33,223	(7,167)	-	(9,821)	16,235
Non-interest expenses	2,040	6,323	8,704	21,362	38,429
Payment in lieu of tax	-	-	-	38,075	38,075
Net income (loss)	(15,609)	75,793	(4,710)	65,584	121,058
For the year ended March 31, 2009					
Net interest income	474,645	97,952	5,251	69,497	647,345
Other income	135,669	36,760	35,928	51,325	259,682
Provision for loss on ABCP	-	-	-	(224,816)	(224,816)
Provision for credit losses	16,504	23,545	-	2,663	42,712
Non-interest expenses	476,112	29,507	50,149	77,319	633,087
Payment in lieu of tax	-	-	-	-	-
Net income (loss)	$ 117,698	$ 81,660	$ (8,970)	$ (183,976)	$ 6,412

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 other business units.

Personal and Business Financial Services

ATB Financial's personal business and financial services include Retail Financial Services (RFS) and ATB's new Independent Business and Agriculture (IB&Ag) line of business, which was created to better serve business and agriculture customers. In fiscal 2009–10, new management was hired for IB&Ag so it could begin operating as a separate line of business on April 1, 2010.

Retail Financial Services (RFS)

Overview

RFS is the most prominent face of ATB across the province, encompassing a network of branches and agencies and offering a diverse range of channels, including online banking, card services, the Customer Contact Centre, direct sales, and mortgage brokers. With approximately 3,000 associates, RFS is also the key point of contact for the majority of ATB customers and a direct source of customers and connections for the other lines of business.

Business Plan Summary

After years of steady growth, RFS experienced the impact of Alberta's economic slowdown in fiscal 2009–10. While we anticipate a modest recovery in fiscal 2010–11, we also expect to see an increase in competition in the retail banking sector. The competitive landscape will continue to impact our deposit growth and overall profitability in the coming year. This means we will have to aggressively manage our overall profitability margins, enhance our product offerings, continue to grow our retail deposit base, and position RFS to take full advantage of the benefits that our new Core banking system will bring. Above all, we need to build on existing relationships and use customer insights to grow these relationships while attracting new customers to ATB.

Just as we will need to pay attention and adjust our plans, so will our customers, and that's why staying close to them will be key to our success. Deepening our relationships will enable us to help Albertans address both the challenges and the opportunities that lie ahead.

2009–10 Accomplishments

We received significant industry exposure and accolades for our new, innovative branch designs. Our Branch of the Future concept integrates the architectural design and functional layout of the branch with the community in which it operates and belongs. These unique, innovative, and customized designs will help us achieve our goal of creating amazing experiences for our customers and our associates. We have also capitalized on our new design philosophy to create unique work environments that will engage our associates and allow them to perform at their best. So far we have renovated an existing branch using this concept and opened three others.

In RFS, we believe that at the end of the day, our business is about people. We are committed to creating the best working environment possible for our associates, and we believe that they will in turn help us create amazing experiences for our customers. It's a formula that seems to be working. Last year we saw our employee engagement score grow to 81%—that's 1% higher than average industry standards for best employers. In lockstep with those results, despite a tougher economic climate, our customer satisfaction score soared to 84, three points higher than the year before.

We analyzed the marketplace carefully, and when it made sense to do so, we took a risk and applied an aggressive pricing strategy to our residential mortgage rates. The result was phenomenal: for the first time in our history, we saw more than $1 billion in growth. But this is only the beginning. Our job now is to focus on deepening our relationships with these customers and to grow the business we have with them.

2010–11 Objectives

Our objectives for the coming year are as follows:

- Support the Core initiative. The way we do business will change significantly once our new Core banking system arrives, and we are busy getting ready to take advantage of Core's potential. More efficient processes and better information will help us better understand our customers' needs and preferences and deliver exceptional service.
- Transform RFS to maximize the potential of Core. The RFS Transformation initiative is ultimately about implementing the changes required to allow us to achieve our full potential. While Core represents world-class technology, that technology is simply an enabler to allow us to be better bankers and provide better service to our customers. RFS Transformation is about giving our associates the training and coaching, sales tools, performance measures, products and services, customer strategies, information, and processes they need to deliver on ATB's dream and brand promise.
- Build strong and effective leadership. By putting leading-edge tools in the hands of well-trained associates and ensuring that we have outstanding leaders across RFS, we will create an unmatched advantage in the marketplace. We continue to build a leadership framework that is unique to ATB's brand and culture. This framework allows us to consistently assess a leader's performance, potential, and development needs, measuring leaders' talent and competency in the core behaviours and skills that drive leadership performance at ATB.
- Achieve strong associate engagement. Our ability to deliver unparalleled service to our customers depends on dedicated and loyal associates who believe in the organization and their role within it. To achieve high associate engagement, we must provide strong leadership, relevant and timely training, a commitment to coaching, and effective tools that help our associates deliver the right service and advice to our customers. Engagement starts with hiring the right associates, not only for their skills and experience, but also for their fit with ATB's culture. We will also continue to focus on ongoing training and innovative ways of recognizing and rewarding performance consistent with our objectives.
- Create amazing experiences for our customers. Through the new tools and processes provided by Core, the various initiatives to transform RFS, inspired leadership, and thoughtful and proactive associates, our ultimate goal is to create amazing experiences for our customers. That's how we'll ultimately attract new customers, deepen our relationship with existing customers, and build loyalty over the long term.

In RFS we will continue to design and pilot innovative sales and service models, like our Branch of the Future, to tailor our approach to customers, the products we develop and sell, and the way we build relationships.

Working closely with Alberta Intelligence and Innovation, we will capture and communicate the views of our customers, assess the impact of market and consumer trends, analyze existing data, and use all that intelligence to adjust strategies and meet the changing expectations of our customers. With the work we've got under way and the work we have planned for the next few years, we are striving to be the best in the business.

Independent Business and Agriculture (IB&Ag)

Overview

Over the past year, lending to independent businesses and the agriculture industry continued at a steady pace as financial institutions took advantage of consolidation in the market due to the exodus of alternative credit suppliers and more restrictive lending policies. ATB's competitors have responded to this opportunity by building face-to-face relationships, sales training and support, low-priced products and services, and access to credit.

The trend in the industry toward providing value-added services, innovative products, and targeted pricing has created an opportunity for ATB to build the best independent business and agriculture offering in Alberta. In order to do so, we created a dedicated line of business.

Business Plan Summary

Leveraging ATB's overall corporate direction, IB&Ag created a mission focusing on delivering 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.

2009–10 Accomplishments

Farmland Financing has grown at a tremendous rate. Its popularity is due to the flexibility it provides customers, with a longer amortization period, lower down payment requirement, competitive interest rate, and interest-only payment option. Farmland Financing has been a significant contributor to ATB's agriculture loan portfolio, which reached near-record levels this year.

During the past fiscal year, ATB offered our IB&Ag customers the Principal Deferment Program. Under this program, customers were able to make interest-only payments on their term loans for up to six months. This program was launched to assist businesses impacted by the slowdown in the economy by reducing debt servicing commitments, freeing up cash for them to inject into other parts of their business. This program demonstrated that ATB understands the Alberta economy and provides innovative solutions to help our customers, and it was well received.

We were also heavily involved in the community during fiscal 2009–10. We continued to sponsor 4-H events and programs, such as the 4-H Judging Competition, 4-H Senior Members' Conference and Leaders' Conference, and 4-H Awards of Excellence. We are also a proud partner of Alberta's Outstanding Young Farmers, which provides a positive platform to recognize and celebrate progress and excellence in agriculture. We support various regional chambers of commerce through membership or by sponsoring events such as Small Business Week and the Salute to Excellence gala. We also acknowledge the entrepreneurial spirit within the business community through our sponsorship of such events as the Fast 50, presented by *Alberta Venture* magazine, which celebrates Alberta's 50 fastest-growing companies.

2010–11 Objectives

As a newly defined line of business, IB&Ag has an excellent opportunity to build the best independent business and agriculture offering in Alberta. 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.

Executing these four strategic priorities will enable us to fulfil our mission and become a market leader for independent business and agriculture.

Corporate Financial Services (CFS)

Overview

In fiscal 2010–11, Alberta and the world will be 18 months removed from the start of a global recession that changed the financial markets and competitive landscape considerably. One element that did not change was ATB's commitment to Albertans, and in the mid- to senior market, CFS continued with its mandate to support and partner with Alberta companies.

At the beginning of fiscal 2009–10, we were still witnessing a global credit crunch in which both foreign and domestic financial institutions retreated from the Alberta market. Capital was difficult to obtain, and the relative health of Alberta companies was being challenged. CFS capitalized on this opportunity to strengthen existing relationships and earn trust in new relationships. Our reputation in the market for providing highly responsive relationships, especially in challenging times, has never been clearer or more valued than it is today. We will leverage this reputation to continue to penetrate and serve our market.

Business Plan Summary

Moving forward, CFS sees the upcoming forecast horizon as a period in which normality will return to our market. During fiscal 2010–11, while the recession's impact will still be felt around the globe, in Alberta we expect competition from domestic and foreign sources to be fierce as the key players vie to re-establish themselves as dependable financial partners. Debt and equity markets will continue to open up, and there will be significant pressure in the competition for our clients' deposit dollars. The mid- to senior market will again be a well-served segment in which relationships will be the key to retaining and attracting the strongest clients. CFS's goal this year will be to continue as a strong partner for businesses in our market through our ongoing focus on our people, clients, and expanding capabilities.

2009–10 Accomplishments

A major priority for the division over the past year was to ensure that our doors were open for our clients and other businesses operating in the Alberta market. CFS thus focused on and was successful in expanding its client base by 158 new relationships. This expansion in part helped the line of business increase its overall authorized loans for the period by 7.3%. The growth achieved during the year translated into a significant year-over-year increase in operating revenue of $74.9 million. Amid that growth—when Alberta businesses faced one of the more challenging environments in recent history—CFS was able to maintain a well-managed portfolio, as evidenced by a year-end closing position of zero specific provisions.

2010–11 Objectives

CFS will stay on course with our existing strategy over the next year, pursuing the following goals:

- Increase market share through industry specialization, leveraging the success of the division's specialized team dedicated to serving the needs of clients in the energy sector, and employing more industry specialist teams for other key sectors that drive the Alberta economy, starting with real estate.
- Contribute to the efficient use of enterprise capital through managed economic growth and retention of loans and deposits.
- Develop world-class technology, products, and capabilities.
- Strive to have the best people and the best customers.

Investor Services (ATBIS)

Overview

ATBIS has been ATB's fastest-growing line of business since it was established as a separate line in fiscal 2002–03. 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. Our network of professional advisors is committed to becoming world-class at understanding clients and helping them realize their dreams. The continued development of ATB's wealth management business is a key component of ATB's corporate plan.

Business Plan Summary

As ATBIS continues to build a quality team of advisors and specialists committed to our value proposition of individualized investment plans and best-in-class portfolio solutions, referrals of existing ATB customers to ATBIS are critical for the growth of this line of business. ATBIS is focused on profitable growth and long-term customer retention. We will achieve these goals by leveraging our unique value proposition and trusted brand to repatriate the investment assets of ATB customers who may still deal with our competitors, and by acquiring new customers through referrals from our existing ATBIS customers.

To date, we have focused on expanding the advisory team, enhancing our advisory and service offering, and building strong and scalable operational and risk management infrastructure. These areas continue to be priorities going forward, with additional focus on enhancing technology for our advisors and customers and improving the quality and efficiency of the ATBIS offering to the mass market segment.

We now have a genuine opportunity to grow this area of our business. We have rapidly acquired market share and received top customer satisfaction ratings, and will continue to expand our service delivery model to continue this trend. ATBIS plans to ramp up our number of financial advisors across the province. We'll continue to invest strategically in people, premises, and technology so we become the market leader in Alberta within the five-year planning horizon.

2009–10 Accomplishments

Assets under management and administration increased by $1.3 billion during the year to $5.2 billion as at March 31, 2010. The 32.8% increase compares favourably to last year's 3.9% decline. Market growth accounts for approximately $665 million (52.5%) of the increase, and gathering of client net assets accounts for the remaining $601 million (47.5%) of the increase. A significant portion of the assets under management and administration is mutual fund assets. Mutual fund assets in ATBIS grew by 44.8% during fiscal 2009–10 versus the industry growth rate of 24.2% during the same period. ATBIS added an additional 4,200 clients during the year and now serves over 50,000 clients.

As expected, given the improvement in the markets combined with a shift by clients to a more equity-based asset mix, we increased our revenue by 9.7% year over year. Meanwhile our expenses increased by 17.4% year over year as we continued our investment in infrastructure and grew our sales force by 11.3%. 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 2009–10 also saw ATBIS launch the Achievement Notes program, a key component of our associate retention and attraction strategy. The Achievement Notes allow ATBIS associates who have invested their own dollars to participate in the shareholder value they create. The Achievement Notes were very well received—63% of eligible associates purchased them. This level far exceeds both ATBIS targets and employee share ownership norms in the industry. Additionally, we recorded our highest-ever level of customer satisfaction, a positive reflection of our ongoing commitment to dedicated personal service.

2010–11 Objectives

Our objectives for fiscal 2010–11 are focused on our goal of "understanding our clients and helping them realize their dreams." Our strategic priorities are classified into four pillars supporting our dream statement:

- Relevance. ATBIS will 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 will also be increasingly relevant for our parent company. We will increase our relevance by continuing to attract people with the required attributes and character for our business. More qualified, well-trained, and focused advisors allow better relationships with our referral partners while providing great advice and counsel to our clients. We will continue to use and expand our video-enabled face-to-face technology, ATBConnect, which allows our customers, no matter where they are located, to connect with the best advisor to solve problems and help make their dreams come true.
- Mastery. This is the measure of our abilities as teachers, coaches, and guides who help our clients become better investors. We will continue to leverage the best attributes of current advisors in the development of our new and less experienced advisors. We'll also continue to look outside ATBIS and adopt and train our advisors in best-in-class disciplines around client service metrics.
- Simplicity. We'll get rid of clutter and focus on what is most important. 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, which will substantially reduce the work effort and complexity for new clients and improve our insight into current clients while streamlining our back-office processes, will become operational in this fiscal year. ATBIS is also an early adopter of computer video technologies that enhance collaboration and communication between our associates and our clients. During the year, we will also combine two of our subsidiaries into one operating and regulatory environment. This change will substantially simplify the process for many of our associates and provide a platform upon which to build our wealth management foundation.
- Sustainability. Sustainable businesses generate consistent wins for customers, employees, and shareholders who invest in the business. ATBIS will continue to expand our firm's performance metrics and benchmarks to become world leaders in the investment industry. Over the year, we will continue to align our variable compensation plans with achieving best-in-class performance.

Other Business Units

ATB's other business units (also called "strategic service 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. These units provide effective and efficient service to our internal partners and develop and enhance corporate-wide enablers for success in the line-of-business segments.

People and Marketing

Business Plan Summary

ATB believes in putting people first. By people, we mean our own associates, our current and future customers, and our Alberta communities. In order to do this well, this business unit focuses relentlessly on ATB leadership, maintaining top-employer levels of associate engagement, offering competitive rewards that are aligned with associate business performance, supporting ATB's Core initiative, building the ATB brand, strengthening ATB's reputation and reinforcing our strong commitment to Alberta and Alberta communities, and maintaining positive relations with our stakeholder.

2009–10 Accomplishments

For 2009, ATB Financial was recognized as one of the 50 best employers in Canada and one of the top 40 companies to work for in Alberta. That recognition reflects our continuing commitment to our associates—a commitment to make ATB a great place to work and a place where associates can thrive, develop their skills and talents, provide outstanding service to customers, and make their dreams come true. ATB was also selected by *Alberta Venture* magazine as Alberta's most respected company in the area of corporate social responsibility.

