

ATB Financial
2008 Annual Report

**WHERE
THERE'S
A WAY.**

ATB Financial®

ATB Financial is an Alberta-based financial institution operating in three lines of business: Personal and Business Financial Services, Corporate Financial Services, and Investor Services.

With assets of \$23.3 billion, ATB Financial is the largest Alberta-based deposit-taking financial institution.

Over 4,700 associates provide financial products and services to over 660,000 customers in 244 Alberta communities through a distribution network of 157 branches, 134 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.

VISION

**Uniquely Albertan—
outstanding people
providing world-class
solutions for Albertans.**

MISSION

**To deliver unrivalled
levels of service to
our customers through
engaged associates who
enable our shareholder
to enjoy a fair return.**

2	Experience ATB
13	Financial Highlights
16	Message from the Chairman of the Board
18	Message from the President and CEO

20	Corporate Governance
22	Awarding the Best Winners
23	Management's Discussion and Analysis
73	Annual Supplementary Information
77	Consolidated Financial Statements

114	Fulfilling Our Corporate Social Responsibility
116	Glossary
118	ATB Financial Board of Directors and Officers
119	ATB Financial Branches and Agencies

No other financial institution is quite like ATB.
We were started by Albertans, and we are experts
in Alberta's diverse businesses and unique markets.
We've built loyalty in our customers by first being
loyal to them, and then by helping them find a way
to succeed. That's ATB from start to finish.

THERE'S A WAY TO EXPERIENCE
SOMETHING
UNIQUE

Roy Larson

Roy Larson and his wife, Georgie, have been banking with ATB for 25 years. "They're basically who I've dealt with right from the start—from mortgaging my house to the whole works," he says of the long-standing relationship.

ATB was there when Roy started servicing well sites around Grande Prairie with two pieces of heavy construction equipment. And ATB was instrumental in the business growing to 45 pieces of equipment in just a few years. "From 2000 to 2006, we grew pretty fast. ATB stuck in there with us and the ideas I came up with."

Business was booming for Roy Larson Construction, which did well-site construction, reclamation, and cleanup from Peace River in the north to Hinton in the south.

Roy needed financing. Fast. "We had to keep up with demand and what clients were throwing at us. I had to be able to get the financing and the line of credit to keep up with the amount of people and equipment I needed," Roy says. "If I hadn't had a good enough banker that believed in my operation, they would not have let me grow like that."

With ATB behind it, Roy's business grew successfully, and in 2006, ATB helped him sell his company to an income trust. Roy is still involved in helping run the company he started, and ATB is still right there with him. Recently, ATB provided financing for a new \$7-million shop in Grande Prairie.

These days, ATB is also helping Roy and Georgie with their personal investing through ATB Investor Services and Private Investment Management. They and ATB have put together an investment plan that provides the couple with very clear goals and measurable results.

ATB's outstanding personal service and unwavering commitment have kept Roy happy for a quarter of a century. "I started off banking with a real small branch, and I was able to reach the manager at seven in the morning when I went to work," he recalls. "Lots of times, they would stop in with documents they needed me to sign or just to see how things were going."

"That's pretty good personal service," Roy says with a smile.



A photograph of two men in a large industrial warehouse. One man, wearing a brown jacket and blue jeans, stands on a yellow forklift. The other man, wearing a dark suit and glasses, stands on the floor looking up at the man on the forklift. The forklift has the number '986' and '98-04' on it. The warehouse has a high ceiling with exposed pipes and lights, and large windows in the background.

THERE'S A WAY
TO WORK AS
PARTNERS



**THERE'S A WAY
TO BE PART
OF A TEAM**

Jacqueline and Christopher Barber

It was two weeks before Christmas and all they wanted was their house in Calgary. Jacqueline and Christopher Barber's mortgage broker had let them down, and the couple had to secure a mortgage in a few days or lose their 10% deposit.

Fortunately, Jacqueline met ATB's Roxy Acheson at the development's show home and called her in a panic to see whether ATB could get them a mortgage, pronto. "We didn't think we'd get our house," says Jacqueline. "We thought we were going to lose our down payment."

There was no time to lose. The two women had to sort out a lot of details right then over the phone. But Jacqueline's four-year-old son, William, didn't care about the important call. It was bedtime, his dad wasn't home, Christmas was coming fast, and he wanted his mom to get off the phone and play with him. "I was trying every usual tactic to get him to go to sleep, and he wasn't going for any of it," says Jacqueline, "because I was on the phone during his prime time."

But Roxy had an idea. "I'll talk to him," she offered. "I'll pretend I'm Mrs. Claus." So Jacqueline put William on the phone and "Mrs. Claus" told the little boy that if he would go tuck himself into bed immediately, she would put in a good word with Mr. Claus.

It did the trick, Jacqueline says with a chuckle. "Right away he said, 'OK, I'm going to sleep now!'" Jacqueline and Roxy finished their call while William dreamt of Santa and the presents he had asked for.

Jacqueline and Christopher's dream came true as well. The mortgage application was submitted and approved in record time. "That phone call was Monday night, and by Friday ATB had secured the funds and we went to the lawyer's and got our keys."

That was the Barbers' first experience with ATB, but it won't be the last. They have moved their accounts to ATB and are enjoying their relationships with the entire ATB staff—including Mrs. Claus.



Camp He Ho Ha

Joan Nielsen says the supportive response she received the first time she met with an ATB manager in 1988 was like music to her ears. The Executive Director of Camp Health Hope Happiness was battling a deficit of almost half of her operating budget and wondering how to make payroll. She needed help and the organization's long-time bank had just said they could no longer help—the camp had become too great a financial risk.

Alberta's first summer camp for children and adults with physical and mental disabilities, Camp He Ho Ha had operated since 1960. Joan felt it was going down in quicksand, so she visited ATB, where she received a very different response.

The manager looked at Joan's five-year business plan and told her that the camp provides a very valuable service to the community. He said it was in the community's best interest to keep it running. "He also told me that if we worked together, ATB could help us return to solid ground," recalls Joan. "Within a week, he provided a comprehensive plan to help the camp regain its stability. The rest is history!"

ATB helped turn the camp's finances around and continues to manage the organization's accounts, credit, and investments. "ATB helped us to continue to provide services to people with disabilities, to expand our facility, and to become a healthy organization again."

The camp on Lake Isle, west of Edmonton, is a non-denominational not-for-profit organization that relies on funding from a number of clubs, organizations, businesses, and individuals. It started nearly 50 years ago with nothing but passion and oilfield camp bunkhouses. With ATB's help, Camp He Ho Ha has grown into a state-of-the-art facility with a wheelchair-accessible indoor swimming pool, a 40-foot climbing wall, and an adapted playground. It can host 800 guests a year, who range in age from 6 to 104.

Over the years ATB has given much more to Camp He Ho Ha than investment expertise, advice, and fund transfers, says Joan. That support included \$10,000 toward siding a building. And in 2006, ATB matched donations raised by the Sky to Sea fundraiser. "ATB is very community-spirited and it's showered its generosity on Camp He Ho Ha to assist with programs for people with disabilities," says Joan.

Joan has also enjoyed ATB's personal service. "The same remarkable positive attitude of that manager 17 years ago resounds throughout the branch today."

Joan says the Camp He Ho Ha and ATB story shows how problems can turn into opportunities when the right people join together.





THERE'S A WAY
TO FEEL
SUPPORTED

Hi-Way 9 Express Ltd.

You could say John Kohut has grown up with ATB. The general manager of Hi-Way 9 Express Ltd. has been working at the family business since he was old enough to sweep the floors. ATB has been part of the Hi-Way 9 family almost as long—providing term and operating loans, deposit services, and investment expertise over the last 22 years.

John's parents started the trucking firm in Drumheller in the early 1970s with one truck. Now it has 200 trucks, more than 400 trailers, and a presence in more than 250 communities across Alberta.

ATB started working with Hi-Way 9 in the 1980s during some challenging times for both Alberta and the then-small trucking firm. "ATB stepped up to the plate and helped us back in those days. And they've been loyal ever since," says John. "When the big banks wouldn't look at us, ATB did."

John says the folks at ATB helped grow the business and, later, helped grow his skills as well. In 1996, when his dad stepped back and John started overseeing the company's banking, the young man learned a lot about finance from his ATB manager, Tony Lacker.

"We'd sit down in my office and go over balance sheets, expenditure budgets, that sort of thing. He taught me a lot about the business from the finance perspective," John says. "Tony's been a very good friend and a very good mentor. I am very appreciative and respectful of what he's done for me and our business."

These days, ATB's Keith Buchholz takes care of Hi-Way 9. And he too goes above and beyond to help the company. One Thursday morning in 2006, John got a fax announcing he had to raise \$3.3 million by Friday at 3 p.m. to close a deal for a crucial parcel of land.

"Right away I got on the phone with Keith, and Keith got on the phone with his people. We were in a panic because we didn't want to lose the deal, and Keith had to make sure all his i's were dotted and his t's crossed."

In the end, there was no need to worry. ATB's credit team, the lawyers, and Keith and Tony came through, and the money was wired Friday at 2:59 p.m. "It was one of those things you could just about write a movie script about," says John with a laugh.

But there's no drama about the relationship between the Kohuts and Tony and Keith. "They've been the two biggest supporters of Hi-Way 9 and they've helped us grow," says John. "We've been able to create a partnership rather than looking at the bank as the enemy. We don't look at it that way at all. The folks at ATB are our friends."





THERE'S A WAY
TO BUILD
RELATIONSHIPS

THERE'S A WAY
TO EXPERIENCE
TRUST



Machacek Farm

As long as Doug Machacek can remember, ATB has played a vital role in his family's agricultural operation. The Machaceks have been farming near Crossfield for 30-odd years; his dad started the relationship with ATB in the early 1980s.

"We've got a family farm and we've always done all our banking through ATB," says Doug. "Our main crops these days are wheat and canola; we grow some timothy hay for the export market; and we do some mixed hay for a local buyer," he says of the farm he runs with his brother Terry. "And we have a few cows. We have some pasture on our place."