Over fiscal 2009–10, we continued our strong focus on building leadership capacity across the organization. We also began work on identifying ATB's brand essence, and emphasized initiatives to strengthen our reputation by expanding our presence in the media, telling the ATB story, and leveraging our commitment and contributions to communities. We continued to invest strategically in community and charitable initiatives, employing a more structured approach to supporting these causes.

Throughout the year, we ensured our associates were well informed and engaged, and supplied them with innovative and leading-edge communications vehicles for their feedback and ideas. Meanwhile, the capacity of Alberta Intelligence and Innovation helped us expand our knowledge of our customers and undertake key projects to support the future direction of the company.

2010–11 Objectives

Objectives for fiscal 2010–11 include the following:

- Provide leadership and support for key aspects of the Core project, including workforce transition, customer awareness and impacts, and communication with associates.
- Continue to focus on building leadership skills across the organization.
- Raise ATB's profile, strengthening our reputation and relevance to Albertans.
- Implement a brand strategy focused on differentiating ATB from the competition.
- Leverage Alberta Intelligence and Innovation resources and expertise to enable more targeted campaigns and a broader understanding of the needs of our clients and prospects.
- Continue to raise awareness and support with our shareholder.
- Address and implement ongoing changes to ATB's compensation programs.

Information Technology and Service Delivery (ITSD)

Business Plan Summary

ITSD is focused on facilitating the success of the lines of business and strategic service units and becoming ATB's trusted advisor in the delivery of IT services and innovation.

2009–10 Accomplishments

Over fiscal 2009–10, ITSD progressed significantly in implementing the basic building blocks of our five-year IT strategic plan, along with the infrastructure refresh activities designed to prepare for Core. We continued to develop a services framework for managing information technology while supporting Core, as well as a set of metrics with a dashboard tool to effectively manage performance and drive productivity. ITSD also made substantial progress in replacing ATB Investor Services' suite of applications—specifically, their wealth management foundation tools.

2010–11 Objectives

Objectives for fiscal 2010–11 include the following:

- Support Core.
- Upgrade our technical infrastructure.
- Prepare for the new SAP environment post-go-live for Core.
- Adopt a service framework for managing IT.
- Leverage existing IT investments to improve productivity.
- Mitigate risk by completing an enterprise IT security assessment and implementing and testing internal controls.

Risk Management

Business Plan Summary

This business unit'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 across all ATB operations. (Refer to the Risk Management section of this MD&A for more information on ATB's Risk Management function.)

2009–10 Accomplishments

Risk Management's achievements over fiscal 2009–10 included finalizing our enterprise risk management framework and completing a number of major enhancements to our market risk management capabilities. We also significantly improved our legislative and anti-money-laundering compliance programs.

2010–11 Objectives

Strategic objectives for fiscal 2010–11 include the following:

- Promote a clear understanding of risk and ATB's tolerance toward risk.
- Create clear direction on risk management responsibility and accountability.
- Provide adequate and effective risk management training.
- Provide timely and effective risk-related information and tools.
- Create dynamic compliance and assurance policies and practices.

Finance and Administration

Business Plan Summary

Finance and Administration will become a high-performing internal service centre for ATB and is focused on building an effective, financially sound organization. This group includes Finance; Treasury; Legal Services; Central Services; and Facilities, Real Estate and Supply Chain. Finance and Administration will act as a catalyst to strategically improve ATB's corporate performance and provide stewardship and governance that maintains the integrity of ATB and ensures outstanding service delivery.

2009–10 Accomplishments

In fiscal 2009–10, Finance and Administration developed a framework and metrics to identify and measure the future benefits of the Core project, and made substantial progress in building the financial modules of SAP. We refined strategic metrics throughout the organization, moved toward implementing International Financial Reporting Standards (IFRS), further streamlined the planning and budgeting process, and developed and refined our key treasury processes. Finally, we opened new Branch of the Future facilities in Calgary and Edmonton.

2010–11 Objectives

Our strategic priorities for fiscal 2010–11 include the following:

- Prepare the organization financially for the Core transformation and ensure that the anticipated benefits and efficiencies are achieved.
- Complete development of strategic metrics for the organization.
- Improve the financial performance of ATB.
- Execute on the enterprise real estate strategy.
- Continue to build a high-performance service culture.

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 100 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. 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 10 to the statements for further information on the process and methodology for determining the allowance for credit losses.)

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 experiences 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 information regarding our accounting for premises and equipment.)

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 includes 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 information regarding our accounting for pension benefits.)

Fair Value of Financial Instruments

The fair value of a financial instrument is the estimated amount at which ATB could exchange a financial instrument in an arm's-length transaction with a willing party 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 (ABCP). (Refer to note 9 to the statements for further information regarding the valuation.)

Securitization

Securitization is the process whereby ATB converts mortgages into securities which 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 (CMB) 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.)

Current-Year Changes in Accounting Policies

Goodwill and Intangible Assets

On April 1, 2009, ATB adopted the new accounting standard of the Canadian Institute of Chartered Accountants (CICA) entitled Goodwill and Intangible Assets (Section 3064). This new standard establishes the criteria for recognition, measurement, presentation, and disclosure of goodwill and intangible assets and replaces the Goodwill and Other Intangible Assets and Research and Development Costs standards.

The provisions of this section were adopted retrospectively with restatement of prior years. Although the adoption of this standard did not result in a change in the recognition of ATB's intangible assets, it did require that intangible assets relating to application software be reclassified from premises and equipment to software and other intangibles on the consolidated balance sheet and that the related amortization expense also be reclassified. (Refer to note 14 to the statements.)

Financial Instrument Disclosures

In June 2009, the CICA amended its Financial Instruments – Disclosures standard, to expand disclosures of fair value measurement of financial instruments and liquidity risk. The amendment includes a requirement to classify financial instruments reported at fair value using a fair value hierarchy based on the quality and reliability of the information used to estimate the fair value. (Refer to note 5 to the statements.)

The additional disclosure related to liquidity risk requires a maturity analysis of financial liabilities. This information is presented in this MD&A.

The amendments are effective for ATB's March 31, 2010, annual financial statements. The amendments do not impact ATB's results or financial position as they only relate to disclosure.

Classification and Impairment of Financial Assets

In August 2009, the CICA amended the Financial Instruments – Recognition and Measurement standard to reduce differences with International Financial Reporting Standards (IFRS).

The amendments apply to annual financial statements relating to fiscal years beginning on or after November 1, 2008, with retroactive application to the beginning of the fiscal year. Entities were permitted, but not required, to apply these amendments to the interim financial statements relating to periods within the fiscal year of adoption only if those interim financial statements were issued on or after August 20, 2009. ATB adopted these amendments in the current fiscal year. The amendments are as follows:

- The definition of the "loans and receivables" financial asset category, which is measured at cost or amortized cost calculated using the effective interest method, has been modified. As a result, debt instruments not quoted in an active market can be classified as loans and receivables, and impairment is measured using the incurred credit loss model of Section 3025, Impaired Loans. Loans and receivables that an entity intends to sell immediately or in the near term must be classified as held for trading, and loans and receivables for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, must be classified as available for sale.
- Reclassification of financial assets from the held-for-trading and available-for-sale categories into the loans-and-receivables category is permitted under certain circumstances.
- Reversal of an impairment loss relating to an available-for-sale debt instrument is required when, in a subsequent period, the fair value of the instrument increases and the increase can be objectively related to an event occurring after the loss was recognized.

These amendments did not impact ATB's consolidated financial statements.

Future Changes in Accounting Policies

International Financial Reporting Standards

ATB will change over to IFRS starting with interim and annual consolidated financial statements relating to fiscal periods beginning on or after April 1, 2011. IFRS comparative financial information will be required in the interim and annual consolidated financial statements relating to fiscal periods beginning on or after April 1, 2010.

ATB is nearing completion of an IFRS conversion project that will transition the organization to IFRS. Quarterly IFRS progress reports have been provided to the Audit Committee of the Board of Directors.

The IFRS conversion project consists of three phases:

- **Diagnostic and planning phase.** This phase included performing a high-level assessment that identified the areas where IFRS would have the most impact on ATB. A high-level project plan was developed and initial hiring of IFRS project resources commenced. This phase is complete.
- **Accounting design phase.** In this phase the IFRS conversion project examined all accounting areas where a difference was identified between IFRS and existing Canadian generally accepted accounting principles (GAAP). IFRS conversion project team members were assigned to identify changes to existing accounting policies, procedures, information systems, and other processes. A pro forma IFRS financial statement was drafted. This phase is substantially complete.
- **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 IFRS financial statements. This phase has commenced and will be completed when the March 31, 2012, financial statements are finalized.

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; rather the general allowance must be determined by applying expected loss factors to loan and off-balance-sheet credit portfolios 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 anticipate electing 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 amortized 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 presented on pages 79 to 83 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, 2010.

Overview

ATB provides comprehensive personal 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 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 stakeholder value. Effective governance mitigates risk and creates opportunities for value creation, which supports ATB's vision to be a leading financial services provider within Alberta, while ensuring continuation as 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 risk profile appropriate to our structure, size, and regional nature. The ATB Board has approved risk tolerance levels for credit exposures (including tolerance levels for loan impairment and losses) as well as tolerance levels for liquidity and market risks.

Enterprise Risk Management Framework

ATB continues to develop and implement an enhanced ERM framework. ERM is comprised of 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 stakeholder. 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 continuous improvement in decision making across the institution and facilitate continuous improvement in individual and organizational performance.

Risk Management Governance and Structure

Ultimate responsibility for risk management lies with ATB's Board of Directors, according to the three-tier risk governance framework set out below. It shows who is responsible for risk oversight and management, risk control, and risk assurance, and divides up duties between those who take on risk, those who 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 key functions and roles and responsibilities of our risk governance structure are as follows:

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 risk management responsibility to ATB's President and Chief Executive Officer (CEO).		
First Tier: Risk Oversight and Management	*Second Tier: Risk Control*	*Third Tier: Risk Assurance*
Risk Committee	Chief Risk Officer (CRO)	Internal Audit
Audit Committee	Risk Management department	
CEO	Legal	
Corporate Management Committee (CMC)	Finance	
Enterprise Risk Management Committee (ERM Committee)	Compliance	
Asset and Liability Committee (ALCO)		

The first tier of risk governance—risk oversight and management—is provided by the Board-appointed Risk and Audit committees. The Board sets ATB's risk appetite and approves policies and frameworks covering risks with potential company-wide consequences and strategy for managing risk. The Board is supported by the CEO, the Corporate Management Committee (CMC), and the Enterprise Risk Management (ERM) Committee. The members of the CMC have the primary responsibility for understanding and identifying the risks generated by their lines of business and strategic service units and for managing those risks. The ERM Committee reviews and recommends for Risk Committee review ATB's ERM policy and ERM framework, including all key risks of ATB's operation, and ensures effective application and effectiveness of the policy and framework across the organization. The Asset and Liability Committee (ALCO) is established by the CEO. It advises the CEO on all matters relating to ATB's balance sheet and helps the Chief Financial Officer (CFO) discharge his responsibilities for asset and liability management. ALCO oversees the risk management activities of the Treasury department. The overriding goal of the first tier is to drive responsibility for risk management down to the level of risk-generating activities and functions.

The second tier—risk control—is primarily driven by the Chief Risk Officer, supported by the Risk Management, Finance and Administration, Compliance, and Legal departments. These departments provide technical support and advice to assist in identifying and managing risk. Their roles include formulating and implementing risk policies and frameworks, and developing risk assessment and analysis methodologies, as well as risk identification, risk approval, risk monitoring, risk reporting, and escalation of risk issues relating to ATB's lines of business and strategic service units. The risk functions provide independent support and guidance to all lines of business and strategic service units related to risk management and compliance, and advise the lines of business and other business units when they are approaching risk limits.

The third tier—risk assurance—provides independent, objective assurance on the effectiveness of the management and control of risk across the entire organization. This is provided through regular reporting by the Internal Audit department to both senior management and the Risk and Audit committees of the Board.

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 their 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, 2010, without taking into account any non-cash collateral held or any other credit enhancements.

As at March 31 *($ in thousands)*		**2010 Total**		2009 Total
Financial assets[1]	$	**24,698,900**	$	25,694,939
Other commitments and off-balance-sheet items		**12,092,398**		10,326,279
Total credit risk	$	**36,791,298**	$	36,021,218

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

Credit Risk Philosophy

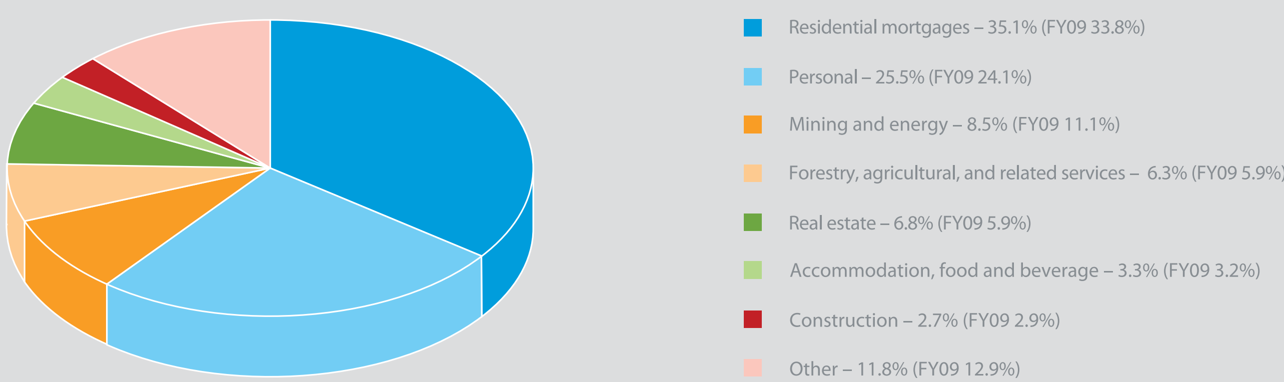
ATB adheres to a conservative risk philosophy in its lending activities by doing the following:

- Employing prudent policies and practices related to risk
- Monitoring to ensure ongoing compliance to ATB's risk policies and practices
- Ensuring the appropriate knowledge and skill set among managers who make lending decisions
- Optimizing loan growth while balancing risk, profits, and risk tolerance
- Ensuring accountability for managing risk within ATB

Although legislation largely restricts ATB's lending operations to within 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 to 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

2010 Industry Concentration Risk



As at March 31, 2010, no single industry segment represents more than 22.3% of total gross business loans and no single borrower represents more than 0.32% of the total gross loan portfolio.

Credit Risk Strategy

The credit risk management strategy is to balance loan growth and acceptable rates of return against maintaining credit risk exposures and key performance indicators within acceptable parameters. To do this effectively, we manage both the credit risk inherent in the entire portfolio and the risk in individual credits or transactions. The effective management of credit and portfolio risk is a critical component of the comprehensive approach to ERM and is essential to the long-term success of ATB.

ATB's credit risk 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. Credit risk strategies therefore incorporate the following:

- Taking a conservative approach to credit loss allowances
- Implementing early-warning systems to provide advance warning of changing risks
- Monitoring key portfolio risk indicators to actively maintain risk within the approved risk appetite levels
- Having portfolio diversification strategies
- Stress-testing techniques to identify and understand the potential impact on credit quality migration or "loss-rates" movements as a result of extreme economic events

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 potential replacement cost if the counterparty defaults. This exposure is represented by the current replacement cost of all outstanding contracts in a favourable position.

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 (ALM) 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 it seeks to manage its 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 ALCO on a monthly basis, and to the Risk Committee of the Board on a quarterly basis

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

(Refer to note 25 to the statements for the interest rate risk measurement metrics.)

ATB's Board of Directors reviews and annually approves risk limits for interest rate gap and sensitivity of net interest income. During fiscal 2009–10, ATB operated outside of those limits due to the unusually low interest rate environment in Canada, which limited the attractiveness of engaging in hedging arrangements to return to compliance with existing limits. This had the effect of increasing ATB's net interest income sensitivity to rising rates, and meeting its MVE exposure. ALCO decided to maintain an interest rate risk profile outside of these limits and reviews the profile regularly with the Board of Directors' Risk Committee.

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, 2010, ATB's net foreign currency exposure was within policy thresholds.

(Refer to note 20 to the statements for details of foreign-exchange-related derivative contracts held as at fiscal year-end.)

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, 2010, 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 details of equity- and commodity-related derivative contracts held as at fiscal year-end.)

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 the use of 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 the 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						2010 Total	2009 Total
On-balance-sheet financial liabilities	**Within 1 year**	**1–2 years**	**2–3 years**	**3–4 years**	**4–5 years**	**Over 5 years**		
Deposits								
Personal, business, and other	$ 16,729,319	$ 2,192,953	$ 480,612	$ 240,361	$ 327,928		$ 19,971,173	$ 20,955,859
Wholesale	1,011,223	798,385	399,193	399,193	-	-	2,607,994	2,925,387
Securities sold under repurchase agreements	-	-	-	-	-	-	-	286,404
Capital investment notes	-	-	-	-	224,994	-	224,994	-
Subordinated debentures	15,785	13,401	15,990	-	-	-	45,176	57,013

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

($ in thousands)	Term						2010 Total	2009 Total
Off-balance-sheet financial liabilities	**Within 1 year**	**1–2 years**	**2–3 years**	**3–4 years**	**4–5 years**	**Over 5 years**		
Guarantees and letters of credit[1]	$ 333,397	$ -	$ -	$ -	$ -	$ -	$ 333,397	$ 320,414
Commitments to extend credit[2]	11,759,001	-	-	-	-	-	11,759,001	10,005,865
Purchase obligations	127,620	88,018	39,585	28,507	12,663	41,331	337,724	211,085

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

Prior to this fiscal year, ATB used a simple liquidity metric that measured the amount of available-for-sale securities and cash held on the balance sheet. During the year, management undertook a review of existing liquidity risk management policies to bring them in line with new global and Canadian federal liquidity risk management guidance issued as a result of regulatory experiences in the 2007–2009 global financial crisis. As a result, a new liquidity risk management policy was approved and fully implemented by March 31, 2010.

Under our new 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
- 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

On March 31, 2010, the STAF minimum coverage ratio was 260.2%, versus a Board-approved minimum level of 100%, and the ITAF minimum coverage ratio was 142.8%, versus a Board-approved minimum level of 90%.

Operational Risk

Identification and management of 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 reputation 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 through the implementation of appropriate policies, procedures, and controls, all designed to contain risk within acceptable levels. Control oversight and reporting is provided by the Enterprise Risk Management department to both senior management and the Risk Committee as to the extent and composition of operational risks being incurred. Independent assurance is provided by Internal Audit 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 Attracting and 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 human resources risk is actively managed, there is no assurance that ATB will continue to attract and retain key personnel. ATB has an additional risk related to our core business transformation (Core) as we need to retain key employees on the project to ensure the project's success. This risk will also be carefully monitored and managed for the duration of the project.

Reputational Risk

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

ATB takes its reputation extremely seriously and works hard to build and maintain a good reputation with its stakeholders and minimize reputation risk. ATB recognizes reputation risk as being a foundational risk, which is impacted by all other risks ATB is exposed to. As a result, ATB's increasingly effective management of the other risks contributes to its management of reputation risk.

QUARTERLY OPERATING RESULTS

Review of 2009–10 Fourth-Quarter Operating Results

Summarized Consolidated Statement of Income

	2010				2009			
For the three months ended:	Mar 31/10	Dec 31/09	Sep 30/09	Jun-30/09	Mar 31/09	Dec 31/08	Sep 30/08	Jun 30/08
($ in thousands)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Interest income	$ 245,844	$ 266,551	$ 263,748	$ 254,969	$ 262,181	$ 303,145	$ 319,789	$ 309,872
Interest expense	(81,973)	(88,776)	(90,973)	(94,702)	(111,157)	(140,537)	(153,105)	(142,843)
Net interest income	163,871	177,775	172,775	160,267	151,024	162,608	166,684	167,029
Other income	53,362	66,235	50,948	50,238	85,634	63,629	58,435	51,984
Provision for (recovery of) loss on ABCP	-	3,494	-	(4,031)	30,557	140,000	55,544	(1,285)
Operating revenue	217,233	240,516	223,723	214,536	206,101	86,237	169,575	220,298
Provision for (recovery of) credit losses	9,405	20,242	10,250	19,050	6,244	13,911	13,917	8,640
Non-interest expenses	177,746	173,846	157,515	162,409	169,972	158,171	149,965	154,979
Net income (loss) before payment in lieu of tax	30,082	46,428	55,958	33,077	29,885	(85,845)	5,693	56,679
Payment in lieu of tax	6,919	10,678	12,870	7,608	-	-	-	-
Net income (loss)	$ 23,163	$ 35,750	$ 43,088	$ 25,469	$ 29,885	$ (85,845)	$ 5,693	$ 56,679

Net Income

For the quarter ended March 31, 2010, ATB Financial earned adjusted net income of $30.1 million, significantly down from the $60.4 million earned in the fourth quarter of fiscal 2008–09. This decrease from the prior year's quarter is primarily due to a decrease in other income of $32.3 million (37.7%) and an increase in non-interest expense of $7.8 million (4.6%). ATB's provision for credit losses was higher than the prior year's quarter by $3.2 million (50.6%).

The adjusted net income of $30.1 million in the fourth quarter of fiscal 2009–10 was down $19.8 million (39.7%) from the $49.9 million earned in the third quarter of fiscal 2009–10. This decrease from the prior quarter is primarily a result of a decrease in net interest income of $13.9 million (7.8%) and an increase in non-interest expense of $3.9 million (2.2%), partially offset by a lower provision for credit losses of $10.8 million (53.5%) this quarter.

Operating Revenue

Operating revenue in the fourth quarter, excluding recovery or provision for loss on ABCP, was $217.2 million, representing decreases of $19.4 million (8.2%) over the prior year's fourth quarter and $26.8 million (11.0%) over the third quarter of fiscal 2009–10.

The year-over-year decrease (from the fourth quarter of fiscal 2008–09 to the fourth quarter of fiscal 2009–10) was primarily due to a decline of $32.3 million (or 37.7%) in other income partially offset by an increase of $12.8 million (8.5%) in net interest income. The decrease experienced in other income was mainly attributable to securitization losses in the fourth quarter of fiscal 2009–10.

Quarter over quarter, the decrease in operating revenue was driven by decreases in both net interest income (from $177.8 million in the third quarter of fiscal 2009–10 to $163.9 million in the fourth quarter of fiscal 2009–10) and other income (decreasing from $66.2 million in the third quarter of fiscal 2009–10 to $53.4 million in the fourth quarter of fiscal 2009–10).

Provision for Credit Losses

The increase from a provision of $6.2 million in the fourth quarter of fiscal 2008–09 to a provision of $9.4 million in the fourth quarter of fiscal 2009–10 was largely due to an increase in the net specific writeoffs and recoveries during the fourth quarter of fiscal 2009–10. The $10.8-million (53.5%) decrease over the third quarter of fiscal 2009–10 is attributed to a decrease in the general credit-loss allowance.

Non-Interest Expenses and Efficiency Ratio

Non-interest expenses for the fourth quarter were up $7.8 million (4.6%) from the fourth quarter of fiscal 2008–09 and up $3.9 million (2.2%) from the third quarter of fiscal 2009–10. Compared to the prior year, salaries and employee costs increased by 13.9%, and professional and consulting costs increased by 29.0%. These increases were partially offset by a major decrease of 68.5% in deposit guarantee fees. Other significant increases were observed in occupancy and marketing and supplies.

Quarter over quarter, slight movements were experienced across the various non-interest expense categories, the most significant ones being occupancy costs (increasing by $3.8 million, or 20.6%), equipment costs (increasing by $2.8 million, or 69.8%), and marketing and supplies (increasing by $1.6 million, or 20.6%), partially offset by decreases in deposit guarantee fee (decreasing by $3.5 million, or 48.9%).

ATB's efficiency ratio (excluding recovery or provision for loss on ABCP), measured as total non-interest expense divided by total operating revenue, increased (or worsened) from 71.3% in the third quarter and from 71.8% in the fourth quarter of fiscal 2008–09 to 81.8% in the fourth quarter of fiscal 2009–10.

Net Income by Segment

Operating revenue increased for all three business segments over the fourth quarter of the prior year. Personal and Business Financial Services (PBFS) increased its operating revenue by $15.7 million (10.9%), and Corporate Financial Services (CFS) recognized a significant increase of $15.5 million (43.7%), while Investor Services (ATBIS) experienced an increase of $2.9 million (30.6%). Compared to last year, net income increased by $14.3 million (108.2%) for PBFS and by $20.2 million (86.6%) for CFS. ATBIS had a slight decrease of $0.6 million (15.5%) year over year.

Compared to the third quarter, mixed performances in operating revenue were observed across the various segments. Operating revenue was up for PBFS, increasing by $1.3 million (0.79%). CFS recognized a decrease of $2.8 million (5.3%) while ATBIS increased its operating revenue by $0.6 million (4.7%). Non-interest expenses increased for all lines of business except for PBFS, which recognized a decrease of $4.1 million (3.3%). Net income increased for both PBFS and CFS by $6.5 million (31.0%) and $7.0 million (19.0%), respectively.

Review of Financial Position as at March 31, 2010

Summarized Consolidated Balance Sheet

				2010				2009
As at:	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
($ in thousands)	Mar 31/10	Dec 31/09	Sep 30/09	Jun 30/09	Mar 31/09	Dec 31/08	Sep 30/08	Jun 30/08
Assets								
Cash resources and securities	$ 2,013,900	$ 3,085,783	$ 3,879,119	$ 3,465,769	$ 4,098,518	$ 3,518,107	$ 3,904,958	$ 3,993,750
Loans, net of allowances for credit losses:								
Residential mortgages	7,989,004	7,699,931	7,821,322	7,452,857	7,368,397	7,635,067	7,713,373	7,682,222
Personal	5,446,028	5,322,583	5,243,888	5,110,071	4,926,582	4,754,071	4,584,450	4,382,415
Credit card	599,379	604,386	588,343	565,800	541,940	542,908	520,048	479,693
Business	8,722,605	8,940,579	8,906,610	9,197,464	8,958,493	8,642,095	7,902,116	7,425,115
Allowance for credit losses	(222,413)	(219,878)	(210,426)	(206,233)	(193,177)	(191,592)	(180,674)	(168,781)
	22,534,603	22,347,601	22,349,737	22,119,959	21,602,235	21,382,549	20,539,313	19,800,664
Other assets	880,515	797,390	931,064	875,968	813,390	813,512	755,578	732,793
Total assets	$ 25,429,018	$ 26,230,774	$ 27,159,920	$ 26,461,696	$ 26,514,143	$ 25,714,168	$ 25,199,849	$ 24,527,207
Liabilities and equity								
Deposits								
Personal	$ 10,427,133	$ 10,490,584	$ 10,541,143	$ 10,828,097	$ 10,797,569	$ 10,374,510	$ 9,947,279	$ 9,820,724
Business and other	12,152,034	13,017,390	13,663,351	12,914,236	13,083,677	13,002,060	12,974,880	12,430,085
	22,579,167	23,507,974	24,204,494	23,742,333	23,881,246	23,376,570	22,922,159	22,250,809
Other liabilities	770,324	650,380	590,546	622,379	530,796	571,059	503,350	491,703
Securities sold under repurchase agreements	-	-	312,842	297,829	286,404	-	-	-
Capital investment notes	224,994	225,552	225,385	-	-	-	-	-
Subordinated debentures	45,176	45,176	45,176	45,176	57,013	57,013	57,013	57,013
Equity	1,809,357	1,801,692	1,781,477	1,753,979	1,758,684	1,709,526	1,717,327	1,727,682
Total liabilities and equity	$ 25,429,018	$ 26,230,774	$ 27,159,920	$ 26,461,696	$ 26,514,143	$ 25,714,168	$ 25,199,849	$ 24,527,207

ATB's total assets were $25.4 billion as at March 31, 2010, representing a decrease of $1.1 billion (4.1%) over the fourth quarter of fiscal 2008–09 and a decrease of $0.80 billion (3.1%) over the third quarter of fiscal 2009–10. Year over year, ATB increased its overall loan portfolio by $0.93 billion (4.3%). Residential mortgages were up by $0.62 billion (8.4%), personal loans increased by $0.52 billion (10.5%), and credit card loans increased by $57.4 million (10.6%). These increases were offset by decreases in interest-bearing deposits with financial institutions, which went down by $1.8 billion (73.2%). Quarter over quarter, a decrease in ATB's total assets was driven by decreases in cash resources (dropped by $1.2 billion, or 58.9%), partially offset by an increase of $0.20 billion in net loans. Decreases in cash resources were driven by ATB's new liquidity requirements as approved by the Board of Directors in November 2009.

Total deposits were $22.6 billion for the fourth quarter of fiscal 2009–10. Retail deposits decreased by almost $1 billion (or 4.7%) over the prior year and by $0.10 billion (0.49%) over the third quarter of fiscal 2009–10.

Total equity as at March 31, 2010, was $1.8 billion, up by $0.05 billion (2.9%) over the prior year and up slightly, by $7.7 million (0.43%), over the third quarter of fiscal 2009–10.