Recently, the Machaceks bought a nice parcel of land to expand their operation. "We bought five quarters. But we're at Crossfield, which is fairly close to Calgary, so while it's not much land, it's got a hefty price tag. It cost \$3.2 million to purchase the property."

The Machaceks used an ATB investment account to help save money toward acquiring the land. "It went pretty well," says Doug. "We were kept well-informed of how the account was doing and we had pretty good returns."

ATB provided a loan to cover the rest. They provided a quick turnaround, giving credit approval in just two days with terms, conditions, and rates that worked for the Machaceks.

"ATB has given us really good service," says Doug. "They deal with everything promptly, and when we were dealing with the loan to purchase the property, they came out to the farm so we didn't have to go into the branch at Red Deer."

ATB branches in Crossfield and Red Deer work with the family to meet all their requirements—from managing the investment account and arranging the loan to taking care of their day-to-day banking.

"If we have any questions, they do everything they can to give us good service," Doug says. "We've always been really happy with ATB." In fact, it's all going so well, he jokes that the family may start inviting them over for turkey dinners.



THERE'S A WAY
TO EXPERIENCE
RESULTS

ATB Financial 2007–08 Highlights

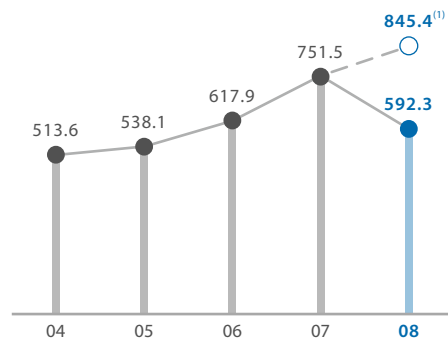
For the years ended March 31

	2008 ⁽¹⁾	2008	2007	2006	2005	2004
Operating results (\$ in thousands)						
Net interest income	\$ 659,410	\$ 571,805	\$ 462,251	\$ 398,746	\$ 397,284	
Other income	185,995	179,661	155,621	139,308	116,272	
Operating revenue before the undernoted	845,405	751,466	617,872	538,054	513,556	
Provision for loss on asset-backed commercial paper	(253,133)	–	–	–	–	
Total operating revenue	592,272	751,466	617,872	538,054	513,556	
Provision for (recovery of) credit losses	12,906	(5,211)	688	(14,594)	15,859	
Non-interest expenses	549,381	482,289	418,463	365,335	325,673	
Net income	\$ 29,985	\$ 274,388	\$ 198,721	\$ 187,313	\$ 172,024	
Financial position (\$ in thousands)						
Net loans	\$19,443,517	\$ 16,994,329	\$ 14,846,694	\$ 13,137,917	\$ 12,131,053	
Total assets	\$23,343,153	\$ 20,294,718	\$ 17,647,815	\$ 15,381,232	\$ 14,305,810	
Total deposits	\$21,175,716	\$ 18,252,838	\$ 15,870,308	\$ 13,840,032	\$ 13,035,120	
Equity	\$ 1,668,452	\$ 1,623,383	\$ 1,348,995	\$ 1,150,274	\$ 962,961	
Key performance measures (in %)						
Return on average assets	1.28	0.14	1.44	1.20	1.27	1.24
Operating revenue growth	12.50	(21.18)	21.62	14.83	4.77	8.90
Other income to operating revenue	22.00	31.40	23.91	25.19	25.89	22.64
Operating expense growth		13.91	15.25	14.54	12.18	3.09
Efficiency ratio	64.98	92.76	64.18	67.73	67.90	63.42
Net interest spread		3.07	3.06	2.85	2.76	2.94
Credit losses to average loans		0.07	(0.03)	0.00	(0.12)	0.13
Net impaired loans to total gross loans		(0.61)	(0.62)	(0.66)	(0.59)	(0.68)
Net loan growth		14.41	14.47	13.01	8.30	3.76
Total asset growth	16.26	15.02	15.00	14.74	7.52	8.51
Total deposit growth		16.01	15.01	14.67	6.17	7.76
Other information						
Investor Services' assets under management and administration (\$ in thousands)	\$ 4,037,418	\$ 3,716,420	\$ 2,454,234	\$ 1,303,417	\$ 568,196	
Branches	157	154	150	148	145	
Agencies	134	134	135	131	129	
ABMs	251	244	233	227	222	
Associates (head count) ⁽²⁾	4,764	4,332	3,964	3,566	3,258	

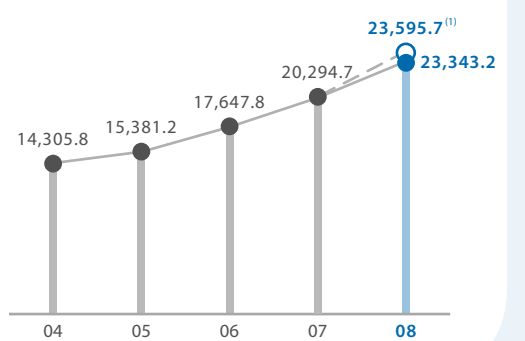
(1) This column excludes provision for loss on asset-backed commercial paper. (Refer to Note 5 to the consolidated financial statements.)

(2) Prior years restated to include casual and commissioned associates.

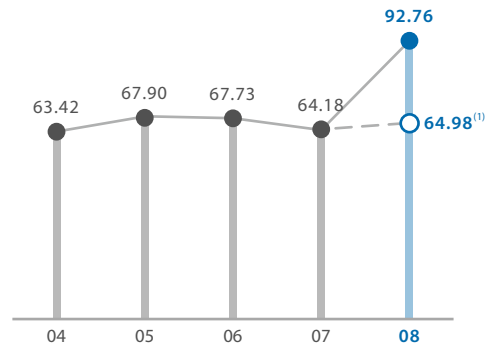
Operating Revenue (\$ in millions)



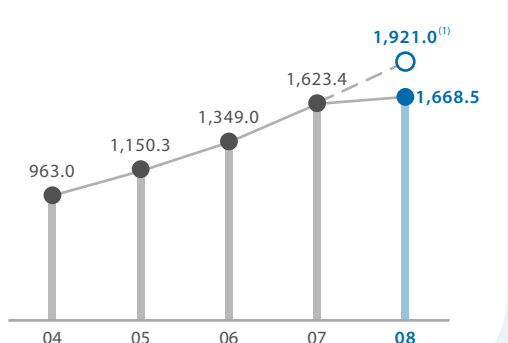
Total Assets (\$ in millions)



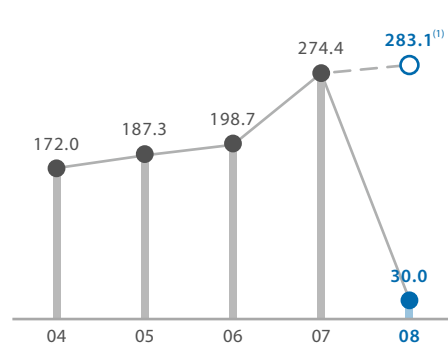
Efficiency Ratio (in %)



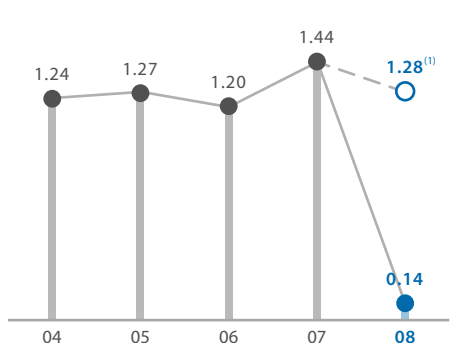
Equity (\$ in millions)



Net Income (\$ in millions)



Return on Average Assets (in %)



(1) Excludes provision for loss on asset-backed commercial paper.

A Message from Bob Splane Chairman of the Board

Named one of Alberta's

Top 35

Companies to Work For

Over

660,000

customers and
4,700 associates

Over

\$3 million

in charitable donations,
corporate sponsorships, and
fundraising for charities

157 branches and
134 agencies in

244 communities

Named

Outstanding Corporation

at 2007 National Philanthropy
Day's Heart and Soul Awards



After years dealing with many financial institutions professionally and personally, I have certainly experienced the difference at ATB.

Unlike most other financial institutions, we do business in Alberta, so we share the Alberta mindset: we are hardworking, entrepreneurial, and market-driven. All our Board members have lived and worked in Alberta for years. Like our customers, we live and breathe Alberta.

We know our customers are not just numbers; they are Albertans with vision who need a financial institution to support them as they grow their dreams. They are Albertans who are starting their careers or building their businesses, and want a positive relationship with their financial institution. They are Albertans who want to partner with an institution that understands their unique niche, trusts their entrepreneurial spirit, and is there when they need help and reliable service.

Unlike most other financial institutions, we do business in Alberta,
so we share the Alberta mindset: we are hardworking,
entrepreneurial, and market-driven. All our Board
members have lived and worked in Alberta for years.
Like our customers, we live and breathe Alberta.

We are constantly adapting the way we do business in order to adjust to our customers' changing needs. That is why we will expand our branch network, broaden our product offering, renew our agriculture and small business offerings, and begin to redesign our core banking system.

Our Board will continuously improve the way we govern, to react to Alberta's changing economic and social environment. We will adhere to the Government of Alberta's guidelines for public agencies' governance and ensure that our Board's recruitment processes are transparent and representative of this province's diversity.

We will add a new Board member this year, as Jack Halpin is retiring. We would like to express our appreciation to Jack for his nine years of service with ATB. His financial expertise, extensive knowledge of Alberta's markets, and chartered accountancy skills will be missed. I also want to express my appreciation to each of our Board members, who have contributed above and beyond the call of duty.

This upcoming year will not be without its challenges. We must be ready to react to the illiquidity in capital markets and the spillover from the United States' economic downturn, and continue to adapt to Alberta's tight labour market. Alberta's agricultural livestock sector is going through particularly difficult times, so ATB will continue to find ways to support these customers.

Because of ATB's unique difference, we expect to thrive in this time of challenge and change. Because we are owned by Albertans, managed by Albertans, and working for Albertans, we can make a positive difference for Albertans.

In 2007, Bob Normand left ATB after six years of service as President and CEO. Because of his outstanding leadership, ATB is positioned to face an exciting future.

Thanks to Dave Mowat, our current CEO, and his dedicated team of associates, who will help us deliver on our mandate of service to Albertans.



Bob Splane
Chairman of the Board

A Message from Dave Mowat President and CEO

Being a purely Alberta institution
is our single most important competitive
advantage—it helps us serve Albertans better
than any other financial institution can.

In this, my first annual report message as President and CEO, I want to publicly thank everyone at ATB Financial for making my first year here a great one. ATB's associates, Board members, and customers have all taught me many things this year, starting with how unique Alberta and ATB actually are.

I've spent much of my career working for different financial institutions in different provinces. As such, I can say with utmost confidence that there is no other financial institution quite like ATB. We were started by Albertans and, because we're uniquely Albertan, we are experts in Alberta's diverse market and industries. Being a purely Alberta institution is our single most important competitive advantage—it helps us serve Albertans better than any other financial institution.

At ATB, we:

- know Alberta—its industries and idiosyncrasies—better than anyone else.
- understand that people make the difference in financial services.
- strive to be a great place to work.

- stick to our roots. Alberta is our only marketplace, which means our products and services are designed specifically for Albertans and their unique needs.
- value our people and the relationships they build with customers.

We're different because we understand that financial services are about personal relationships. We know that people want to be treated as individuals, so we strive to treat every customer that way. Woven right into the DNA of ATB associates is the desire to use their skills and knowledge to get the best deal they can for their customers—hence, our commitment to *Where there's a way*.

Being different isn't without its challenges. Doing business in thriving Alberta only also means we must tackle some homemade problems. A strong economy presents challenges in keeping up with our customers. And the cyclical times that will inevitably come will see us working harder to better understand the businesses and the people who have come to trust ATB. Knowing Alberta's market better than other banks will offer us a great chance to shine.

In the past year, one of the biggest challenges we faced was in relation to asset-backed commercial paper. We fully protected our customers, and while we did our best to minimize the impact to ATB,

we have taken a substantial provision in our year-end results. Apart from that, we would have recorded another record year, thanks to the hard work and commitment of our staff. I am also particularly proud of the leadership ATB provided in reaching a national agreement to protect investors and recoup our investments over the longer term.

Looking ahead, I am confident that we are in good hands, with a skilled Board of Directors representing a wide variety of interests and industry experience—their knowledge and wisdom will help us meet our challenges head on and maintain our integrity while doing so.

Thanks go to our Board members, associates, and loyal ATB customers for allowing us to take what's great about Alberta and apply it to everything we do. *That's the ATB difference.*



Dave Mowat
President and CEO



Corporate Governance

While it has served Albertans since 1938, Alberta Treasury Branches (“ATB”) only became a Crown corporation in 1997. At that time, ATB went from being part of the Department of Finance for the Province of Alberta to an arm’s-length financial services institution. The newly defined entity was created with regulatory requirements similar to the chartered banks and credit unions, with the objective of both preserving ATB’s legacy and enhancing its potential value for all Albertans.

The initial Board considered that, in order to effectively operate in the public interest, ATB had to operate in a commercially competitive manner and subscribe to the same standard of corporate governance practices as its competitors. While ATB is directly owned by the Government of Alberta, the Board decided the people of Alberta, as the ultimate owners, were entitled to benefit from the best corporate governance practices of both the public and private sectors.

The current Board continues its strong commitment to ethical governance, which evolves with a changing economic and social environment and supports commercially viable and sustainable operations. ATB periodically examines Canadian best practices in corporate governance and ethical business conduct for both Crown corporations and publicly traded corporations. The Board then determines which are appropriate for ATB, approves relevant policies, and oversees management in implementing appropriate practices.

The strength of ATB’s governance practices comes from its voluntary adoption of best practices, including endorsement of the actions found in the corporate governance guidelines for publicly traded companies. One major element of good corporate governance is full disclosure of all corporate governance activities. As such, ATB makes the following governance documents publicly available on its website:

- The Code of Conduct and Ethics for directors and officers and other employees;
- The terms of reference for the Board and its standing committees, and the Board Charter, which governs the required competencies and responsibilities of Board members;
- A corporate statement of governance practices, which compares ATB Financial’s governance practices for the Board and Audit Committee to the CSA Corporate Governance Guidelines contained in National Instrument 58-101 and Multilateral Instrument 52-110;
- The Shareholder Memorandum of Understanding, including the required public accountability documents such as quarterly and annual financial statements (including management’s discussion and analysis);
- Any policies required or recommended by regulatory authorities related to corporate governance practices approved by the Board, including the Communication and Disclosure Policy, the Corporate Social Responsibility Statement, the Safe Disclosure Policy, and the Enterprise Risk Management Policy;
- Directors’ Independence Standards and the Report on Directors’ Independence; and
- The annual Disclosure of Directors’ Attendance at Board and Committee Meetings, and individual directors’ annual compensations.

The Board has also been instrumental in developing standards for ethical business conduct for associates since adoption of the first Code of Conduct in 1998. The Ethics Committee monitors ethical issues within the corporation as well as the annual confirmation of the compliance process. This management committee reports to the Governance and Conduct Review Committee of the Board. Recently, ATB implemented an online code-of-conduct training program for all associates. From senior managers to front-line staff, everyone is required to complete the program in order to reinforce the values expected from all who work at ATB. The Board has also displayed leadership in developing ethical governance through adoption of its own code of conduct, which supplements the requirements of the Alberta Treasury Branches Act and the Related Party Bylaw #2. The Board members also annually confirm their compliance to the Code of Conduct.

To further enhance the ethics process and provide anonymity, the Board has approved a Safe Disclosure Policy. Implementation of this policy includes arrangements with an external service provider to manage all e-mail and telephone complaints, and to monitor and report on subsequent investigations and issues resolution.

The Board of ATB also adopted a legal and regulatory compliance policy pursuant to the Legislative Compliance Management Guideline implemented by the shareholder. The key focus of the guideline and related policy is on implementing a compliance framework including a formal report to the shareholder by the directors pursuant to Section 23.2 of the Alberta Treasury Branches Act Regulation. The most recent report, for the year ended March 31, 2007, was made in September 2007.

The Board conducts an annual evaluation of the effectiveness of its activities, including an assessment of committee performance and a peer-assessment process with respect to individual director performance, which includes private meetings with each director and a full report to the Board of Directors by the Board Chair.

ATB Financial, under direction from the Audit Committee, continues to work toward voluntary compliance with the audit requirements of the Canadian Investor Confidence Guidelines. This includes an annual assessment of the Audit Committee's effectiveness in accordance with such guidelines.

The Government of Alberta recently released its Public Agencies Governance Framework in response to the recommendations of a three-person panel appointed to review the accountability of government agencies, Boards, and commissions, as well as the appointment and governance processes. With the adoption of a new Board-appointment process in the spring of 2008, which involves the public advertising of Board vacancies and the implementation of 10-year tenure limits as existing appointments expire, ATB complies with this framework in all respects.

The continued commitment of the Board to ethical business practices and best practices in corporate governance, including transparency and accountability in ATB's operations as a Crown corporation, ensures that all Albertans can be proud of ATB's achievements, reputation, and contribution to the province of Alberta.

Awarding the Best Winners

Awarding the Best is ATB Financial's associate recognition program. Congratulations to all June 2007 recipients, whose special efforts made a huge difference to other associates and to ATB Financial!

Sales Referrals

(Prize: Trip to London and Paris)

Darcy Sorenson, Edmonton Rabbit Hill
Christine Fung,
Calgary Main Stephen Avenue
Karen Skubleny, Edmonton Millwoods
Cindy Lee, Edmonton Namao
Mary Vince, Rocky Mountain House
Darlene Proctor, Red Deer
Sherri Straub, Lacombe
Jan Patten, Drayton Valley
Loretta Thompson, Ponoka
Darla Keil, Edmonton Manning Crossing

Top Branches for Overall Sales Referrals

(Prize: Cash for branch social funds)

Edmonton Namao (\$3,000)
Edmonton Rabbit Hill (\$2,000)
Edmonton Millwoods (\$1,000)

Combined Growth Branch Competition

(Prize: Cash prize)

Calgary Creekside (Sensational)
Calgary Main Stephen Ave (Terrific)
Lloydminster (Astonishing)
Cold Lake (Remarkable)
Crossfield (Spectacular)

Best of the Best Line of Business

(Prize: Trip to London and Paris)

Personal and Business Financial Services

Christine Bergquist, Calgary Rocky Ridge
Mark Johnstone, Edmonton Rabbit Hill
Heather Menzies, Edmonton Millwoods
Liz Long, Breton
Dixie Klein, Bow Island
Nicole Odland, Fort McMurray River Valley
Terry Stoppler, Drumheller

Donna Schauerte, Pincher Creek
Sandy Giggey, St. Albert Trail North
Joanne Evoy, Fort McMurray Thickwood
Ellen McAusland, Grande Prairie Northview
Gail Jennings, Grande Prairie Westview
Leane Schoepp, Stony Plain
Crystal Mamchur, Edmonton Millwoods
Kandice Kew, Edmonton ATB Place
Darren Tanner, Cardston
Jody Neal, Leduc
Sheryl Gray, Brooks
Terri-Lynn Good, Calgary Chinook
Becky Johnson, Killam
Alex Pi, Calgary Creekside
Steve Greene, Spruce Grove
Ed Sperling, Fort Saskatchewan
Yuriy Faryna, Carstairs
Lee Deary, Crossfield
Winnifred Smith, Fort Saskatchewan

Business Financial Services

Shadi Moukhaiber, Edmonton
Judy Lewis, Calgary
Steven Janz, Grande Prairie
Leroy Lazarick, Calgary

Corporate Financial Services

Brad Heck, Energy Oil and Gas Production
Erin Welte, Energy Oil and Gas Production
Tim Gillespie, Manufacturing and Diversified
Lori Berg, Manufacturing and Diversified

Direct Sales

Heather Carroll,
Mortgage Development Office
Sharan Grewal, Customer Contact Centre
Debbie Baxter, Customer Contact Centre