Quarterly Results – Summarized Financial Results

Consolidated Statement of Changes in Equity

	2010				2009			
For the three months ended: *($ in thousands)*	**Q4** **Mar 31/10**	**Q3** **Dec 31/09**	**Q2** **Sep 30/09**	**Q1** **Jun 30/09**	Q4 Mar 31/09	Q3 Dec 31/08	Q2 Sep 30/08	Q1 Jun 30/08
Retained earnings at beginning of period	**$ 1,754,060**	**$ 1,718,310**	**$ 1,675,222**	**$ 1,649,753**	$ 1,619,868	$ 1,705,713	$ 1,700,020	$ 1,643,341
Net income (loss)	**23,163**	**35,750**	**43,088**	**25,469**	29,885	(85,845)	5,693	56,679
Retained earnings at end of period	**1,777,223**	**1,754,060**	**1,718,310**	**1,675,222**	1,649,753	1,619,868	1,705,713	1,700,020
Accumulated other comprehensive income at beginning of period	**47,632**	**63,167**	**78,757**	**108,931**	89,658	11,614	27,662	25,111
(Decrease) increase in other comprehensive income	**(15,498)**	**(15,535)**	**(15,590)**	**(30,174)**	19,273	78,044	(16,048)	2,551
Accumulated other comprehensive income at end of period	**32,134**	**47,632**	**63,167**	**78,757**	108,931	89,658	11,614	27,662
Equity	**$ 1,809,357**	**$ 1,801,692**	**$ 1,781,477**	**$ 1,753,979**	$ 1,758,684	$ 1,709,526	$ 1,717,327	$ 1,727,682

Quarterly Results – Summarized Financial Results (Continued)

Consolidated Statement of Cash Flows

For the three months ended: ($ in thousands)	**Q4 Mar 31/10**	**Q3 Dec 31/09**	**Q2 Sep 30/09**	**2010 Q1 Jun 30/09**	Q4 Mar 31/09	Q3 Dec 31/08	Q2 Sep 30/08	2009 Q1 Jun 30/08
Net income (loss)	**$ 23,163**	**$ 35,750**	**$ 43,088**	**$ 25,469**	$ 29,885	$ (85,845)	$ 5,693	$ 56,679
Adjustments to determine net cash flows								
Provision for credit losses	**9,405**	**20,242**	**10,250**	**19,050**	6,244	13,911	13,917	8,640
Amortization of premises and equipment	**10,495**	**7,367**	**7,881**	**6,723**	12,069	6,145	5,931	5,610
Amortization of software and other intangibles	**5,154**	**5,903**	**5,288**	**5,607**	7,697	3,365	2,946	3,032
Net change in accrued interest receivable and payable	**(2,159)**	**(31,378)**	**12,262**	**6,616**	67,778	(15,351)	(880)	(9,435)
Net change in derivative financial instruments	**(11,863)**	**(9,929)**	**1,851**	**5,179**	(25,036)	(3,194)	(4,484)	(791)
Provision for (recovery of) loss on ABCP	**-**	**3,494**	**-**	**(4,031)**	30,557	140,000	55,544	(1,285)
Gain on sale of securitized residential mortgage loans	**(126)**	**(8,766)**	**(10,781)**	**(13,037)**	(25,153)	(14,267)	(7,561)	(6,330)
Change in provision for payment in lieu of tax	**6,919**	**10,678**	**12,870**	**7,608**	-	-	-	-
Net change in cheques and other items in transit	**(124,100)**	**223,300**	**(52,600)**	**(60,000)**	(93,200)	121,899	13,900	(20,300)
Change in due to clients, brokers, and dealers	**9,752**	**(11,887)**	**4,932**	**6,867**	590	5,337	(4,227)	2,333
Change in deposit guarantee fee payable	**3,702**	**7,244**	**6,553**	**(21,797)**	11,737	5,932	5,168	(15,043)
Change in accounts payable and accrued liabilities	**149,313**	**11,355**	**(31,546)**	**71,756**	53,552	(11,813)	19,406	(3,073)
Other items, net	**18,617**	**3,787**	**(14,518)**	**16,776**	(12,013)	21,189	(1,517)	12,892
Net cash (used in) provided by operating activities	**98,272**	**267,160**	**(4,470)**	**72,786**	64,707	187,308	103,836	32,929
Cash flows from financing activities								
Net change in deposits	**(921,625)**	**(698,678)**	**464,365**	**(134,660)**	515,212	453,004	670,003	1,074,638
Repayment of subordinated debentures	**-**	**-**	**-**	**(11,837)**	-	-	-	(15,985)
Issuance of capital investment notes	**(558)**	**167**	**225,385**	**-**	-	-	-	-
Change in securities sold under repurchase agreements	**-**	**(312,842)**	**15,013**	**11,425**	286,404	-	-	-
Net cash provided by (used in) financing activities	**(922,183)**	**(1,011,353)**	**704,763**	**(135,072)**	801,616	453,004	670,003	1,058,653
Cash flows from investing activities								
Net change in interest-bearing deposits with financial institutions	**319,289**	**1,175,219**	**(48,359)**	**393,639**	(345,497)	503,054	(72,917)	(671,854)
Purchase of securities	**(752,193)**	**(337,173)**	**(407,389)**	**(178,746)**	(626,260)	(132,384)	(1,137,707)	(876,301)
Proceeds from securities	**598,714**	**571,928**	**350,167**	**215,276**	254,764	205,884	1,244,331	878,910
Net change in loans, excluding securitization	**(196,522)**	**(365,122)**	**(672,282)**	**(753,258)**	(575,620)	(1,121,589)	(941,848)	(616,266)
Proceeds from loan securitizations	**5,009**	**350,020**	**427,157**	**219,298**	344,139	264,597	188,884	247,842
Purchases of premises, equipment, software, and other intangibles	**(55,140)**	**(32,112)**	**(43,972)**	**(27,651)**	(39,164)	(28,771)	(32,978)	(23,148)
Net cash provided by (used in) investing activities	**(80,843)**	**1,362,760**	**(394,678)**	**(131,442)**	(987,638)	(309,209)	(752,235)	(1,060,817)
Net (decrease) increase in cash	**(904,754)**	**618,567**	**305,615**	**(193,728)**	(121,315)	331,103	21,604	30,765
Cash at beginning of quarter	**1,084,178**	**465,611**	**159,996**	**353,724**	475,039	143,936	122,332	91,567
Cash at end of quarter	**$ 179,424**	**$ 1,084,178**	**$ 465,611**	**$ 159,996**	$ 353,724	$ 475,039	$ 143,936	$ 122,332
Supplementary cash flow information:								
Amount of interest paid during the period	**$ 86,381**	**$ 121,235**	**$ 73,964**	**$ 108,819**	$ 102,264	$ 158,849	$ 136,600	$ 151,516

Quarterly Segmented Results

For the three months ended: *($ in thousands)*	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
Other business 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
Other business 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
Other business 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
Other business 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

For the three months ended: *($ in thousands)*	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, 2009											
Personal and Business Financial Services	$ 109,538	$ 34,983	$ -	$ 144,521	$ 1,759	$ 129,553	$ 13,209	$ -	$ 13,209	$ 17,107,664	$ 16,135,022
Corporate Financial Services	28,126	7,357	-	35,483	4,289	7,812	23,382	-	23,382	5,436,071	3,837,884
Investor Services	1,604	7,894	-	9,498	-	13,552	(4,054)	-	(4,054)	20,168	831,274
Other business units	11,756	35,400	(30,557)	16,599	196	19,055	(2,652)	-	(2,652)	3,950,240	3,951,279
Total	151,024	85,634	(30,557)	206,101	6,244	169,972	29,885	-	29,885	26,514,143	24,755,459
December 31, 2008											
Personal and Business Financial Services	123,579	34,202	-	157,781	4,681	117,596	35,504	-	35,504	16,948,262	15,785,409
Corporate Financial Services	26,139	16,597	-	42,736	6,465	7,232	29,039	-	29,039	5,059,543	3,437,529
Investor Services	1,081	8,611	-	9,692	-	12,522	(2,830)	-	(2,830)	10,204	735,205
Other business units	11,809	4,219	(140,000)	(123,972)	2,765	20,821	(147,558)	-	(147,558)	3,696,159	4,046,499
Total	162,608	63,629	(140,000)	86,237	13,911	158,171	(85,845)	-	(85,845)	25,714,168	24,004,642
September 30, 2008											
Personal and Business Financial Services	123,040	34,107	-	157,147	4,608	111,695	40,844	-	40,844	16,496,121	15,495,780
Corporate Financial Services	22,775	5,967	-	28,742	9,020	7,109	12,613	-	12,613	4,430,531	2,979,294
Investor Services	1,064	9,613	-	10,677	-	12,068	(1,391)	-	(1,391)	7,178	598,876
Other business units	19,805	8,748	(55,544)	(26,991)	289	19,093	(46,373)	-	(46,373)	4,266,019	4,408,572
Total	166,684	58,435	(55,544)	169,575	13,917	149,965	5,693	-	5,693	25,199,849	23,482,522
June 30, 2008											
Personal and Business Financial Services	118,488	32,377	-	150,865	5,456	117,268	28,141	-	28,141	15,981,950	15,295,435
Corporate Financial Services	20,912	6,839	-	27,751	3,771	7,354	16,626	-	16,626	4,034,492	2,474,563
Investor Services	1,502	9,810	-	11,312	-	12,007	(695)	-	(695)	5,224	566,801
Other business units	26,127	2,958	1,285	30,370	(587)	18,350	12,607	-	12,607	4,505,541	4,462,726
Total	167,029	51,984	1,285	220,298	8,640	154,979	56,679	-	56,679	24,527,207	22,799,525
Year ended March 31, 2009	$ 647,345	$ 259,682	$ (224,816)	$ 682,211	$ 42,712	$ 633,087	$ 6,412	$ -	$ 6,412	$ 26,514,143	$ 24,755,459

Quarterly Results – Other Information

For the three months ended: ($ in thousands)	2010 Q4 Mar 31/10	Q3 Dec 31/09	Q2 Sep 30/09	Q1 Jun 30/09	2009 Q4 Mar 31/09	Q3 Dec 31/08	Q2 Sep 30/08	Q1 Jun 30/08
Allowance for credit losses								
Balance at beginning of quarter	$ 221,158	$ 211,676	$ 207,590	$ 195,010	$ 194,526	$ 183,850	$ 172,131	$ 164,906
Writeoffs	(8,421)	(12,018)	(8,096)	(7,621)	(6,596)	(4,228)	(3,023)	(2,503)
Recoveries	1,436	1,258	1,932	1,151	836	993	825	1,088
Provision for credit losses	9,405	20,242	10,250	19,050	6,244	13,911	13,917	8,640
Balance at end of quarter	223,578	221,158	211,676	207,590	195,010	194,526	183,850	172,131
Less: allowance for cost of credit recovery included in other liabilities	1,165	1,280	1,250	1,357	1,833	2,934	3,176	3,350
Balance at end of quarter	$ 222,413	$ 219,878	$ 210,426	$ 206,233	$ 193,177	$ 191,592	$ 180,674	$ 168,781
Employee future benefits								
Net pension-benefit expense	$ 10,924	$ 7,919	$ 5,883	$ 5,195	$ 5,780	$ 5,433	$ 5,070	$ 5,726
Key performance measures *(%)*								
Operating revenue growth[1]	5.4	178.9	31.9	(2.6)	211.8	(52.5)	23.2	6.3
Operating revenue growth[1][3]	(8.2)	7.9	(0.62)	(2.0)	11.5	7.4	4.6	5.7
Net interest margin[2]	2.55	2.60	2.55	2.50	2.36	2.52	2.69	2.81
Net interest spread on average earning assets[2]	2.69	2.74	2.71	2.61	2.47	2.63	2.78	2.90
Other income to operating revenues	24.6	27.5	22.8	23.4	41.6	73.8	34.5	23.6
Other income to operating revenues[3]	24.6	27.1	22.8	23.4	36.2	28.1	26.0	23.7
Non-interest expense to operating revenue	81.8	72.3	70.4	75.7	82.5	183.4	88.4	70.4
Non-interest expense to operating revenue[3]	81.8	71.3	70.4	75.7	71.8	69.9	66.6	70.8
Return on average assets[2]	0.48	0.68	0.83	0.50	0.47	(1.33)	0.09	0.95
Return on average assets[2][3]	0.48	0.73	0.83	0.50	0.94	0.84	0.99	0.93
Operating expense growth[1]	4.6	9.9	5.0	4.8	13.6	18.7	14.9	13.9
Net impaired loans to total gross loans	(0.40)	(0.37)	(0.36)	(0.41)	(0.54)	(0.59)	(0.58)	(0.59)
Credit losses to average loans[2]	0.17	0.36	0.18	0.35	0.12	0.26	0.27	0.18
Loan growth[1]	4.3	4.5	8.8	11.7	11.1	13.3	12.9	11.9
Loan growth[4]	6.2	8.8	13.1	15.7	16.1	16.8	15.2	13.2
Deposit growth[1]	(5.5)	0.56	5.6	6.7	12.8	13.2	13.4	15.3
Asset growth[1]	(4.1)	2.0	7.8	7.9	13.6	12.1	12.2	14.4

1 Calculated over trailing one-year period.
2 Calculated as average over trailing three-month period.
3 Excludes provision for (recovery of) loss on asset-backed commercial paper.
4 Disclosed inclusive of securitized mortgages.

ANNUAL SUPPLEMENTARY INFORMATION

Consolidated Balance Sheet

As at March 31 *($ in thousands)*	**2010**	2009	2008	2007	2006	2005	2004	2003	2002	2001
Assets										
Cash	**$ 179,424**	$ 353,724	$ 91,567	$ 78,117	$ 77,454	$ 26,279	$ 101,281	$ 72,750	$ 120,061	$ 139,896
Interest-bearing deposits with financial institutions	**675,576**	2,516,489	1,928,230	1,017,497	976,671	927,244	956,727	579,607	752,269	752,519
Securities	**1,158,900**	1,228,305	1,253,518	1,684,821	1,381,444	932,511	854,997	578,850	807,793	926,180
Loans, net of allowance for credit losses	**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	9,554,252
Other assets	**880,515**	813,390	626,321	519,954	365,552	357,281	261,752	261,306	273,124	279,685
Total assets	**$ 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	$ 11,652,532
Liabilities and equity										
Deposits	**$ 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	$ 10,918,863
Securities sold under repurchase agreements	**-**	286,404	-	-	-	-	-	-	-	-
Other liabilities	**770,324**	530,796	425,987	346,255	356,933	325,207	262,313	250,731	306,385	282,118
Capital investment notes	**224,994**	-	-	-	-	-	-	-	-	-
Subordinated debentures	**45,176**	57,013	72,998	72,242	71,579	65,719	45,416	45,416	30,182	17,444
Equity	**1,809,357**	1,758,684	1,668,452	1,623,383	1,348,995	1,150,274	962,961	790,937	592,033	434,107
Total liabilities and equity	**$ 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	$ 11,652,532

Consolidated Statement of Income

For the years ended March 31 *($ in thousands)*	**2010**	2009	2008	2007	2006	2005	2004	2003	2002	2001
Interest income	**$ 1,031,112**	$ 1,194,987	$ 1,302,564	$ 1,078,282	$ 814,669	$ 699,883	$ 740,601	$ 697,524	$ 739,445	$ 809,826
Interest expense	**356,424**	547,642	643,154	506,477	352,418	301,137	343,317	333,364	373,862	447,857
Net interest income	**674,688**	647,345	659,410	571,805	462,251	398,746	397,284	364,160	365,583	361,969
Other income	**220,783**	259,682	185,995	179,661	155,621	139,308	116,272	107,442	101,209	89,075
Operating revenue before the undernoted	**895,471**	907,027	845,405	751,466	617,872	538,054	513,556	471,602	466,792	451,044
Recovery (provision for loss) on ABCP	**537**	(224,816)	(253,133)	-	-	-	-	-	-	-
Total operating revenue	**896,008**	682,211	592,272	751,466	617,872	538,054	513,556	471,602	466,792	451,044
Provision for (recovery of) credit losses	**58,947**	42,712	12,906	(5,211)	688	(14,594)	15,859	(43,211)	21,095	20,969
Non-interest expenses	**671,516**	633,087	549,381	482,289	418,463	365,335	325,673	315,909	287,771	268,606
Net income before payment in lieu of tax	**165,545**	6,412	29,985	274,388	198,721	187,313	172,024	198,904	157,926	161,469
Payment in lieu of tax	**38,075**	-	-	-	-	-	-	-	-	-
Net income	**$ 127,470**	$ 6,412	$ 29,985	$ 274,388	$ 198,721	$ 187,313	$ 172,024	$ 198,904	$ 157,926	$ 161,469

CONSOLIDATED FINANCIAL STATEMENTS INDEX

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 performances.

The acting 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 material to the financial results. The Audit Committee also assesses the effectiveness of internal controls over the accounting and financial reporting systems.