Investor Services

Irene Kasha, Daysland
Gale Driedger, Edmonton, IS – Sales North
Brian Clark, Red Deer, IS – Sales Central
Koreann Bland, Strathmore, IS – Sales South
Scott Fleischhacker, Leduc, IS – Sales North

ATB Stars

(Prize: Trip to London and Paris)

Ben Nakaska, IT – Operations
Emma Castagnaro-Wever, MasterCard
Stef Schiedon, Facilities Management, Real Estate and Procurement
Deborah Polny, Legal
Maureen Galway, Human Resources
David Hirsch, Marketing
Marvin Bragg, Credit
Curtis Flewelling,
Business Sales and Service Red Deer Hub
Alice Yu,
Central Services – Central Administration
Michael Playford,
Central Services – Project Management
Kim Roberts,
CFS – Real Estate and Hospitality
Rakesh Vashista, Direct Sales –
CCC Sales Outbound 2
Shaun Weber, IS –
Compliance and Solutions
Janet Watch, Central Region – Wetaskiwin
Linda Laura Richter,
Central Region – St. Paul
Leann Wolff,
North Region – Grande Prairie Westview
Janet Wilde, North Region
Joanne Harris, South Region – Bow Island
Aly Sumar, South Region –
Calgary Main Stephen Avenue

ATB Stars Team Award

(Prize: Cash prize)

Central Region, Red Deer HUB

Community Stars

(Prize: Trip to London and Paris)

Gordon M. Ebdon, Red Deer HUB

June 2008 Awarding the Best recipients will be published in next year's annual report.

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 ATB Financial for the year ended and as at March 31, 2008. The MD&A is current as of May 1, 2008, and, unless otherwise indicated, all amounts presented are reported in thousands of Canadian dollars and are derived from the consolidated financial statements ("the statements") prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). These statements may be found beginning on page 77 of this annual report.

24	Introduction to ATB	45	Review of Business Segments
26	Economic Outlook and 2007–08 Performance and 2008–09 Targets	51	Accounting Policies and Estimates
30	Asset-Backed Commercial Paper	54	Regulatory and Compliance
32	Review of 2007–08 Consolidated Operating Results	55	Risk Management
38	Review of March 31, 2008, Consolidated Financial Position	66	Quarterly Operating Results
		73	Annual Supplementary Information

Alberta Treasury Branches (operating as "ATB Financial" or "ATB") 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 Financial to its customers. For more details, refer to the History and Regulatory Framework section of this MD&A, beginning on page 24.

Caution Regarding Forward-Looking Statements

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

Where there's a way. ATB Financial is a full-service financial institution headquartered in Edmonton, Alberta, Canada. ATB commenced operations in 1938 and, today, with total assets of \$23.3 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 157 branches and 134 agencies in 244 communities throughout the province, plus our own Customer Contact Centre in Calgary. Services are also available through 251 automated banking machines ("ABMs") across the province, Internet banking, and telephone banking. A workforce of more than 4,700 associates provides Personal and Business Financial Services, Corporate Financial Services, and Investor Services to over 660,000 Albertans and Alberta-based businesses.

History and Regulatory Framework

ATB was established in 1938 by the Government of Alberta to extend basic financial services to Albertans, and our first branch, located in Rocky Mountain House, opened in September of that year. 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 new 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 Alberta Minister of Finance has also approved a number of guidelines similar to those issued by the Office of the Superintendent of Financial Institutions, which supervises federally regulated deposit-taking institutions. A memorandum of understanding between the Alberta Minister of Finance 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 affecting the operations of provincial Crown corporations and providing 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.

Overview of Strategy and Priorities

Benefiting Alberta and Albertans

Our strategic plan builds on the rich culture and history of ATB and will unleash the full power of a financial institution that is focused solely on benefiting Alberta and Albertans. Our associates will thrive in an organization of engaged, successful, and highly skilled people who are passionate about our customers and empowered to find solutions for them. Our customers will experience an organization that is not only expert in all aspects of financial services, but also cares about their needs and finds solutions. They will see this as a clear and distinct advantage in choosing and staying with ATB. Our shareholder will own one of Alberta's premier service-based brands, which is financially and operationally independent and provides significant benefit to Albertans.

We continue to expand and revitalize our product and service offerings, and are experiencing substantial growth in all three core lines of business:

- Personal and Business Financial Services;
- Corporate Financial Services; and
- Investor Services.

Our Key Strategies

In order to achieve our vision of being uniquely Albertan—outstanding people providing world-class solutions for Albertans—ATB has established three key strategies for the 2009–2013 fiscal years, which are reflected in the planned allocation of our resources and/or within ongoing and planned projects:

- Make ATB the place to work;
- Provide world-class financial solutions for our customers; and
- Maintain an effective, financially sound organization.

Core Business Transformation

In the increasingly complex world of financial services, providing world-class solutions for our customers at the same time as maintaining an effective, financially sound organization is an ever-increasing challenge. To ensure ATB can achieve all three of our key strategies, we completed an extensive review of our technology infrastructure and business processes and are launching a major new initiative to transform our core business tools and processes. This core business transformation initiative (“Core”) will provide functionality and agility—increasing employee satisfaction, enhancing the customer experience, and improving both our efficiency and effectiveness.

Core is an umbrella program centred on replacing our core banking and financial management systems; it will manage a number of supporting projects designed to initiate a radical transformation in the way ATB transacts business.

While perhaps not an obvious contributor to good morale and retention, Core will be just that. By installing a modern, efficient, and flexible set of tools, we will enable people to use their talent and time more efficiently and therefore focus more of their day on the most rewarding aspects of their work.

The information technology portion of Core is by far the biggest project we have ever undertaken, but the real transformation opportunity comes from determining how to tap into the Core system’s increased capacity. Its new capabilities, combined with the opportunity to streamline our processes, will enable us to deliver faster service and better value to our customers. We will be able to offer the products, convenience, and reliability customers expect (now and in the future) from our industry. The cash-management capability provided by Core is a critical underpinning to growth in our Corporate Financial Services (“CFS”) line of business, where medium and large Alberta business clients require and expect this type of comprehensive service. Our Personal and Business Financial Services (“PBFS”) business customers will also benefit from this offering, as it supports our goal to be number one in retail, business, and agriculture financial services.

Tied to Core will be a strategic coordination of all the existing and new delivery channels that customers want: branches, phone, mobile, Internet, wireless, automated voice, etc. ATB will be at the forefront of new banking technologies (e.g., mobile banking), but we will not force automation on our customers. They have widely ranging needs and preferences, so we will give them choices in how they bank and interact with us.

At an estimated cost of \$150 million, Core requires a substantial financial commitment, and the financial returns are attractive. We have not attempted to measure the equally important but tougher to quantify benefits such as morale, customer satisfaction, reliability, and channel development. The opportunity to streamline our processes will reduce our costs and operational risks while providing better value to our customers and associates.

For a more complete discussion of our strategies and plans for the upcoming 2008–09 fiscal year and beyond, including more details regarding the impact of Core, refer to the Review of Business Segments section of this MD&A, beginning on page 45.

ECONOMIC OUTLOOK AND 2007–08 PERFORMANCE AND 2008–09 TARGETS

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

Economic Outlook and Implications for ATB

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

Alberta Economy at a Glance

	Reference period		Year/year
Unemployment (seasonally adjusted)	Mar 2008	3.30%	(0.10)%
Housing starts (urban, seasonally adjusted annually)	Jan–Apr 2008	10,609	(17.00)%
Building permits (\$ in millions, seasonally adjusted)	Jan–Feb 2008	2,485	14.60%
Manufacturing sales (\$ in millions, seasonally adjusted) month/month	Feb 2008	5,564	(0.40)%
New motor vehicle sales (# of vehicles, seasonally adjusted)	Feb 2008	17,263	5.70%
Consumer price index	Mar 2008	119.8	2.90%
Retail trade (\$ in millions, seasonally adjusted)	Feb 2008	5,192	4.70%
Wholesale trade (\$ in millions, seasonally adjusted)	Feb 2008	5,377	5.30%

Source: Statistics Canada.

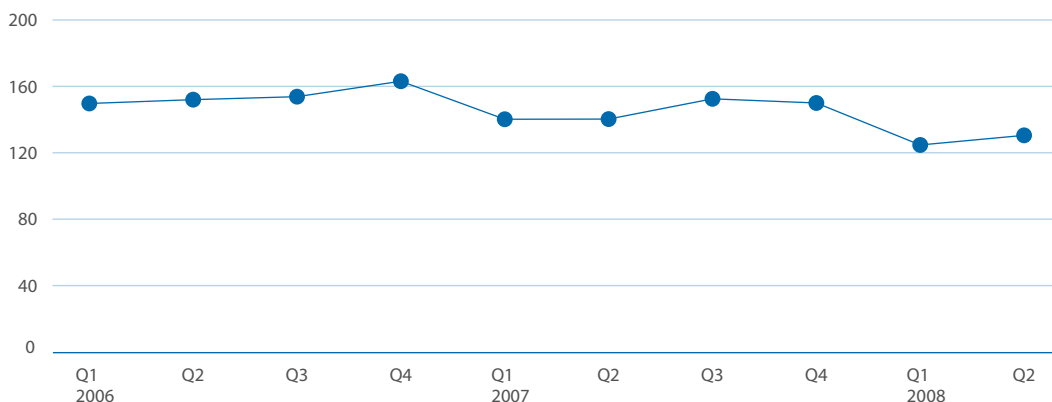
Our outlook for the upcoming fiscal year and beyond, prepared as of May 1, 2008, is as follows:

In the first quarter of 2008, growth in Alberta’s economy slowed from the very rapid growth rates reached over the past few years. Real GDP growth in 2007 and 2008 is expected to be in the range of 2.5% to 3.5%—still strong, but down substantially from the 6.6% pace set in 2006. However, the more moderate expansion is in many ways healthier, as certain markets are slowly coming back into balance. The financial crisis in the United States has spread throughout the world and has affected credit conditions in Canada and Alberta. This turbulence—along with the threat of a deeper recession in the United States, a strong Canadian dollar, and softness in natural gas drilling—is currently the most significant challenge to the provincial economy.

Business Confidence

According to the ATB Financial Business Sentiment Index (“BSI”), Alberta businesses are somewhat less optimistic about conditions in the second quarter of 2008 compared with earlier quarters in 2006 and 2007. The BSI is based on a survey of over 400 Alberta businesses in sectors that typically lead the economy. Scores under 100 denote a contracting economy and scores over 100 denote an expanding economy, with a maximum score of 200, meaning all participants expect their business to expand.

Alberta Business Sentiment Index



Source: ATB Financial Business Sentiment Index, March 2008.

Looking to the second quarter of 2008, the BSI was 131. This is up somewhat from the index in the first quarter of 2008 (125), but down from the comparable second quarters of 2007 (140) and 2006 (152). The spread between the BSI of 133 for companies in northern Alberta and 128 for those in southern Alberta continues a pattern that first became evident in the third quarter of 2007.

The sectors with the weakest sentiment in the second quarter of 2008 are oil and gas (with a BSI of 74) and construction (109). The survey was conducted shortly after the provincial government announced proposed changes to the natural resource royalty structure, which may have dampened sentiment among energy producers and related businesses.

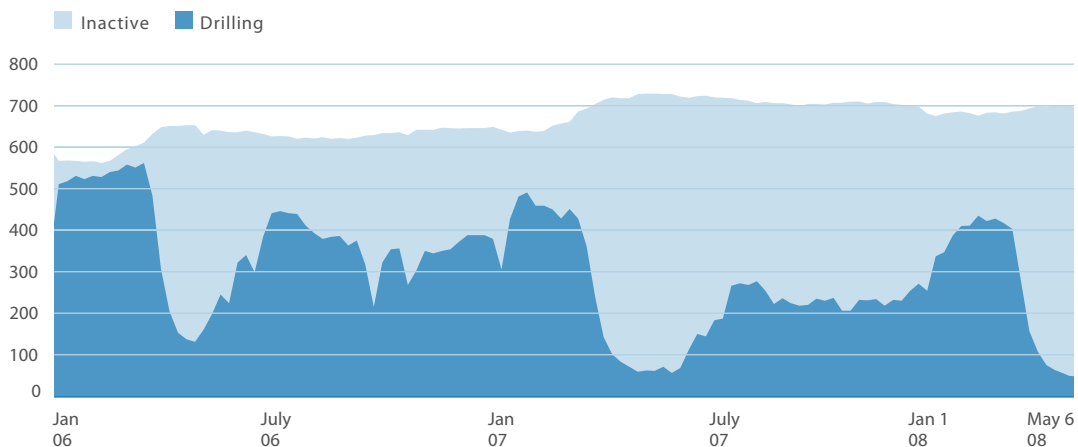
Oil and Gas

Prices for West Texas Intermediate (“WTI”) reached US\$100 early in 2008 and a record high of US\$120 in April. This is approximately double the price levels of a year earlier. Geopolitical tensions, concern over a lack of new supply, and growing demand from developing economies (especially China and India) have contributed to rising prices. Falling demand from a weakening US economy has yet to exert a major negative influence on price.

Natural gas prices were relatively weak through much of the summer and fall of 2007 but have shown some strength in early 2008. As of early May, activity has nearly ceased as the spring thaw impedes movement of trucks and rigs. During the week of May 6, only 55 of 700 available rigs in the province were active. Drilling activity in the province was down markedly last year, and most forecasts for 2008 are still predicting that overall activity will be lower by about 20% to 25% compared with 2006. Falling demand from the United States and new liquefied natural gas (“LNG”) supply coming into the North American market have suppressed prices. At the same time, costs for Alberta producers are high, as many producers remain locked into contracts set with drilling service providers when prices were higher.

Alberta Oil and Gas Rig Activity

(# of wells per week)



Source: Canadian Association of Oilwell Drilling Contractors.

Agriculture

Livestock producers in Alberta continued to struggle throughout 2007 as the combination of increasing feed costs and weak prices reduced profits. Borders to the United States have reopened, but soft US demand and the high Canadian dollar have eroded price and competitiveness with American producers. The situation is likely to change little in 2008. Receipts for livestock farmers are not expected to show much increase this year over last.

Conversely, crop farmers are enjoying much better conditions than usual. Record-high prices for wheat, canola, and most other cereals and oilseeds are boosting optimism across the Prairies. Largely due to the combination of surging demand from China and agricultural policies in the United States related to corn-based ethanol, world grain and oilseed prices rose to new highs in 2007, and the pace has continued into 2008.

According to the most recent *Farm Income Forecast* by Statistics Canada, Alberta’s crop receipts in 2008 are expected to be almost \$4 billion—an impressive jump of 17% over 2007 receipts and 70% over the average level between 2002 and 2006.

Exchange Rates

The Canadian dollar has traded near or above par with the US dollar since September 2007. This continued strength can be attributed to strong commodity prices, a faltering US economy, healthier public finances, and stronger consumer demand in Canada. Despite most expectations to the contrary, the Canadian economy has adjusted well to the strong dollar. Certainly manufacturers and exporters, particularly in Central Canada, have been suffering, but the labour market has largely been able to absorb displaced workers into other sectors such as natural resources.

In Alberta, the negative effects of the strong dollar have been felt in livestock agriculture, tourism, and many areas of export-related manufacturing, such as chemicals and plastics. On the other hand, prices for imported food, machinery, equipment, and consumer items have fallen. This has prompted more capital investment by businesses and moderate inflation.

Interest Rates

Short-term interest rates in the United States and Canada have been falling rapidly since the onset of problems in the credit market last summer. Financial institutions and banks around the world have posted significant write-downs and credit losses tied largely to US mortgage markets as housing prices have fallen and the inventory of new homes has grown. The US Federal Reserve is struggling to cushion consumers and companies from the credit freeze that has made some of the world's biggest banks reluctant to lend to each other. It has lowered its benchmark overnight rate seven times since the middle of August, when the collapse of US sub-prime mortgages started to infect markets around the world. The Federal Reserve Board's benchmark lending rate is now 325 basis points lower than last fall, and is currently at 2.0%.

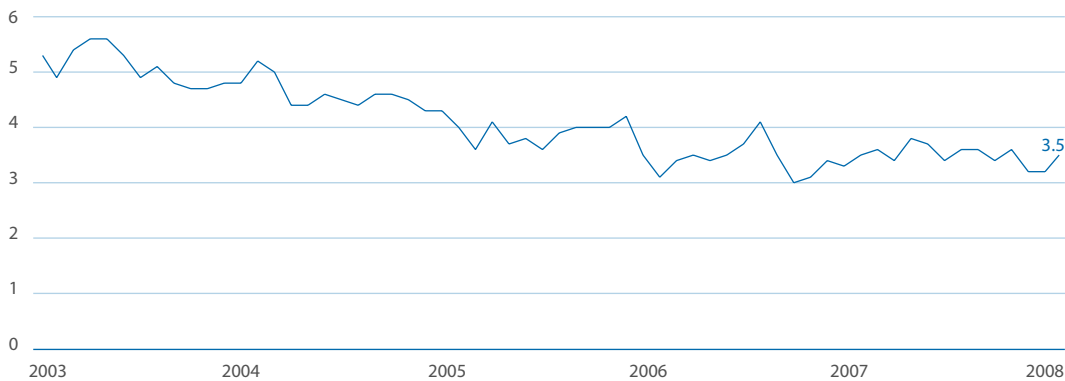
The Bank of Canada has also cut rates despite the Canadian economy appearing to be less affected. The trendsetting overnight lending rate was lowered by 50 basis points in early March, and again by 50 basis points in late April, with the accompanying statement indicating that more rate cuts are likely over the spring and summer. The central bank has expressed concern that, while many economic indicators are still robust, the Canadian economy will be negatively impacted in the future as credit tightening and the US slowdown worsen.

Labour Market

Alberta remains at full employment despite the softer economy. Interprovincial migration to Alberta eased considerably in 2007 as economic conditions in other provinces, especially Saskatchewan and British Columbia, improved. The slower rates of migration have helped keep labour shortages tight; the unemployment rate has remained close to 3.5% for the past several months. Wage increases are still the highest in the country. For 2007, the average weekly wages of employees in Alberta were the highest among the provinces, up almost 5% from 2006.

Alberta Unemployment Rate

(% seasonally adjusted)



Source: Statistics Canada.

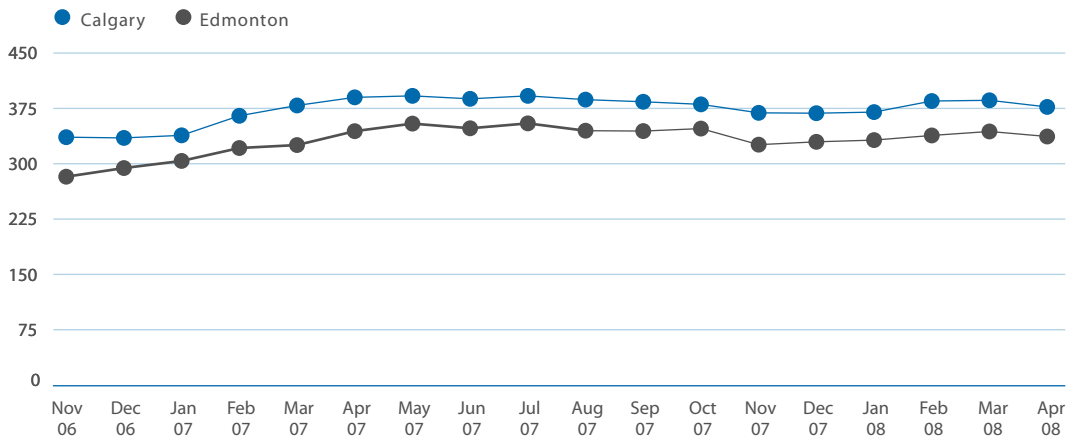
Housing Starts and Real Estate

Housing starts in Alberta eased in 2007 with a total of 38,478 (urban areas only). That is down 5.9% from the previous year, although it is still very strong by historical standards. Total housing construction in 2008 is expected to show continued moderation compared with 2007, stemming mostly from slower in-migration. The market for new-home sales has shifted dramatically from six months ago: home builders appear to have overbuilt homes on speculation in some areas and are now having to offer greater incentives to potential buyers.