The Auditor General of Alberta has been engaged to perform an independent, external audit of these consolidated financial statements in accordance with Canadian generally accepted auditing standards and has expressed his opinion in the report following. The Auditor General has full and unrestricted access to the Audit Committee and meets with them periodically, both in the presence and absence of management, to discuss 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 19, 2010

Dave Mowat
President and Chief Executive Officer
Edmonton, Alberta
May 19, 2010

Jim McKillop
Chief Financial Officer
Edmonton, Alberta
May 19, 2010

Auditor's Report

To the Minister of Finance and Enterprise:

I have audited the consolidated balance sheets of Alberta Treasury Branches as at March 31, 2010 and 2009, and the consolidated statements of income, comprehensive income and changes in equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of Alberta Treasury Branches' management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Alberta Treasury Branches as at March 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Original signed by Merwan N. Saher
CA
Auditor General

Edmonton, Alberta
May 19, 2010

Consolidated Balance Sheet

As at March 31 *($ in thousands)*		2010		2009
Assets				
Cash resources *(note 8)*				
Cash	$	179,424	$	353,724
Interest-bearing deposits with financial institutions		675,576		2,516,489
		855,000		2,870,213
Securities *(note 9)*		1,158,900		1,228,305
Loans *(notes 10 and 11)*				
Residential mortgages		7,989,004		7,368,397
Business		8,722,605		8,958,493
Personal		5,446,028		4,926,582
Credit card		599,379		541,940
Allowance for credit losses		(222,413)		(193,177)
		22,534,603		21,602,235
Other				
Premises and equipment *(note 13)*		188,831		175,523
Derivative financial instruments *(note 20)*		226,509		258,694
Software and other intangibles *(note 14)*		201,767		110,618
Other assets *(note 15)*		263,408		268,555
		880,515		813,390
	$	25,429,018	$	26,514,143
Liabilities and equity				
Deposits *(note 16)*				
Personal	$	10,427,133	$	10,797,569
Business and other		9,544,040		10,158,290
Wholesale		2,607,994		2,925,387
		22,579,167		23,881,246
Other liabilities				
Securities sold under repurchase agreements		-		286,404
Derivative financial instruments *(note 20)*		146,892		127,518
Other liabilities *(note 17)*		623,432		403,278
		770,324		817,200
Capital investment notes *(note 28)*		224,994		-
Subordinated debentures *(note 18)*		45,176		57,013
Equity				
Retained earnings		1,777,223		1,649,753
Accumulated other comprehensive income *(note 24)*		32,134		108,931
		1,809,357		1,758,684
	$	25,429,018	$	26,514,143

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

Approved by the Board:

Bob Splane
Chairman of the Board

Brian McCook
Chairman of the Audit Commitee

Consolidated Statement of Income

For the years ended March 31 *($ in thousands)*	2010	2009
Interest income		
Loans	**$ 987,545**	$ 1,099,173
Interest-bearing deposits with financial institutions	**29,516**	60,828
Securities	**14,051**	34,986
	1,031,112	1,194,987
Interest expense		
Deposits	**348,203**	544,808
Capital investment notes	**5,432**	-
Subordinated debentures	**2,107**	2,616
Securities sold under repurchase agreements	**682**	218
	356,424	547,642
Net interest income	**674,688**	647,345
Other income		
Service charges	**70,900**	69,748
Card fees	**49,338**	44,942
Investor Services	**42,340**	36,749
Credit fees	**20,157**	11,240
Securitization income *(note 12)*	**18,273**	53,809
Insurance	**12,633**	22,346
Foreign exchange	**11,257**	10,043
Sundry	**7,325**	208
(Loss) gain on derivative financial instruments, net	**(11,440)**	10,597
	220,783	259,682
Operating revenue before the undernoted	**895,471**	907,027
Recovery (provision for loss) on ABCP *(note 9)*	**537**	(224,816)
Total operating revenue	**896,008**	682,211
Provision for credit losses *(note 11)*	**58,947**	42,712
Non-interest expenses		
Salaries and employee benefits *(notes 19 and 22)*	**367,830**	333,028
Data processing	**72,594**	73,622
Premises and occupancy, including amortization	**72,229**	55,418
Professional and consulting costs	**32,927**	33,320
Marketing and supplies	**28,842**	29,760
Deposit guarantee fee	**23,706**	29,417
Software and other intangibles amortization	**21,952**	17,040
Communication	**19,994**	18,685
Equipment, including amortization	**19,110**	16,857
ATB agencies	**8,175**	8,492
Other	**4,157**	17,448
	671,516	633,087
Net income before payment in lieu of tax	**165,545**	6,412
Payment in lieu of tax *(note 27)*	**38,075**	-
Net income	**$ 127,470**	$ 6,412

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

Consolidated Statement of Comprehensive Income

For the years ended March 31 *($ in thousands)*		2010		2009
Net income	$	**127,470**	$	6,412
Other comprehensive income (loss)				
Change in unrealized gains and (losses) on available-for-sale securities and interest-bearing deposits with financial institutions, net of cash flow hedges		**(6,593)**		5,751
Reclassification to earnings in respect of available-for-sale securities and interest-bearing deposits with financial institutions		**(3,882)**		7,257
Changes in gains and (losses) on derivative financial instruments designated as cash flow hedges		**510**		104,377
Reclassification to earnings of (gains) and losses on cash flow hedges		**(66,832)**		(33,565)
Other comprehensive income (loss)		**(76,797)**		83,820
Comprehensive income	$	**50,673**	$	90,232

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

Consolidated Statement of Changes in Equity

For the years ended March 31 *($ in thousands)*		2010		2009
Retained earnings				
Balance at beginning of the year	$	**1,649,753**	$	1,643,341
Net income		**127,470**		6,412
Balance at end of the year		**1,777,223**		1,649,753
Accumulated other comprehensive income				
Balance at beginning of the year		**108,931**		25,111
Other comprehensive income (loss)		**(76,797)**		83,820
Balance at end of the year		**32,134**		108,931
Equity as at March 31	$	**1,809,357**	$	1,758,684

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

Consolidated Statement of Cash Flows

For the years ended March 31 *($ in thousands)*		**2010**		2009
Cash flows from operating activities				
Net income	**$**	**127,470**	$	6,412
Adjustments to determine net cash flows:				
Provision for credit losses		**58,947**		42,712
Amortization of premises and equipment		**32,466**		29,755
Amortization of software and other intangibles		**21,952**		17,040
Net change in accrued interest receivable and payable		**(14,659)**		42,112
Net change in derivative financial instruments		**(14,762)**		(33,505)
(Recovery) provision for loss on ABCP		**(537)**		224,816
Gain on sale of securitized residential mortgage loans *(note 12)*		**(32,710)**		(53,311)
Change in provision for payment in lieu of tax		**38,075**		-
Net change in cheques and other items in transit		**(13,400)**		22,299
Change in due to clients, brokers, and dealers		**9,664**		4,033
Change in deposit guarantee fee payable		**(4,298)**		7,794
Change in accounts payable and accrued liabilities		**200,878**		58,072
Other items, net		**24,662**		20,551
Net cash provided by operating activities		**433,748**		388,780
Cash flows from financing activities				
Net change in deposits		**(1,290,598)**		2,712,857
Repayment of subordinated debentures		**(11,837)**		(15,985)
Issuance of capital investment notes		**224,994**		-
Change in securities sold under repurchase agreements		**(286,404)**		286,404
Net cash (used in) provided by financing activities		**(1,363,845)**		2,983,276
Cash flows from investing activities				
Net change in interest-bearing deposits with financial institutions		**1,839,788**		(587,214)
Purchase of securities		**(1,675,501)**		(2,772,652)
Proceeds from securities		**1,736,085**		2,583,889
Net change in loans, excluding securitization		**(1,987,184)**		(3,255,323)
Proceeds from loan securitizations		**1,001,484**		1,045,462
Purchases of premises, equipment, software, and other intangibles		**(158,875)**		(124,061)
Net cash provided by (used in) investing activities		**755,797**		(3,109,899)
Net (decrease) increase in cash		**(174,300)**		262,157
Cash at beginning of year		**353,724**		91,567
Cash at end of year	**$**	**179,424**	$	353,724
Supplementary cash flow information:				
Amount of interest paid during the year	**$**	**390,399**	$	549,229

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

Notes to the Consolidated Financial Statements

For the years ended March 31 ($ 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, are established by Order in Council and incorporated under the Business Corporations Act (Alberta):

- ATB Investment Services Inc., incorporated October 3, 1997
- ATB Investment Management Inc., incorporated August 21, 2002
- ATB Securities Inc., incorporated February 6, 2003
- ATB Insurance Advisors Inc., incorporated July 21, 2006

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. Changes in Accounting Policies

Goodwill and Intangible Assets

On April 1, 2009, ATB adopted the new accounting standard of the Canadian Institute of Chartered Accountants (CICA) entitled Goodwill and Intangible Assets (Section 3064). This new standard establishes the criteria for recognition, measurement, presentation, and disclosure of goodwill and intangible assets and replaces the Goodwill and Other Intangible Assets and Research and Development Costs standards.

The provisions of this section were adopted retrospectively with restatement of prior years. Although the adoption of this standard did not result in a change in the recognition of ATB's intangible assets, it did require that intangible assets relating to application software be reclassified from premises and equipment to software and other intangibles on the consolidated balance sheet and that the related amortization expense also be reclassified. This information is presented in note 14.

Financial Instrument Disclosures

In June 2009, the CICA amended its Financial Instruments – Disclosures standard, to expand disclosures of fair value measurement of financial instruments and liquidity risk. The amendment includes a requirement to classify financial instruments reported at fair value using a fair value hierarchy based on the quality and reliability of the information used to estimate the fair value. This information is presented in note 5.

The additional disclosures related to liquidity risk require a maturity analysis of financial liabilities. This information is presented in the Risk Management section of the MD&A.

The amendments are effective for ATB's March 31, 2010, annual financial statements. The amendments do not impact ATB's results or financial position as they relate only to disclosure.

Classification and Impairment of Financial Assets

In August 2009, the CICA amended the Financial Instruments – Recognition and Measurement standard to reduce differences with International Financial Reporting Standards (IFRS).

The amendments apply to annual financial statements relating to fiscal years beginning on or after November 1, 2008, with retroactive application to the beginning of the fiscal year. Entities were permitted, but not required, to apply these amendments to the interim financial statements relating to periods within the fiscal year of adoption only if those interim financial statements were issued on or after August 20, 2009. ATB adopted these amendments in the current fiscal year. The amendments are as follows:

- The definition of the loans and receivables financial asset category, which is measured at cost or amortized cost calculated using the effective interest method, has been modified. As a result, debt instruments not quoted in an active market can be classified as loans and receivables, and impairment is measured using the incurred-credit-loss model of Section 3025, Impaired Loans. Loans and receivables that an entity intends to sell immediately or in the near term must be classified as held for trading, and loans and receivables for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, must be classified as available for sale.
- Reclassification of financial assets from the held-for-trading and available-for-sale categories into the loans and receivables category is permitted under certain circumstances.
- Reversal of an impairment loss relating to an available-for-sale debt instrument is required when, in a subsequent period, the fair value of the instrument increases and the increase can be objectively related to an event occurring after the loss was recognized.

The initial adoption of these amendments did not impact ATB's consolidated financial statements.

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 held for trading (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.

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 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.

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, 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	Held-to-maturity instruments 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.

As at March 31, 2009
($ 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	Held-to-maturity instruments measured at amortized cost	Financial liabilities measured at amortized cost	Derivatives designated for hedge accounting	Total carrying value
Financial assets								
Cash	$ 353,724	$ -	$ -	$ -	$ -	$ -	$ -	$ 353,724[1]
Interest-bearing deposits with financial institutions	1,221	-	2,515,268	-	-	-	-	2,516,489[1]
Securities	-	629,192	599,113	-	-	-	-	1,228,305[1]
Loans								
Residential mortgages	-	-	-	7,368,397	-	-	-	7,368,397
Business	-	-	-	8,958,493	-	-	-	8,958,493
Personal	-	-	-	4,926,582	-	-	-	4,926,582
Credit card	-	-	-	541,940	-	-	-	541,940
Allowance for credit losses	-	-	-	(193,177)	-	-	-	(193,177)
	-	-	-	21,602,235	-	-	-	21,602,235[2]
Other								
Derivative financial instruments	120,079	-	-	-	-	-	138,615	258,694
Other assets	-	-	-	210,009	-	-	-	210,009
	120,079	-	-	210,009	-	-	138,615	468,703[1]
Financial liabilities								
Deposits								
Personal	-	-	-	-	-	(10,797,569)	-	(10,797,569)
Business and other	-	-	-	-	-	(10,158,290)	-	(10,158,290)
Wholesale	-	-	-	-	-	(2,925,387)	-	(2,925,387)
	-	-	-	-	-	(23,881,246)	-	(23,881,246)[3]
Other								
Securities sold under repurchase agreements	-	-	-	-	-	(286,404)	-	(286,404)
Derivative financial instruments	(112,926)	-	-	-	-	-	(14,592)	(127,518)
Other liabilities	-	-	-	-	-	(373,554)	-	(373,554)
	(112,926)	-	-	-	-	(659,958)	(14,592)	(787,476)[1]
Subordinated debentures	-	-	-	-	-	(57,013)	-	(57,013)[4]

1 Fair value estimated to equal carrying value.
2 Fair value of loans estimated to be $22,743,383.
3 Fair value of deposits estimated to be $24,203,643.
4 Fair value of subordinated debentures estimated to be $60,789.

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 and retained rights to future excess interest on securitization transactions. (Refer to notes 9 and 12.)
- Held-for-trading 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, as at March 31, 2010:

As at March 31, 2010 *($ in thousands)*	Level 1	Level 2	Level 3	Total
Financial assets				
Interest-bearing deposits with financial institutions	$ 200,060	$ 475,516	$ -	$ 675,576
Securities				
Available-for-sale securities	6,227	481,704	60,273	548,204
Held-for-trading securities	-	-	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)
Other liabilities	-	-	(7,350)	(7,350)
Total financial liabilities	**$ -**	**$ (146,674)**	**$ (7,568)**	**$ (154,242)**

ATB performs 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, 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, 2010:

($ in thousands)	Available-for-sale securities	Held-for-trading securities	Fair value of derivative financial liabilities	Other liabilities
Fair value as at March 31, 2009	$ 127,931	$ 629,192	$ (3)	$ -
Total realized and unrealized gains (losses) included in net income	(18,351)	(16,958)	(215)	(2,253)
Total realized and unrealized gains (losses) included in other comprehensive income	(3,837)	-	-	-
Net purchases, sales, issuances, and settlements	(45,470)	(1,538)	-	(5,097)
Fair value as at March 31, 2010	**$ 60,273**	**$ 610,696**	**$ (218)**	**$ (7,350)**
Change in unrealized gains (losses) included in income with respect to financial instruments held as at March 31, 2010	**$ (18,414)**	**$ (16,958)**	**$ (215)**	**$ (2,253)**

6. Financial Instruments – Risk Management

ATB has included certain disclosures required by CICA Handbook Section 3862 in shaded sections of the 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 2010 consolidated financial statements.

7. Capital Disclosure

ATB manages capital to ensure that it meets the minimum levels set out by its regulator, Alberta Finance and Enterprise, while supporting the continued growth of its business and building shareholder value.

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 current 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, 2010, ATB has exceeded both the total capital requirements and the Tier 1 capital requirement of the Capital Adequacy Guideline.

As at March 31 *($ in thousands)*		**2010**		2009
Tier 1 capital				
Retained earnings	$	**1,777,223**	$	1,649,753
Tier 2 capital				
Eligible portions of:				
Subordinated debentures		**9,076**		-
Capital investment notes		**179,995**		-
General allowance for credit losses		**172,657**		164,238
Notional capital		**568,133**		600,000
		929,861		764,238
Total regulatory capital	$	**2,707,084**	$	2,413,991
Total risk-weighted assets	$	**19,732,223**	$	18,770,083
Risk-weighted capital ratios				
Tier 1 capital ratio		**9.0%**		8.8%
Total regulatory capital ratio		**13.7%**		12.9%

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, 2010, carrying value of interest-bearing deposits with financial institutions consists of $675,576 (2009: $2,515,268) classified as AFS, and none (2009: $1,221) classified as HFT.

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 in interest income in the consolidated statement of income. Gains and losses realized on the disposal of securities are included in 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:

As at March 31 *($ in thousands)*	Less than 1 year	From 1–5 years	Over 5 years	**2010** Total carrying value	2009 Total carrying value
Available-for-sale securities					
Issued or guaranteed by the Canadian federal or provincial government[1]	$ 481,221	$ -	$ -	$ 481,221	$ 460,120
Commercial paper					
Third-party-sponsored ABCP	-	-	3,227	3,227	72,385
Retained interest in securitization	-	57,046	-	57,046	55,546
Other	6,227	483	-	6,710	11,062
Total available-for-sale securities	487,448	57,529	3,227	548,204	599,113
Held-for-trading securities					
Commercial paper					
Third-party-sponsored ABCP	-	-	564,657	564,657	582,792
Bank-sponsored ABCP	-	-	46,039	46,039	46,400
Total held-for-trading securities	-	-	610,696	610,696	629,192
Total securities	$ 487,448	$ 57,529	$ 613,923	$ 1,158,900	$ 1,228,305

1 As at March 31, 2009, ATB had entered into repurchase agreements with respect to certain securities. ATB transferred these securities to third parties but continued to recognize them on the consolidated balance sheet because the transactions did not qualify for derecognition. The carrying value of these securities as at March 31, 2009, was $290,339.

The total carrying value of securities in the preceding schedule includes securities denominated in U.S. funds totalling $23,804 as at March 31, 2010 (2009: $44,440).

Gross unrealized gains (losses) on available-for-sale securities and interest-bearing deposits with financial institutions are presented in the following table:

As at March 31, 2010 *($ 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	$ 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
2009				
Available-for-sale securities				
Issued or guaranteed by the Canadian federal or provincial government	$ 452,097	$ 8,023	$ -	$ 460,120
Commercial paper				
Third-party-sponsored ABCP	72,571	-	(186)	72,385
Retained interest in securitization	51,316	4,230	-	55,546
Other	11,062	-	-	11,062
Total available-for-sale securities	587,046	12,253	(186)	599,113
Interest-bearing deposits with financial institutions	2,514,156	1,207	(95)	2,515,268
Total available-for-sale investments	$ 3,101,202	$ 13,460	$ (281)	$ 3,114,381

Asset-Backed Commercial Paper

As at March 31, 2010, ATB held asset-backed commercial paper (ABCP) with a total face value of $1,023,371 (2009: $1,102,488). During the year, ATB received principal payments of $70,469 and interest payments of $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:

As at March 31, 2010 *($ in thousands)*	Cost	Coupon	Expected maturity	Credit rating
Third-party ABCP				
MAV 1				
Class A-1	$ 412,583	0.30% (1)	Dec 2016	A
Class A-2	384,746	0.30% (1)	Dec 2016	A
Class B	65,594	0.30% (1)	Dec 2016	None
Class C	26,737	20.0% (1)	Dec 2016	None
Tracking notes for ineligible assets	26,114	Floating (2)	July 2056	None
Total MAV 1	**915,774**			
MAV 3				
Tracking notes for traditional assets	5,806	Floating (2)	Sept 2016	None
Total MAV 3	**5,806**			
Other	34,770	1.55% (1)	Dec 2016	B
Total third-party ABCP	**956,350**			
Bank-sponsored ABCP	**67,021**	0%–0.35% (1)	Dec 2013– Sept 2016	None–AA
Total ABCP	**$ 1,023,371**			

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, $29,528 has been recorded in other liabilities. As at March 31, 2010, no amount has been funded under the MFF.

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

Currently there is a moratorium in place that prevents collateral calls on the leveraged super-senior trades. This moratorium ends in July 2010.

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, 2010, 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, 2010 and 2009:

As at March 31 *($ in thousands)*	2009 cost	2009 estimated fair value	Note redemptions	Foreign exchange impact[1]	**2010 cost**	**2010 estimated fair value**
MAV 1	$ 925,960	$ 556,389	$ 1,538	$ 8,648	**$ 915,774**	**$ 550,054**
MAV 3	74,737	72,385	68,931	-	**5,806**	**3,227**
Other third-party sponsored ABCP	34,770	26,403	-	-	**34,770**	**14,603**
Bank-sponsored ABCP	67,021	46,400	-	-	**67,021**	**46,039**
Total ABCP	**$ 1,102,488**	**$ 701,577**	**$ 70,469**	**$ 8,648**	**$ 1,023,371**	**$ 613,923**

[1] MAV 1 includes securities with a carrying value of $23,804 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 discount rate used for the A-1, A-2, and B notes was based on a spread over bankers' acceptances and ranged from 541 basis points to 2915 basis points (545 basis points to 1878 basis points at March 31, 2009). The coupon rates, term to maturity, and anticipated cash flows have been based on the expected terms of each note. The fair value of the MAV 1 notes remains at 60.1% of cost, which is the same ratio as reported in the prior year.

The CDX.IG index improved between March 31, 2009, and March 31, 2010. This would generally result in an increase in the estimated fair value of the notes held, but ATB believes that there is sufficient uncertainty relative to the fair value of the notes that it would not be appropriate to make a significant positive adjustment to the valuation at this time. Although credit spreads have tightened since March 31, 2009, thereby reducing the probability of collateral calls after the moratorium period ends in July 2010, the credit risk still remains. The first 18 to 24 months post-restructuring are the period of greatest credit risk. As time passes, the spread-loss triggers continue to widen, making collateral calls less likely. In addition, with the passage of time the risk of credit losses is more determinable. ATB will continue to review the valuation of these notes quarterly. Positive valuation adjustments will only be made once there is sufficient certainty that the value of the notes has increased. If the CDX.IG index spreads increase or credit losses occur, ATB will evaluate whether further negative valuation adjustments are necessary.

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.

Other Third-Party ABCP

Dominion Bond Rating Service (DBRS) downgraded this investment from BBB as at March 31, 2009, to B (high) during the year because of concern over the credit quality of the underlying assets. Based on the continuing negative outlook for this investment, ATB has reduced the fair value to $14,603 (42.0% of cost), down from the $26,403 (or 75.9% of cost) recorded as at March 31, 2009. 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 69.2% of cost as at March 31, 2009, to 68.7% as at March 31, 2010. 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 $8,005 of interest income recognized on its ABCP during the year, ATB also recognized $4,197 in other income, representing the accretion of the MFF deferral. The $537 recovery of loss on ABCP recognized this year is the net of an $8,537 increase in the provision and a $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 $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 principal or interest payments are more than 90 days past due, unless the loan 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:

As at March 31 *($ in thousands)*				**2010**	2009
	Gross loans	**Specific allowances**	**General allowances**	**Net carrying value**	Net carrying value
Residential mortgages	**$ 7,989,004**	**$ 984**	**$ 10,891**	**$ 7,977,129**	$ 7,357,506
Personal	**5,446,028**	**8,089**	**30,729**	**5,407,210**	4,896,541
Credit card	**599,379**	**-**	**22,302**	**577,077**	524,524
Agricultural	**1,330,649**	**861**	**13,169**	**1,316,619**	1,218,851
Independent business	**2,364,973**	**5,788**	**47,221**	**2,311,964**	2,273,403
Commercial	**5,026,983**	**1,571**	**80,808**	**4,944,604**	5,331,410
	$ 22,757,016	**$ 17,293**	**$ 205,120**	**$ 22,534,603**	$ 21,602,235

The net carrying value of the above loans includes mortgages insured primarily by the Canada Mortgage and Housing Corporation, totalling $2,908,963 as at March 31, 2010 (2009: $2,727,688), and other insured loans, totalling $94,148 (2009: $88,245).

Included in loans as at March 31, 2010, are $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 $212,589 as at March 31, 2010 (2009: $409,952).

Loans Past Due

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

As at March 31 *($ in thousands)*	Residential mortgages	Business	Personal	Credit card[1]	2010 Total	2009 Total
Up to one month	$ 119,697	$ 49,983	$ 33,814	$ 35,018	$ 238,512	$ 217,087
Over one month up to two months	15,903	4,451	8,252	8,857	37,463	29,706
Over two months up to three months	2,151	6,378	5,811	3,625	17,965	16,981
Over three months	1,012	2,389	8,478	6,133	18,012	10,195
Total past due but not impaired	$ 138,763	$ 63,201	$ 56,355	$ 53,633	$ 311,952	$ 273,969

[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:

As at March 31 *($ in thousands)*	2010 Gross impaired loans	2010 Specific allowances	2010 Net carrying value	2009 Net carrying value
Residential mortgages	$ 68,938	$ 984	$ 67,954	$ 29,260
Commercial	5,034	1,571	3,463	3,301
Personal	29,380	8,089	21,291	12,904
Independent business	25,043	5,788	19,255	9,937
Agricultural	4,084	861	3,223	4,093
	$ 132,479	$ 17,293	$ 115,186	$ 59,495

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, 2010, no single industry segment represents more than 22.3% (2009: 27.2%) of total gross business loans, and no single borrower represents more than 0.32% (2009: 0.40%) 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, 2010 and 2009, there was no special general allowance.

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

As at March 31 *($ in thousands)*	Specific		General		Total	
	2010	2009	**2010**	2009	**2010**	2009
Balance at beginning of year	**$ 18,157**	$ 11,896	**$ 176,854**	$ 153,010	**$ 195,011**	$ 164,906
Writeoffs	**(36,158)**	(16,350)	**-**	-	**(36,158)**	(16,350)
Recoveries	**5,778**	3,743	**-**	-	**5,778**	3,743
Provision for credit losses	**30,681**	18,868	**28,266**	23,844	**58,947**	42,712
Balance at end of year	**18,458**	18,157	**205,120**	176,854	**223,578**	195,011
Less: allowance for cost of credit recovery included in other liabilities	**1,165**	1,834	**-**	-	**1,165**	1,834
Allowance for credit losses	**$ 17,293**	$ 16,323	**$ 205,120**	$ 176,854	**$ 222,413**	$ 193,177

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 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:

For the years ended March 31 *($ in thousands)*		**2010**		2009
Proceeds, net of transaction fees	$	**1,001,484**	$	1,045,462
Retained interests		**40,413**		61,486
Deferred servicing revenue		**(7,283)**		(6,265)
		1,034,614		1,100,683
Residential mortgages securitized and sold		**1,001,904**		1,047,372
Gain on sale, net of transaction fees	$	**32,710**	$	53,311

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

For the years ended March 31 *($ in thousands)*		**2010**		2009
Gain on sale, net of transaction fees	$	**32,710**	$	53,311
Servicing revenues		**3,977**		1,028
Other securitization loss		**(18,414)**		(530)
Securitization income	$	**18,273**	$	53,809

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

For the years ended March 31 *($ in thousands)*		**2010**		2009
Net proceeds from new securitizations	**$**	**1,001,484**	$	1,045,462
Cash flows received on retained interests	**$**	**13,852**	$	5,773

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:

As at March 31 *($ in thousands)*	**2010**	2009
Expected weighted average life of mortgage pool in months	**40.8**	40.9
Prepayment rate	**15.0%**	15.0%
Excess spread	**2.1%**	2.8%
Discount rate	**3.3%**	3.1%

As at March 31 *($ in thousands)*		**2010**		2009
Carrying amount of retained interest	**$**	**57,046**	$	55,546
Prepayment rate		**15.0%**		15.0%
Impact on fair value of 10% adverse change	**$**	**(1,364)**	$	(2,453)
Impact on fair value of 20% adverse change	**$**	**(2,685)**	$	(4,280)
Residual cash flows discount rate		**3.3%**		3.1%
Impact on fair value of 10% adverse change	**$**	**(261)**	$	(242)
Impact on fair value of 20% adverse change	**$**	**(476)**	$	(492)

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:

As at March 31 *($ in thousands)*		**2010**		2009
Total residential mortgages being serviced	**$**	**9,451,744**	$	8,366,473
Less mortgages securitized		**1,462,740**		998,076
Total residential mortgages on consolidated balance sheet	**$**	**7,989,004**	$	7,368,397

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

As at March 31 *($ in thousands)*				2010	2009
		Cost	**Accumulated amortization**	**Net carrying value**	Net carrying value
Land	$	**7,546**	$ **-**	$ **7,546**	$ 7,546
Buildings		**112,983**	**62,815**	**50,168**	59,332
Buildings under capital lease [1]		**9,518**	**468**	**9,050**	-
Computer equipment		**60,012**	**35,213**	**24,799**	27,313
Other equipment		**43,280**	**31,882**	**11,398**	10,621
Leasehold improvements		**122,453**	**85,984**	**36,469**	29,051
Computer equipment under development		**20,150**	**-**	**20,150**	21,877
Leasehold improvements under construction		**29,251**	**-**	**29,251**	19,783
	$	**405,193**	$ **216,362**	$ **188,831**	$ 175,523

[1] During the year ended March 31, 2010, ATB entered into a capital lease for a building.

Amortization expense charged to the consolidated statement of income for the year ended March 31, 2010, for premises and equipment was $32,466 (2009: $29,755).

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, 2010 (2009: nil).

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.

As at March 31 *($ in thousands)*				2010	2009
		Cost	**Accumulated amortization**	**Net carrying value**	Net carrying value
Software	$	**158,785**	$ **97,783**	$ **61,002**	$ 60,468
Other intangibles		**1,316**	**256**	**1,060**	-
Computer software under development		**139,705**	**-**	**139,705**	50,150
	$	**299,806**	$ **98,039**	$ **201,767**	$ 110,618

As a result of the adoption of the new Goodwill and Intangible Assets standard, the net carrying value of $201,767 (2009: $110,618) for software and other intangibles was reclassified from premises and equipment to software and other intangibles in the consolidated balance sheet.

Amortization expense charged to the consolidated statement of income for the year ended March 31, 2010, for software and intangibles was $21,952 (2009: $17,040).

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, 2010 (2009: nil).

15. Other Assets

Other assets consist of the following:

As at March 31 *($ in thousands)*		**2010**		2009
Accrued interest receivable	$	**114,600**	$	133,917
Cheques and other items in transit		**56,700**		34,100
Prepaid expenses and other receivables		**40,540**		65,831
Accrued pension-benefit asset *(note 19)*		**33,419**		21,445
Other		**18,149**		13,262
	$	**263,408**	$	268,555

16. Deposits

Deposit balances consist of the following:

As at March 31 *($ in thousands)*								**2010**	2009
	Payable on demand	**Payable after notice**	**Payable on a fixed date**					**Total**	Total
			Within 1 year	**1–2 years**	**2–3 years**	**3–4 years**	**4–5 years**		
Personal	**$ 1,645,167**	**$ 3,745,527**	**$ 2,158,971**	**$ 1,928,252**	**$ 430,549**	**$ 220,367**	**$ 298,300**	**$ 10,427,133**	$ 10,797,569
Business and other	**4,826,130**	**2,045,770**	**2,307,754**	**264,701**	**50,063**	**19,994**	**29,628**	**9,544,040**	10,158,290
Wholesale	**-**	**-**	**1,011,223**	**798,385**	**399,193**	**399,193**	**-**	**2,607,994**	2,925,387
	$ 6,471,297	**$ 5,791,297**	**$ 5,477,948**	**$ 2,991,338**	**$ 879,805**	**$ 639,554**	**$ 327,928**	**$ 22,579,167**	$ 23,881,246

Total deposits presented above include $667,528 (2009: $502,961) denominated in U.S. funds.