Affordability of new and existing homes remains a problem and has been one of the drivers affecting slower interprovincial migration. Prices for homes in Edmonton and Calgary dropped somewhat from peaks reached in 2007. In 2008, however, prices appear to have stabilized and showed modest gains in January and February (although median prices decreased slightly in Calgary in April). The dramatic increase in price experienced between 2005 and 2007 is unlikely to be repeated.

Calgary and Edmonton Home Prices

November 2006 to April 2008 (\$ in thousands)



Source: Calgary Real Estate Board; Realtors' Association of Edmonton.

Prices for Calgary are median residential sales price; prices for Edmonton are average residential sales price.

Growth Prospects

While Alberta's economy has been affected by the strong Canadian dollar, tighter credit conditions, the US recession, and slower natural gas drilling activity, the province remains well-positioned to weather the broader North American downturn. Record-high crude oil prices continue to propel activity in conventional drilling and the oil sands, and overall business investment remains solid. Consumers may slow down somewhat on major purchases in 2008, which may affect retailers to some degree, but per-capita spending remains the highest in the country. Wage increases are expected to moderate somewhat as inflationary pressures in Alberta and the rest of the country lessen. Falling Canadian interest rates and moderation in housing prices will provide some support to residential construction. Non-residential construction will be bolstered in 2008 by major commercial office projects, transportation infrastructure, and institutional and government construction.

Challenges

The most significant challenge facing Alberta's economy in 2008 is the risk of a deeper, more pronounced downturn in the United States. If the credit and financial situation worsens and the US economy sustains a severe recession this year, this will doubtless have negative implications for Canada and Alberta. According to the Bank of Canada's most recent *Monetary Policy Report*, the US economic slowdown is deeper and more protracted than previously anticipated. The housing market continues to deteriorate, and this is resulting in a drop-off in consumer demand. Preparing for the outcome of a longer downturn is the primary challenge for the province and its businesses.

Related to the US downturn are risks related to energy prices. Currently, crude oil prices are near record highs, but prices could fall for unexpected reasons just as quickly as they rose. If the US recession spreads to other major oil importers, principally China, and prices fall to below US\$60-\$70 for a sustained period of time, the province could face delayed or downsized investments in the oilsands. Another critical issue is the response of the energy sector and other businesses to federal and Alberta government policies on climate change.

Other risks include a labour market that remains extremely tight and wage pressures that are eroding business conditions in the province. This is especially true for small businesses, which may have less pricing power to maintain an acceptable profit margin. Personal and business bankruptcies are currently at a cyclical low but are likely to increase over the next year.

Implications for ATB

Although the moderation in Alberta's economy is likely to present some challenges to ATB, overall conditions still remain quite favourable. Mortgage activity will remain strong, albeit weaker than the pace experienced over the past few years. Small businesses will find growth and expansion opportunities, and it is hoped that the slower economy will help ease wage pressures and labour shortages. Retailers, tourism operators, and small manufacturers will face continued headwinds from the strong Canadian dollar. Crop farmers, construction firms, and personal and business service providers will likely continue to enjoy strong revenue and balance sheets in 2008.

2007–08 Performance and 2008–09 Objectives

As detailed below, of the eight specific financial objectives for the 2007–08 fiscal year presented in last year's annual report, we met or exceeded our goal on five measures and failed to achieve our goal on three measures. Excluding the provision for loss on asset-backed commercial paper ("ABCP"), we met or exceeded our goal on seven measures and failed to achieve our goal on one measure. Detailed analysis of our 2007–08 operating results and our financial position as at March 31, 2008, may be found beginning on pages 32 and 38, respectively.

Performance measure	Last year's goal	2007–08 results achieved excluding ABCP provision	2007–08 results achieved	2008–09 goal*
Return on average assets	1.20 to 1.30%	1.28% – Met goal	0.14% – Under goal	1.00 to 1.10%
Net interest spread	2.90 to 3.00%		3.07% – Exceeded goal	2.90 to 3.00%
Other income as a percentage of total operating revenue	23 to 25%	22.0% – Under goal	31.4% – Exceeded goal	23 to 25%
Operating revenue growth	10 to 12%	12.5% – Exceeded goal	(21.18)% – Under goal	7 to 9%
Credit losses as a percentage of average loans	0.10 to 0.20%		0.07% – Exceeded goal	0.10 to 0.20%
Efficiency ratio	64 to 67%	64.98% – Met goal	92.76% – Under goal	67 to 70%
Performing loan growth	11 to 13%		14.4% – Exceeded goal	4 to 6%**
Retail deposit growth	7 to 9%		7.3% – Met goal	4 to 6%

*These objectives are before tax. We anticipate a tax-like charge for the 2008–09 fiscal year. It is our expectation that the charge will be comparable to other financial institutions.

The exact amount and/or effective rate of the charge is unknown at this time.

**Includes the impact of mortgage securitization.

Overall, we expect net income for the 2008–09 fiscal year to be between \$255 million and \$270 million. This 2008–09 net income forecast is down slightly from the \$283.1 million earned in the 2007–08 year (before the impact of the provision for loss on asset-backed commercial paper, which reduced net income to \$30.0 million). For the 2008–09 fiscal year, we anticipate continued albeit slower growth in retail deposits, and continued solid growth in performing loans. The growth expected in our loan and deposit balances is expected to compensate for the decreases anticipated in net interest spread to be earned over the 2008–09 year. The decrease in net interest spread will be driven by a lower bank prime lending rate and extremely competitive deposit markets. This decrease is the primary reason for the expected rise in our efficiency ratio in 2008–09 from the levels achieved in 2007–08. (Refer to the Review of 2007–08 Consolidated Operating Results section of the MD&A for a more detailed analysis of these expectations.)

ASSET-BACKED COMMERCIAL PAPER

What is asset-backed commercial paper?

Asset-backed commercial paper ("ABCP") is a short-term investment typically issued with a term of between 30 and 90 days. It differs from other types of commercial paper in that it is issued by trusts—either structured by banks (bank-sponsored ABCP) or by independent brokers (third-party-sponsored or non-bank-sponsored ABCP). The proceeds from the trusts' issuance are used to acquire a diverse pool of assets—ranging from traditional assets (car loans, credit card receivables, mortgages) and high-risk assets (sub-prime US residential mortgages) to synthetic assets (derivatives, usually credit default swaps). Based on the fact that the underlying assets are usually longer term, while the investment is short-term in nature, there is an inherent mismatch in cash flows. Repayment of the short-term paper is partially funded by cash flows from the underlying assets, but mostly from the issuance of new paper—thus the dependence that the investments continue to roll. To compensate for this cash flow mismatch, most trusts have a liquidity line (usually provided by a major bank) in place to cover cash flow differences in times of market disruption.

What happened to ABCP in August 2007?

Concern over the US sub-prime crisis and other market issues in the United States caused investors in Canada to question the quality of the ABCP that they were purchasing and to cease purchasing new paper. As a result, the trusts could not make payments to investors as their investments matured. When the trusts attempted to draw on their liquidity lines, some providers of the lines took the position that the necessary conditions had not been met to draw under the line.

The crisis in August 2007 had follow-on effects on other investments, and, as a result, certain bank-sponsored ABCP investments faced similar liquidity issues in the fourth quarter of 2007–08. ATB's exposure to this type of investment is significantly less than that resulting from our investments in non-bank-sponsored ABCP.

What did ATB do to protect its assets?

Prior to the market disruption, ATB reviewed its investment in ABCP for possible exposure to sub-prime mortgages in the US. As a result of this, a number of investments were divested. This proactive approach is one of the reasons the “ineligible” component of our holdings is such a low percentage of our overall holdings and has reduced the negative impact of the current market crisis. (Refer to Note 5 to the statements.)

Since August 2007, ATB has been working diligently as a member of the Pan-Canadian Investors Committee toward successful restructuring of the non-bank-sponsored ABCP under the Montreal Accord. If successful, this will be one of the largest and possibly most complex corporate restructuring deals in Canadian history. ATB has also been reviewing its internal policies to ensure that they are robust and adequate to minimize the effect of another market disruption in the future.

What did ATB do for its customers during this crisis?

Our subsidiaries ATB Investor Services Inc. and ATB Investment Management Inc. held approximately \$255 million in ABCP, the majority of which was held in money market mutual funds at the time of disruption. In order to protect our customers' interests, these assets were acquired at par value in exchange for cash and ATB term-deposit certificates.

What was the financial impact of the ABCP crisis in fiscal 2007–08?

At March 31, 2008, ATB held \$1.2 billion in ABCP.

Given that there is no active market for the ABCP currently undergoing restructuring, ATB developed a valuation model, in accordance with Canadian Institute of Chartered Accountants (“CICA”) guidelines, to determine its best estimate of the fair value of these investments as at March 31, 2008. This model includes a number of significant assumptions; consequently, the ultimate fair value of the investment may vary significantly from the current estimate. (Refer to the Accounting Policies and Estimates section of the MD&A and Note 5 to the statements for additional information on the valuation of the ABCP.)

Based on ATB's estimate of fair value of these investments as at March 31, 2008, the financial impact of the ABCP crisis has been a \$252.5-million provision for loss on our investments, and a realized loss of \$0.6 million. This had a significant negative impact on ATB's annual results, reducing net income from \$283.1 million (which would have been our best year on record) to \$30.0 million.

Given the current disruption in the market, ATB considers the investments to be illiquid.

Historically, ATB's internal policies have established a minimum liquidity level of 10%. This is set to ensure ATB is able to meet known financial commitments as they come due, as well as unexpected cash requirements. To ensure the maintenance of this liquidity level, ATB negotiated an increase to the wholesale borrowing line currently available with the Government of Alberta from \$3.5 billion to \$4.3 billion and issued additional short- and mid-term notes. These funds were then invested in other liquid assets—primarily deposits with financial institutions. ATB has maintained liquidity levels above the 10% minimum since the market disruption and does not foresee any issues in maintaining liquidity at or above this level in the future. Our plans to securitize a portion of our mortgage portfolio will enhance our liquidity and support the growth anticipated in our business plan.