As at March 31, 2010, deposits by various departments and agencies of the Government of Alberta included in the preceding schedule total $23,600 (2009: $9,284).

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, 2010, the fee was $23,706 (2009: $29,417).

17. Other Liabilities

Other liabilities consist of the following:

As at March 31 *($ in thousands)*		**2010**		2009
Accrued interest payable	$	**125,509**	$	159,485
Accounts payable and accrued liabilities		**388,635**		195,107
Payment in lieu of tax payable *(note 27)*		**38,075**		-
Cheques and other items in transit		**16,500**		7,300
Deposit guarantee fee payable		**23,706**		28,004
Due to clients, brokers, and dealers		**16,998**		7,334
Achievement Notes *(note 29)*		**7,350**		-
Accrued pension-benefit liability *(note 19)*		**6,659**		6,048
	$	**623,432**	$	403,278

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.

Subordinated debentures consist of the following:

		($ in thousands)	
Maturity date	Interest rate	**2010**	2009
June 30, 2009	3.8%	$ -	$ 11,837
June 30, 2010	4.2%	**15,785**	15,785
June 30, 2011	4.6%	**13,401**	13,401
June 30, 2012	4.5%	**15,990**	15,990
		$ 45,176	$ 57,013

The outstanding subordinated debentures were issued with an original term of five years in respect to ATB's annual deposit guarantee fee obligations. Subordinated debentures were not issued in 2010 or 2009 as the deposit guarantee fee obligation was paid in cash for those years. ATB's obligation for the deposit guarantee fee for the year ended March 31, 2010, is recorded in other liabilities in the consolidated balance sheet. (Refer to note 17.)

As detailed in note 27, additional subordinated debentures will be issued to settle the current liability for ATB's payment in lieu of tax.

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, 2010, expenses related to the PSPP were $7,907 (2009: $7,290), and expenses related to DC provisions of the ATB Plan were $12,762 (2009: $9,632).

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 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 of December 31, 2008.

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 2010		Actual	Target 2009		Actual
(%)	**Normal**	**Min–max**	**2010**	Normal	Min–max	2009
Equities						
Canadian	**25**	**20–30**	**19**	25	20–30	17
Foreign	**45**	**40–50**	**41**	45	40–50	35
	70		**60**	70		52
Fixed Income						
Canadian	**30**	**20–40**	**40**	30	20–40	48
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, 2010—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 $41,222 (2009: $20,849). 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:

As at March 31 *($ in thousands)*	**2010**	2009
Registered plan		
Fair value of plan assets	**$ 153,015**	$ 111,247
Projected benefit obligation	**(198,867)**	(133,118)
Plan funding deficit	**(45,852)**	(21,871)
Unamortized past-service amendment	**14,065**	15,840
Unamortized actuarial net loss	**65,206**	27,476
Accrued pension-benefit asset	**$ 33,419**	$ 21,445
Supplemental and other		
Unfunded projected benefit obligation, representing the plan funding deficit	**$ (7,929)**	$ (4,900)
Unamortized past-service amendment	**1,326**	1,476
Unamortized actuarial net gain	**(56)**	(2,624)
Accrued pension-benefit liability	**$ (6,659)**	$ (6,048)

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:

For the years ended March 31 *($ in thousands)*	Registered plan		Supplemental and other	
	2010	2009	**2010**	2009
Change in fair value of plan assets				
Fair value of plan assets at beginning of year	**$ 111,247**	$ 143,800	**$ -**	$ -
Contributions from ATB	**20,149**	3,710	**404**	216
Contributions from employees	**1,120**	1,126	**-**	-
Actual return (loss) on plan assets	**23,181**	(34,742)	**-**	-
Benefits paid	**(5,095)**	(5,650)	**(404)**	(216)
Net transfer in – Public Service Pension Plan	**3,600**	3,894	**-**	-
Actual plan expenses	**(1,187)**	(891)	**-**	-
Fair value of plan assets at end of year	**$ 153,015**	$ 111,247	**$ -**	$ -
Change in projected benefit obligation				
Projected benefit obligation at beginning of year	**$ 133,118**	$ 151,063	**$ 4,900**	$ 6,131
Actuarial loss (gain)	**53,574**	(30,075)	**2,323**	(2,343)
Current service cost	**1,406**	1,740	**653**	895
Contributions from employees	**1,120**	1,126	**-**	-
Plan amendment – Public Service Pension Plan	**90**	1,583	**-**	-
Net transfer in – Public Service Pension Plan	**3,600**	3,894	**-**	-
Interest cost	**11,054**	9,437	**457**	433
Benefits paid	**(5,095)**	(5,650)	**(404)**	(216)
Projected benefit obligation at end of year	**$ 198,867**	$ 133,118	**$ 7,929**	$ 4,900

Defined Benefit Pension Expense

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

For the years ended March 31 *($ in thousands)*	Registered plan		Supplemental and other	
	2010	2009	**2010**	2009
Current service cost (including provision for expenses)	**$ 2,165**	$ 2,500	**$ 653**	$ 895
Interest cost on projected benefit obligation	**11,054**	9,437	**457**	433
Plan amendments	**90**	1,583	**-**	-
Actual (return) loss on plan assets	**(23,181)**	34,742	**-**	-
Actuarial losses (gains)	**53,574**	(30,075)	**2,323**	(2,343)
	43,702	18,187	**3,433**	(1,015)
Adjustments to recognize the long-term nature of employee future-benefit costs:				
Difference between actual and expected return on plan assets	**14,606**	(44,949)	**-**	-
Difference between actual actuarial losses (gains) arising and actuarial losses (gains) amortized	**(51,908)**	30,075	**(2,568)**	2,350
Amortization of initial transition asset	**-**	(394)	**-**	-
Difference between actual past-service amendment arising and past-service amendments amortized	**1,775**	172	**150**	150
Net pension-benefit expense recognized	**$ 8,175**	$ 3,091	**$ 1,015**	$ 1,485

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	
	2010	2009	**2010**	2009
Accrued benefit obligation as at March 31				
Discount rate at end of year	**6.0%**	8.3%	**6.0%**	8.3%
Rate of compensation increase[1]	**3.1%**	2.6%	**3.1%**	2.6%
Defined benefit expense for the year ended March 31				
Discount rate at beginning of year	**8.3%**	6.2%	**8.3%**	6.2%
Expected long-term return on plan assets	**7.3%**	7.1%	**-**	-
Rate of compensation increase[1]	**2.6%**	4.4%	**2.6%**	6.0%
Average remaining service period of active employees	**8.5 years**	9.0 years	**9.0 years**	12.0 years
Average remaining service period of active employees				
(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**			

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, 2010, 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	**$ (26,889)**	**$ (2,043)**	**$ (966)**	**$ (121)**
	1.0% decrease	**34,100**	**2,458**	**1,205**	**147**
Inflation rate					
Impact of:	1.0% increase	**15,400**	**1,760**	**166**	**(28)**
	1.0% decrease	**(13,719)**	**(1,577)**	**(265)**	**(11)**
Rate of compensation increase					
Impact of:	0.25% increase	**1,252**	**170**	**24**	**18**
	0.25% decrease	**(1,226)**	**(137)**	**(24)**	**(17)**
Expected long-term rate of return on plan assets					
Impact of:	1.0% increase	**-**	**(1,181)**	**-**	**-**
	1.0% decrease	**-**	**1,181**	**-**	**-**

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, 2010 (or as at March 31, 2009).

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 $20,732 (2009: $70,839). 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:

	2010		2009	
As at March 31 *($ in thousands)*	**Favourable position**	**Unfavourable position**	Favourable position	Unfavourable position
Contracts ineligible for hedge accounting				
Interest rate contracts				
Options	**$ 233**	**$ -**	$ 176	$ -
Swaps	**-**	**-**	4,736	(2,471)
	233	**-**	4,912	(2,471)
Embedded derivatives				
Equity- and commodity-linked deposits	**-**	**(45,930)**	-	(16,766)
Other	**-**	**(217)**	-	(3)
	-	**(46,147)**	-	(16,769)
Foreign-exchange contracts				
Forwards	**6,451**	**(6,843)**	5,331	(1,389)
Equity contracts				
Options	**48,405**	**-**	16,764	-
Forward contracts				
Commodities	**86,937**	**(85,944)**	93,072	(92,297)
Total fair value ineligible contracts	**142,026**	**(138,934)**	120,079	(112,926)
Contracts eligible for hedge accounting				
Interest rate contracts				
Swaps	**84,483**	**(7,958)**	138,615	(14,592)
Total fair value eligible contracts	**84,483**	**(7,958)**	138,615	(14,592)
Total fair value	**$ 226,509**	**$ (146,892)**	$ 258,694	$ (127,518)
Less impact of master netting agreements	**(7,958)**		(17,063)	
Less impact of financial institution counterparty collateral held	**(86,730)**		(103,730)	
Residual credit exposure on derivatives to ATB	**$ 131,821**		$ 137,901	

All of the residual credit exposure presented above relates to contracts with financial institution counterparties, except for $33,022 that relates to client counterparties (2009: $24,664).

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:

As of March 31 *($ in thousands)*	Ineligible for hedge accounting	Eligible for hedge accounting	Residual term of contract Within 3 months	3–12 months	1–5 years	2010 Total	2009 Total
Interest rate contracts							
Options	$ 53,889	$ -	$ 2,137	$ 21,333	$ 30,419	$ 53,889	$ 89,376
Swaps	-	2,969,000	680,000	1,200,000	1,089,000	2,969,000	4,166,000
Foreign-exchange contracts							
Forwards	1,184,142	-	771,144	280,333	132,665	1,184,142	270,917
Equity contracts							
Options	369,680	-	5,850	58,320	305,510	369,680	238,055
Forward contracts							
Commodities	1,622,390	-	25,213	1,263,034	334,143	1,622,390	1,204,847
Embedded derivatives							
Equity- and commodity-linked deposits	330,615	-	5,680	57,406	267,529	330,615	243,389
Other	40,177	-	1,192	5,436	33,549	40,177	70,094
Total	$ 3,600,893	$ 2,969,000	$ 1,491,216	$ 2,885,862	$ 2,192,815	$ 6,569,893	$ 6,282,678

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 $15,545 as at March 31, 2010 (2009: $26,515).

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 as follows:

As at March 31 *($ in thousands)*		**2010**		2009
Guarantees	**$**	**156,062**	$	170,254
Letters of credit		**177,335**		150,160
Commitments to extend credit		**11,759,001**		10,005,865
	$	**12,092,398**	$	10,326,279

The amounts presented above in the current and comparative year for commitments to extend credit include demand facilities of $8,835,193 (2009: $5,443,063). 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.

Pledged Assets

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

As at March 31 *($ in thousands)*		**2010**		2009
Assets pledged to:				
Bank of Canada	**$**	**687,377**	$	386,000
Clearing and Depository Services Inc.		**14,000**		14,000
Total	**$**	**701,377**	$	400,000

As at March 31, 2010, the total amount of pledged assets encumbered was $70,875 (2009: $44,250).

As at March 31, 2010, ATB held $86,730 (2009: $103,730) in financial assets as collateral from financial institution counterparties related to derivative contracts.

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, 2010, and March 31, 2009, 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:

As at March 31 *($ in thousands)*	
2011	$ 127,620
2012	88,018
2013	39,585
2014	28,507
2015	12,663
2016 and thereafter	41,331
	$ 337,724

The total expense for premises and equipment operating leases charged to the consolidated statement of income for the year ended March 31, 2010, is $36,470 (2009: $27,856).

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, 2010 was approximately $176,924. Although not committed contractually, ATB management intends to complete this project in fiscal 2011–12 and expects to spend an additional $148,000. 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 years ended March 31:

For the years ended March 31 ($ in thousands)	Base salary[1]	Variable pay current[2]	Variable pay deferred[3]	Other cash benefits[4]	Retirement and other post-employment benefits	Other non-cash benefits[5]	2010 Total	2009 Total
Chairman of the Board	$ -	$ -	$ -	$ 79	$ -	$ -	$ 79	$ 73
Board Members[6]	-	-	-	435	-	-	435	457
President and Chief Executive Officer[7]	502	272	204	42	438	18	1,476	1,465
Chief Risk Officer	241	70	53	18	51	15	448	473
Chief Financial Officer	247	71	49	24	42	12	445	445
Chief People and Marketing Officer	231	67	46	24	37	14	419	431
Executive Vice-President Retail Financial Services	221	93	43	23	26	14	420	447
Executive Vice-President Corporate Financial Services	231	83	55	60	43	15	487	551
Executive Vice-President Independent Business and Agriculture[8]	115	95	68	242	4	8	532	-
Executive Vice-President and President ATB Investor Services	251	153	113	20	36	75	648	611

1 Base salary consists of all regular pensionable base pay earned.
2 Current variable pay is accrued based on goal attainment for the fiscal year but is paid after the fiscal year-end.
3 Deferred variable pay is earned in the year, though payment is deferred for up to 33 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, 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 The position Executive Vice-President Independent Business and Agriculture was established in fiscal 2009–10. Other cash benefits for this position include remuneration paid at hiring to compensate for benefits forgone from a previous employer.

Retirement and Other Post-Employment Benefits

Retirement and other post-employment benefits presented in the Salaries and Benefits table above 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 our non-registered defined benefit supplemental retirement plan (SRP), or through other supplemental post-retirement benefit arrangements. (Refer to note 19 for a detailed description of ATB's accounting for its retirement plans.)

For the years ended March 31 ($ in thousands)	Registered plan service cost	Supplemental and other post-employment benefit service costs[1]	Prior service and other costs	2010 Total	2009 Total
President and Chief Executive Officer[2]	$ -	$ 363	$ 75	$ 438	$ 429
Chief Risk Officer	9	26	16	51	79
Chief Financial Officer	9	26	7	42	60
Chief People and Marketing Officer	9	17	11	37	64
Executive Vice-President Retail Financial Services	9	11	6	26	38
Executive Vice-President Corporate Financial Services	9	24	10	43	66
Executive Vice-President Independent Business and Agriculture	4	-	-	4	-
Executive Vice-President and President ATB Investor Services	9	15	12	36	58

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 years ended March 31 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.

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

($ in thousands)	Accrued obligation March 31, 2009	Change in accrued obligation	**Accrued obligation March 31, 2010[3]**
President and Chief Executive Officer[1]	$ 655	$ 527	**$ 1,182**
Chief Risk Officer	261	206	**467**
Chief Financial Officer	134	116	**250**
Chief People and Marketing Officer	166	203	**369**
Executive Vice-President Retail Financial Services	102	76	**178**
Executive Vice-President Corporate Financial Services	169	158	**327**
Executive Vice-President Independent Business and Agriculture[2]	-	-	**-**
Executive Vice-President and President ATB Investor Services	149	167	**316**

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

2 The position Executive Vice-President Independent Business and Agriculture was established in fiscal 2009–10 and does not participate in the SRP.

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 8.3% on March 31, 2009, to 6.0% on March 31, 2010, because of changes in market interest rates. Consequently, there was a large increase in the accrued obligation on March 31, 2010.

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, 2010, the total of these payments was $921 (2009: $881). 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:

As at March 31 *($ in thousands)*	**2010**	2009
Residential mortgages	**$ 274,041**	$ 201,117
Personal	**117,121**	87,954
Credit card	**15,909**	13,965
Business and other	**28,783**	5,618
	$ 435,854	$ 308,654

24. Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income are:

As of March 31 *($ in thousands)*	**2010**	2009
Net unrealized gains on available-for-sale securities and interest-bearing deposits with financial institutions, net of hedging activities	**$ 2,703**	$ 13,179
Net unrealized gains on derivative instruments designated as cash flow hedges	**29,431**	95,752
Accumulated other comprehensive income	**$ 32,134**	$ 108,931

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
2010							
Assets							
Cash	$ 47,382	$ -	$ 47,382	$ -	$ -	$ 132,042	$ 179,424
Effective yield	0.3%	-	0.3%	-	-	-	0.1%
Securities and interest-bearing deposits with financial institutions	1,662,520	114,428	1,776,948	57,528	-	-	1,834,476
Effective yield	0.5%	1.0%	0.5%	-	-	-	0.5%
Loans	15,481,000	1,769,695	17,250,695	5,177,629	52,596	53,683	22,534,603
Effective yield	3.1%	4.9%	3.3%	6.1%	4.6%	-	3.9%
Other	-	-	-	-	-	880,515	880,515
	17,190,902	1,884,123	19,075,025	5,235,157	52,596	1,066,240	25,429,018
Liabilities and equity							
Deposits	9,882,006	2,886,660	12,768,666	5,280,774	-	4,529,727	22,579,167
Effective yield	0.6%	2.6%	1.0%	2.8%	-	-	1.2%
Other liabilities and equity	-	-	-	-	-	2,579,681	2,579,681
Capital investment notes	-	-	-	224,994	-	-	224,994
Effective yield	-	-	-	4.3%	-	-	4.3%
Subordinated debentures	15,785	-	15,785	29,391	-	-	45,176
Effective yield	4.2%	-	4.2%	4.6%	-	-	4.5%
	9,897,791	2,886,660	12,784,451	5,535,159	-	7,109,408	25,429,018
On-balance-sheet gap	7,293,111	(1,002,537)	6,290,574	(300,002)	52,596	(6,043,168)	-
Off-balance-sheet gap	(989,000)	445,000	(544,000)	544,000	-	-	-
Net gap	$ 6,304,111	$ (557,537)	$ 5,746,574	$ 243,998	$ 52,596	$ (6,043,168)	-
As percentage of assets	24.8%	(2.2%)	22.6%	1.0%	0.2%	(23.8%)	-
2009[1]							
Assets	$ 18,336,038	$ 1,389,722	$ 19,725,760	$ 5,826,775	$ 66,497	$ 608,707	$ 26,227,739
Liabilities and equity	10,980,652	3,399,363	14,380,015	9,501,231	-	2,346,493	26,227,739
On-balance-sheet gap	7,355,386	(2,009,641)	5,345,745	(3,674,456)	66,497	(1,737,786)	-
Off-balance-sheet gap	(2,902,404)	647,000	(2,255,404)	2,255,404	-	-	-
Net gap	$ 4,452,982	$ (1,362,641)	$ 3,090,341	$ (1,419,052)	$ 66,497	$ (1,737,786)	$ -
As percentage of assets	17.0%	(5.2%)	11.8%	(5.4%)	0.3%	(6.6%)	-

1 As at March 31, 2009, the asset and liability side of securities sold under repurchase agreements have been included in the off-balance-sheet gap with the other hedging instruments because management uses these instruments for asset/liability gap management purposes.

The effective yield represents the weighted average effective yield based on the earlier of contractual repricing and maturity dates.

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)	**2010**	2009
Impact on net earnings in succeeding year from:		
Increase in interest rates of:		
100 basis points	**$ 60,583**	$ 43,859
200 basis points	**122,154**	87,421
Decrease in interest rates of:		
100 basis points	**(37,918)**	(43,859)
200 basis points	**(52,628)**	(89,458)

26. Segmented Information

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

- **Personal and Business Financial Services** includes Retail Financial Services (RFS) and Independent Business and Agriculture (IB&Ag) lines of businesses. In fiscal 2009–10, management determined that the IB&Ag line of business would be separated from RFS to better serve business and agriculture customers. IB&Ag will be shown as a separate line of business for segmented reporting purposes in fiscal 2010–11.
- **Corporate Financial Services** provides financial services to medium- and large-size corporate borrowers.
- **Investor Services** provides wealth management solutions, including retail brokerage, mutual funds, portfolio management, life insurance brokerage, and investment advice.

ATB's operating activities are not geographically distributed for external reporting purposes, as all its operations are essentially limited to customers within 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 other business unit (corporate) level only. Because 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)		Personal and Business Financial Services		Corporate Financial Services		Investor Services		Other business units[1]		Total
2010										
Net interest income	**$**	**472,031**	**$**	**154,796**	**$**	**4,895**	**$**	**42,966**	**$**	**674,688**
Other income (loss)		**157,937**		**54,865**		**40,278**		**(32,297)**		**220,783**
Recovery of loss on ABCP		**-**		**-**		**-**		**537**		**537**
Total operating revenue		**629,968**		**209,661**		**45,173**		**11,206**		**896,008**
Provision for (recovery of) credit losses		**49,727**		**16,378**		**-**		**(7,158)**		**58,947**
Non-interest expenses		**478,152**		**35,830**		**58,853**		**98,681**		**671,516**
Income (loss) before payment in lieu of tax		**102,089**		**157,453**		**(13,680)**		**(80,317)**		**165,545**
Payment in lieu of tax		**-**		**-**		**-**		**38,075**		**38,075**
Net income (loss)	**$**	**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**
2009										
Net interest income	$	474,645	$	97,952	$	5,251	$	69,497	$	647,345
Other income		135,669		36,760		35,928		51,325		259,682
Provision for loss on ABCP		-		-		-		(224,816)		(224,816)
Total operating revenue (loss)		610,314		134,712		41,179		(103,994)		682,211
Provision for credit losses		16,504		23,545		-		2,663		42,712
Non-interest expenses		476,112		29,507		50,149		77,319		633,087
Income (loss) before payment in lieu of tax		117,698		81,660		(8,970)		(183,976)		6,412
Payment in lieu of tax		-		-		-		-		-
Net income (loss)	$	117,698	$	81,660	$	(8,970)	$	(183,976)	$	6,412
Total assets	$	17,107,664	$	5,436,071	$	20,168	$	3,950,240	$	26,514,143
Total liabilities	$	16,135,022	$	3,837,884	$	831,274	$	3,951,279	$	24,755,459

[1] Composed of business units of a corporate nature, such as investment, risk management, asset/liability management, and treasury operations, as well as expenses and 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 other business 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, 2010, ATB accrued a total of $38,075 (2009: nil) for payment in lieu of tax.

This amount must be settled before July 1, 2010, by ATB issuing a subordinated debenture to the Government of Alberta. 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 current 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, 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

During the year, ATB offered to sell 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 the certain ATB subsidiaries
- Cash distributions, if any, based on the net positive dividends paid by certain ATB subsidiaries to ATB commencing this fiscal year

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 $5,097 of these notes, which are recorded in other liabilities on the consolidated balance sheet. An expense of $2,253 was recognized during the year to reflect the increase in the fair value of the notes based on the March 31, 2010, valuation of the notes. As at March 31, 2010, the liability for these notes was $7,350.

30. Future Changes in Accounting Policies

Conversion to International Financial Reporting Standards

The Accounting Standards Board confirmed and communicated its decision to replace Canadian generally accepted accounting principles with International Financial Reporting Standards (IFRS) for publicly accountable enterprises with January 1, 2011, as the changeover date. The Public Sector Accounting Board confirmed that government business enterprises operating as self-sustaining commercial organizations should adhere to standards for publicly accountable enterprises (i.e., IFRS). ATB's consolidated financial statements will be prepared using IFRS for the year ended March 31, 2012, and will include comparative information for fiscal 2010–11. ATB has substantially completed the accounting design phase of its IFRS project, which includes a detailed analysis and evaluation of the IFRS standards relevant to ATB's consolidated financial statements. ATB expects to quantify the preliminary impact on the April 1, 2010, opening IFRS retained earnings by September 30, 2010. (Refer to the Critical Accounting Policies and Estimates section of the MD&A for more information.)

31. Comparative Amounts

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

GLOSSARY

Adjusted Net Income
Operating results reported excluding the impact of asset-backed commercial paper and before payment in lieu of tax.

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 credit portfolio.

Asset Growth
Total assets outstanding at year-end less the value of total assets outstanding at the previous year-end divided by total assets outstanding at the previous year-end.

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 carrying value of interest-bearing deposits with financial institutions, loans, and securities over a one-year period.

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.

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.

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.

Efficiency Ratio
The ratio of non-interest expenses for the year divided by total operating revenue (net interest income plus other income) for the year. May be referred to as the "productivity ratio" by other financial institutions.

Embedded Derivative
A component within a financial instrument or other contract that has features similar to a derivative.

Equity- and Commodity-Linked Options
A class of options that gives the purchaser the right but not the obligation to buy an individual share, a basket of shares, or an equity or commodity index at a predetermined price, on or before a fixed date, on a fixed date, or on a series of fixed dates.

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
Loans 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.

Loan Growth
Loans outstanding at year-end less loans outstanding at the previous year-end divided by loans outstanding at the previous year-end.

Market Value of Equity (MVE)
The difference between 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 Margin
Net interest income for the year divided by the value of average total assets for the year.

Net Interest Spread
Net interest income for the year divided by the value of average total earning assets for the year.

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.

Operating Revenue Growth

The current year's operating revenue (net interest income plus other income) less the previous year's operating revenue divided by the previous year's operating revenue.

Option

Contract between two parties whereby the buyer of the option has the right but not the obligation to buy (call) or sell (put) a specified financial instrument or currency at a set price or rate on or before a specified future date, on a specified date, or on a series of specified dates.

Other Income to Operating Revenue

Other income for the year divided by operating revenue (net interest income plus other income) for the year.

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.

Return on Average Assets

Net income for the year divided by average total assets for the year.

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.

ATB FINANCIAL BOARD OF DIRECTORS AND OFFICERS

Board of Directors

Garnet Altwasser
Audit Committee
Risk Committee

Doug Baker
Audit Committee
Risk Committee

Bob Brawn
Governance and Conduct Review Committee
Human Resources Committee

Arthur Froehlich
Chair, Governance and Conduct Review Committee
Risk Committee

Joan Hertz
Audit Committee
Human Resources Committee
Strategic Planning Committee

Linda Hohol
Chair, Risk Committee
Audit Committee
Governance and Conduct Review Committee

Bern Kotelko
Human Resources Committee
Risk Committee

Brian McCook
Chair, Audit Committee
Governance and Conduct Review Committee
Risk Committee

Colette Miller
Audit Committee
Human Resources Committee

Al O'Brien
Vice-Chair, Board
Chair, Strategic Planning Committee
Governance and Conduct Review Committee
Human Resources Committee

Mike Percy
Audit Committee
Strategic Planning Committee

Bob Splane
Chair, Board
Risk Committee
Governance and Conduct Review Committee

Wayne Wagner
Chair, Human Resources Committee
Governance Committee
Strategic Planning Committee

Officers

Dave Mowat
President and Chief Executive Officer

Michael Baker
Executive Vice-President, Retail Financial Services

Ken Casey
Executive Vice-President, Major Initiatives

Sandy Chipchar
Chief People and Marketing Officer

Sheldon Dyck
Executive Vice-President, Investor Services

Lukasz Forys
Vice-President, Structured Products

Jay Hamblin
Vice-President, Asset Management

Bob Mann
Chief Risk Officer

Dwayne Mann
Senior Vice-President, Credit

Stuart McKellar
Vice-President, Legal
Corporate Secretary

Jim McKillop
Chief Financial Officer

Ian Wild
Executive Vice-President, Corporate Financial Services

ATB FINANCIAL BRANCHES AND AGENCIES

Branches

Airdrie
Andrew
Athabasca
Banff
Barrhead
Beaverlodge
Black Diamond
Bonnyville
Bow Island
Boyle
Breton
Brooks
Bruderheim
Calgary (25)
Camrose
Canmore
Cardston
Caroline
Carstairs
Castor
Claresholm
Coaldale
Cochrane
Cold Lake
Consort
Coronation
Crossfield
Daysland
Didsbury
Drayton Valley
Drumheller
Edmonton (22)
Edson
Elk Point
Fairview
Falher
Foremost
Forestburg
Fort Macleod
Fort McMurray (2)
Fort Saskatchewan
Fort Vermilion
Grande Prairie (3)
Granum
Grimshaw
Hanna
High Level
High Prairie
Hinton
Hythe
Innisfail
Jasper
Killam
La Crete
Lac La Biche
Lacombe
Lamont
Leduc
Lethbridge (2)
Linden
Lloydminster
Magrath
Manning
Mayerthorpe
McLennan
Medicine Hat (2)
Milk River
Nanton
Okotoks
Olds
Onoway
Oyen
Peace River
Picture Butte
Pincher Creek
Ponoka
Provost
Raymond
Red Deer (3)
Redwater
Rimbey
Rocky Mountain House
Rycroft
Ryley
Sherwood Park (2)
Slave Lake
Smoky Lake
Spirit River
Spruce Grove
St. Albert (2)
St. Paul
Stettler
Stony Plain
Strathmore
Sundre
Taber
Thorsby
Three Hills
Tofield
Trochu
Two Hills
Valleyview
Vegreville
Vermilion
Viking
Vulcan
Wainwright
Westlock
Wetaskiwin
Whitecourt
Wildwood

Agencies

Acadia Valley
Alberta Beach
Alder Flats
Alix
Alliance
Amisk
Barons
Bashaw
Bassano
Bawlf
Beaumont
Benalto
Berwyn
Big Valley
Blackie
Blairmore
Bon Accord
Bonanza
Bowden
Bragg Creek
Bruce
Calmar
Carbon
Carmangay
Carseland
Cereal
Champion
Chauvin
Chipman
Cleardale
Clive
Compeer
Coutts
Czar
Delburne
Delia
Devon
Dewberry
Donalda
Duchess
Eaglesham
Eckville
Edberg
Edgerton
Elnora
Enchant
Evansburg
Fawcett
Ferintosh
Fort Assiniboine
Fox Creek
Galahad
Gibbons
Gleichen
Glendon
Glenwood
Grande Cache
Grassland
Halkirk
Hardisty
Hay Lakes
Heisler
High River
Hines Creek
Holden
Innisfree
Irma
Irricana
Irvine
Islay
Kinuso
Kitscoty
Lake Louise
Lomond
Lougheed
Mallaig
Mannville
Marwayne
Millarville
Millet
Minburn
Mirror
Morinville
Morrin
Mulhurst
Mundare
Myrnam
Nampa
New Norway
New Sarepta
Newbrook
Nobleford
Paradise Valley
Peers
Plamondon
Radway
Rainbow Lake
Red Earth Creek
Redcliff
Rockyford
Rolling Hills
Rosemary
Sangudo
Sedgewick
Sexsmith
Standard
Stavely
Stirling
Strome
Swan Hills
Sylvan Lake
Tangent
Thorhild
Tilley
Torrington
Vauxhall
Veteran
Vilna
Wabamun
Wabasca
Wandering River
Wanham
Warburg
Warner
Waskatenau
Wembley
Westerose
Willingdon
Winfield
Worsley
Youngstown


2010
PARTNERS
NEIGHBOURS
FRIENDS
ATB Financial®
FSC Logo