Another of ATB's key measurements impacted by the ABCP crisis is capital adequacy. As discussed in the Review of March 31, 2008, Consolidated Financial Position section of the MD&A, ATB is in full compliance with capital adequacy requirements under the ATB Regulation that are modelled after Basel I requirements of the Office of the Superintendent of Financial Institutions. Despite the negative impact of the ABCP provision, ATB maintained capital levels in excess of these requirements and expects to continue to exceed these minimums in the future.

The expectation is that the Montreal Accord will be successful and, in fiscal 2008–09, ATB will receive long-term floating-rate notes in exchange for its current holdings. These notes are expected to pay a coupon rate less than the market rate over the majority of their life, and a provision is therefore required to recognize this. The expectation is that most of the principal will be recovered if these investments are held to maturity, which is ATB's intention.

What has ATB done to minimize the chances of this occurring in the future?

ATB is not the only corporation to be impacted by the current ABCP crisis—the impact has been widespread, affecting many large corporations and financial institutions. However, lessons have been learned from the ABCP experience. Although ATB's previous investment-risk policy complied broadly with the basic requirements of the ATB Act, ATB Regulation, and “prudent person guidelines,” improvements have been made to internal policies and processes that may prevent and/or mitigate a similar situation.

REVIEW OF 2007–08 CONSOLIDATED OPERATING RESULTS

Asset-Backed Commercial Paper

As of March 31, 2008, ATB has recognized a provision for loss on ABCP of \$253.1 million. Where applicable, ATB's consolidated operating results are reported inclusive and exclusive of this provision; however, for clarity, the commentary below refers to the operating results exclusive of ABCP. (Refer to the Asset-Backed Commercial Paper section and to Note 5 to the statements for further details.)

Implementation of Financial Instruments Standards

During the year, ATB adopted new or revised accounting standards issued by the Canadian Institute of Chartered Accountants, and enhanced its accounting treatment under certain other accounting guidelines. As these standards—collectively referred to as “the financial instruments standards” or “the new standards”—have been adopted prospectively, prior period results have not been restated. (Refer to the Accounting Policies and Estimates section and to Note 3 to the statements for further details.)

Operating Results—Overview and Key Performance Measures

For the year ended March 31, 2008, or the 2007–08 fiscal year, ATB Financial earned net income excluding the provision for ABCP (“adjusted NI”) of \$283.1 million, up 3.2% from the \$274.4 million earned in 2006–07. This increase from the prior year reflects an increase in net interest income (“NII”) of \$87.6 million, together with an increase in other income (“OI”) of \$6.3 million. Offsetting this, ATB's provision for credit losses exceeded last year's recovery by \$18.1 million, and non-interest expenses (“NIE”) were up \$67.1 million.

Return on Average Assets

(\$ in thousands)	2008	2008 vs 2007		2007	2006
		Increase (decrease)			
Net income	\$ 29,985	\$ (244,403)	(89.07)%	\$ 274,388	\$ 198,721
Net income (excluding provision for loss on ABCP)	\$ 283,118	\$ 8,730	3.18%	\$ 274,388	\$ 198,721
Average total assets	\$22,131,059	\$ 3,030,932	15.87%	\$ 19,100,127	\$ 16,572,150
Return on average assets	0.14%	(1.30)%	(90.28)%	1.44%	1.20%
Return on average assets (excluding provision for loss on ABCP)	1.28%	(0.16)%	(11.11)%	1.44%	1.20%

Return on average assets (“ROAA”) excluding the provision for loss on ABCP (“adjusted ROAA”) for the 2007–08 fiscal year was 1.28%, down from 1.44% in 2006–07. This was because adjusted NI increased by only 3.2% compared to an increase in average-earning assets of nearly 16%, reflecting the net interest spread compression facing ATB in light of increased market competition. However, this was not unexpected, and the result for the year was within the targeted range of 1.20% to 1.30%.

Outlook for Fiscal Year 2008–09—Return on Average Assets

We are targeting a ROAA in the range of 1.0% to 1.1% for fiscal 2008–09. This target is based on anticipated NI in the range of \$255.0 million to \$270.0 million and average total assets in excess of \$25.4 billion. These objectives reflect our expectations for increased NII (as forecast portfolio growth will more than compensate for an expected decrease in net spreads earned) and continued growth in OI, offset by increased credit losses and NIE.

Continued growth in performing loans and deposits should compensate for an expected decline in spread. OI is also expected to continue to grow more rapidly than in recent years. We expect that our credit loss experience will remain at historical levels and that our efficiency ratio will increase in the medium term, and then continue to show improvement after completion of our core business transformation (“Core”) initiative. (Refer to the Overview of Strategy and Priorities section.)

We continue to look forward to healthy performance with overall returns on average assets at around 1%.

Operating Results—Other Key Performance Measures

(in %)	2009 target	2008			2007 actual	2006 actual
		(1)	Actual	Target		
Net interest spread on average earning assets	2.9–3.0		3.07	2.9–3.0	3.06	2.85
Other income to operating revenue	23.0–25.0	22.00	31.40	23.0–25.0	23.91	25.19
Non-interest expenses to operating revenue	67.0–70.0	64.98	92.76	64.0–67.0	64.18	67.73
Credit losses to average loans	0.1–0.2		0.07	0.1–0.2	(0.03)	0.00

(1) Excludes provision for loss on asset-backed commercial paper.

Net interest spread earned for 2007–08 on our average interest-earning assets was 3.07%, seven basis points ahead of the upper end of the year's target range and up one basis point from the prior year's 3.06%. The impact of the new financial instruments standards was to increase net interest spread by 16 basis points. Excepting this, net interest spread would have been 2.91%, down 16 basis points compared to last year, a reflection of both the competitive marketplace and a drop in the average prime rate of eight basis points. (Refer to the Net Interest Income section on page 34 for further analysis of NII and spread.)

OI as a proportion of operating revenue excluding ABCP ("adjusted operating revenue") decreased during 2007–08. This was in large part due to the implementation of the new financial instruments standards which resulted in the reclassification of certain fees from OI to NII. This was offset by the continued growth of our Investor Services line and strong contributions from our personal and business MasterCard programs.

Our ABCP-exclusive efficiency ratio, or the ratio of NIE to adjusted operating revenue, was 64.98% for the 2007–08 fiscal year, compared to last year's ratio of 64.18%. NIE increased by almost 14% while adjusted operating revenue grew by 12.5%. (Refer to the Non-Interest Expense section on page 37 for further analysis of NIE.)

Our provision for credit losses this year, measured as a percentage of average net loans outstanding during the year, was 0.07%, better than the 2007–08 plan, though it declined slightly from the prior year's net recovery. The prior year's net recovery was impacted by a one-time \$24.3-million favourable adjustment resulting from implementation of an enhanced and updated general loan loss allowance ("GLLA") model.

Operating Revenue

Operating revenue consists of NII and OI.

Operating Revenue

(\$ in thousands)	2008	2008 vs 2007		2007	2006
		Increase (decrease)			
Net interest income	\$ 659,410	\$ 87,605	15.32%	\$ 571,805	\$ 462,251
Other income	185,995	6,334	3.53%	179,661	155,621
Operating revenue before the undernoted	845,405	93,939	12.50%	751,466	617,872
Provision for loss on asset-backed commercial paper	(253,133)	(253,133)	(100.00)%	–	–
Total operating revenue	\$ 592,272	\$ (159,194)	(21.18)%	\$ 751,466	\$ 617,872

Adjusted operating revenue for the 2007–08 fiscal year increased by \$93.9 million or 12.5% from the prior year, driven most significantly by an increase in NII of \$87.6 million, or 15.3%. This increase reflects strong growth in our performing loan and deposit portfolios, and also results from the new financial instruments standards, which increased NII by \$34.7 million. Net interest spread (excluding financial instruments) earned on interest-earning assets and liabilities declined year over year. (Refer to the Net Interest Income section on page 34 for additional analysis of NII and spread.)

Outlook for Fiscal Year 2008–09—Operating Revenue

Our target for next fiscal year is to increase operating revenue by 7% to 9%. This target reflects expected increases in both NII (driven by continued growth in interest-earning assets partially offset by a reduction forecasted in net spread) and OI (driven by continued growth in our Investor Services business and MasterCard revenues). The securitization of a portion of our interest-earning assets will result in a reduction in NII offset by an increase in OI, but with little impact on overall operating revenue.

Net Interest Income

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

Net Interest Income, Margin, and Spread Earned

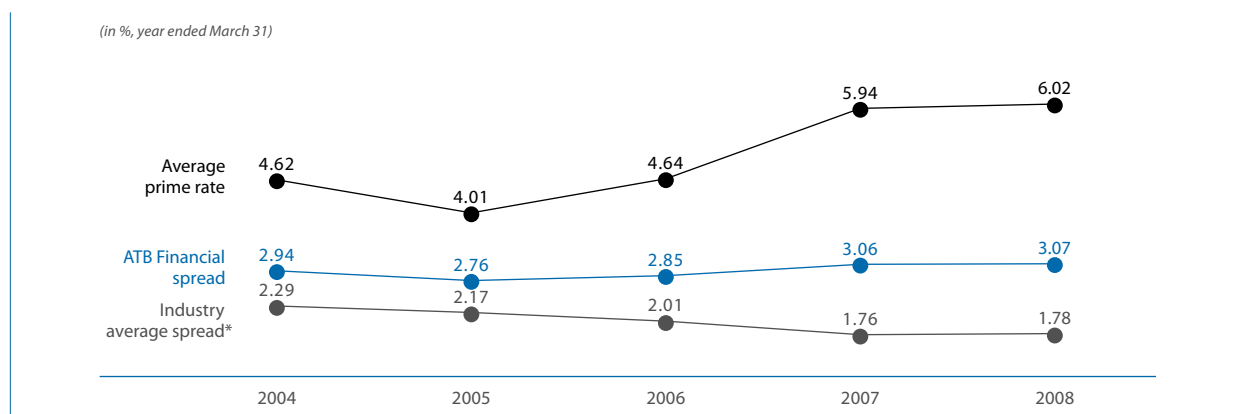
(\$ in thousands)	Average balances			Interest			Average rate (%)		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Assets									
Deposits with financial institutions, and securities	\$ 3,103,569	\$ 2,714,742	\$ 2,143,852	\$ 146,719	\$ 118,208	\$ 65,928	4.73	4.35	3.08
Loans									
Residential mortgages	7,407,194	6,651,201	6,099,975	390,247	337,920	289,965	5.27	5.08	4.75
Personal	3,601,243	2,956,707	2,461,896	229,485	200,095	142,274	6.37	6.77	5.78
Other	7,357,302	6,355,000	5,501,757	536,113	422,059	316,502	7.29	6.64	5.75
	18,365,739	15,962,908	14,063,628	1,155,845	960,074	748,741	6.29	6.01	5.32
Total earning assets	21,469,308	18,677,650	16,207,480	1,302,564	1,078,282	814,669	6.07	5.77	5.03
Non-earning assets	661,751	422,477	364,670	–	–	–	–	–	–
Total assets	\$22,131,059	\$ 19,100,127	\$ 16,572,150	\$ 1,302,564	\$ 1,078,282	\$ 814,669	5.89	5.65	4.92
Liabilities and equity									
Deposits									
Demand	\$ 5,200,385	\$ 4,875,267	\$ 4,082,098	\$ 69,176	\$ 58,911	\$ 28,275	1.33	1.21	0.69
Notice	2,898,565	2,219,771	1,634,287	84,447	55,140	23,176	2.91	2.48	1.42
Fixed-term	11,861,135	10,155,232	9,281,421	486,358	389,092	297,543	4.10	3.83	3.21
Total deposits	19,960,085	17,250,270	14,997,806	639,981	503,143	348,994	3.21	2.92	2.33
Non-interest-bearing liabilities									
Subordinated debentures	387,353	286,615	246,980	–	–	–	–	–	–
Equity	70,979	67,960	70,090	3,173	3,334	3,424	4.47	4.91	4.89
	1,712,642	1,495,282	1,257,274	–	–	–	–	–	–
Total liabilities and equity	\$22,131,059	\$ 19,100,127	\$ 16,572,150	\$ 643,154	\$ 506,477	\$ 352,418	2.91	2.65	2.13
Net interest margin	n/a	n/a	n/a	\$ 659,410	\$ 571,805	\$ 462,251	2.98	2.99	2.79
Net interest spread	n/a	n/a	n/a	n/a	n/a	n/a	3.07	3.06	2.85

Net Interest Margin

Net interest margin is the ratio of NII to average total assets. Net interest margin decreased slightly from 2.99% last year to 2.98% for 2007–08.

Net Interest Spread

Net interest spread ("spread") is a key performance measure we use to evaluate our financial performance, and is the ratio of NII to average interest-earning assets. ATB's spread for fiscal 2007–08 was 3.07% compared to a targeted range of 2.9% to 3.0% and a fiscal 2006–07 level of 3.06%. We exceeded our target this year because of the impact of the new financial instruments standards that became effective this fiscal year. Excluding this, spread would have been 2.91%. Prime rates rose by 25 basis points in the second quarter of 2007–08, and then dropped 25 basis points in the third quarter and another 75 basis points in the fourth quarter. This follows a prime-rate increase of 50 basis points in the preceding 2006–07 fiscal year.



*Industry average is based on published financial results of the five major Canadian banks plus National Bank and Canadian Western Bank for their fiscal year ended October 31, 2007.

ATB has exceeded the industry average net interest spread earned every year since our 1999–2000 fiscal year. The principal reasons for this are that we consistently maintain a proportionately larger retail deposit base and have a smaller share of the corporate deposit market than the typical major Canadian bank. Further, ATB has markedly lower leverage than the publicly owned chartered banks whose equity and debt structures are more complex than ATB's. Reduced use of leverage by ATB lowers the return we earn on our equity but also results in higher net interest margin and spread.

Change in Net Interest Income

	2008 vs 2007			2007 vs 2006		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Volume	Rate	Net change	Volume	Rate	Net change
<i>(\$ in thousands)</i>						
Assets						
Deposits with other financial institutions, and securities	\$ 18,382	\$ 10,129	\$ 28,511	\$ 24,858	\$ 27,422	\$ 52,280
Loans						
Residential mortgages	39,829	12,498	52,327	28,006	19,949	47,955
Personal	41,072	(11,682)	29,390	33,486	24,335	57,821
Other	73,036	41,018	114,054	56,667	48,890	105,557
Total loans	153,937	41,834	195,771	118,159	93,174	211,333
Change in interest income	\$ 172,319	\$ 51,963	\$ 224,282	\$ 143,017	\$ 120,596	\$ 263,613
Liabilities						
Deposits						
Demand	\$ (4,325)	\$ (5,940)	\$ (10,265)	\$ (9,584)	\$ (21,052)	\$ (30,636)
Notice	(19,776)	(9,531)	(29,307)	(14,544)	(17,420)	(31,964)
Fixed-term	(69,949)	(27,317)	(97,266)	(33,480)	(58,069)	(91,549)
Total deposits	(94,050)	(42,788)	(136,838)	(57,608)	(96,541)	(154,149)
Subordinated debentures	(135)	296	161	105	(15)	90
Change in interest expense	\$ (94,185)	\$ (42,492)	\$ (136,677)	\$ (57,503)	\$ (96,556)	\$ (154,059)
Change in net interest income	\$ 78,134	\$ 9,471	\$ 87,605	\$ 85,514	\$ 24,040	\$ 109,554

As presented in the preceding table, the largest driver of the growth in NII over the 2007–08 year (as measured by dollars contributed not by percentage of increase) was the significant increase in the volume of our loan portfolio. Contribution from increased volumes outpaced the contribution from increased rates of interest earned in every major component of our loan portfolio. Overall, the increased contribution from loans outpaced the additional cost of increased deposits.

Outlook for Fiscal Year 2008–09—Net Interest Spread

Our target for next fiscal year is to earn net interest spread in the range of 2.90% to 3.00%, down from this past year's results. This target reflects our expectation that the Canadian prime interest rate will decrease in the next year. The Bank of Canada lowered the overnight rate by 50 basis points on April 22, 2008, and the expectation is that the Bank of Canada will lower the overnight rate by a further 25 basis points in the next year. We are forecasting that the cost of our retail and business deposits will continue to increase in the face of continued strong price competition in the Alberta marketplace and will not be fully compensated for in loan interest income.

Other Income

Other income ("OI") consists of all operating revenue not classified as NII (with the exception of ATB's 2007–08 provision for asset-backed commercial paper, which is disclosed as a separate line item within operating revenue).

(\$ in thousands)	2008 vs 2007				
	2008	Increase (decrease)		2007	2006
Service charges	\$ 69,891	\$ 1,650	2.42%	\$ 68,241	\$ 64,275
Credit fees	10,627	(19,111)	(64.26)%	29,738	30,068
Investor Services	38,427	9,901	34.71%	28,526	17,994
Card fees	35,764	7,845	28.10%	27,919	23,649
Insurance	11,525	736	6.82%	10,789	10,150
Foreign exchange	11,763	3,138	36.38%	8,625	7,451
Gains on derivative financial instruments, net	2,533	757	42.62%	1,776	1,038
Sundry	5,465	1,418	35.04%	4,047	996
	\$ 185,995	\$ 6,334	3.53%	\$ 179,661	\$ 155,621

OI was \$186.0 million for fiscal 2007–08, an increase of \$6.3 million, or 3.5%, compared to last year's \$179.7 million. This growth was driven by Investor Services' continued success in increasing the value of assets under administration and management, which now exceed \$4 billion. (Refer to the Review of Business Segments section of the MD&A for further commentary on Investor Services.) The second-largest contributor to the 2007–08 growth was the \$7.8-million increase in card fees earned, reflecting the continued success of our MasterCard business. Offsetting this was a decrease in credit fees of \$19.1 million compared to 2006–07, which was due to the adoption of the new financial instruments standards during the fiscal year.

The foreign exchange component of OI increased \$3.1 million in 2007–08. This increase was due to the strength of the Canadian dollar against the US dollar.

The ratio of OI to adjusted operating revenue was 22.0%, a slight decrease from 23.9% last year.

ATB's ratio of other income to operating income 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 Year 2008–09—Other Income as Percentage of Total Operating Revenue

Our targeted ratio of OI to operating revenue for the upcoming 2008–09 fiscal year is 23% to 25%. This target reflects our expectation that the growth in OI will continue to be proportionate to the growth in NII. As with the past year, the bulk of the growth in OI is expected from our Investor Services activities.

Provision for (Recovery of) Credit Losses

ATB's results for the 2007–08 fiscal year reflect a \$12.9-million provision for credit losses as compared to a net recovery (or income) of \$5.2 million for the prior year. Our net provision in fiscal 2007–08 reflects an \$11.2-million net increase in the general loan loss allowance ("GLLA"). Last year's net amount was driven by a one-time recovery of \$24.3 million in the second quarter following the introduction of an enhanced and updated GLLA model. The new model was updated to more accurately reflect the risk profile (and expected default rates) of ATB's consumer and non-consumer loan portfolios.

Provision for (Recovery of) Credit Losses

(\$ in thousands)	2008	2008 vs 2007		2007	2006
		Increase (decrease)			
New specific provisions	\$ 14,278	\$ 2,671	23.01%	\$ 11,607	\$ 17,805
Reversal of previous allowances	(7,510)	831	9.96%	(8,341)	(16,020)
Recoveries of prior write-offs	(5,045)	160	3.07%	(5,205)	(5,367)
Specific provisions for credit losses	1,723	3,662	188.86%	(1,939)	(3,582)
Increase (decrease) in:					
General allowance	11,183	14,455	441.78%	(3,272)	12,270
Special general allowance for BSE	–	–	0.00%	–	(8,000)
	\$ 12,906	\$ 18,117	347.67%	\$ (5,211)	\$ 688
Provision as a % of average net loans	0.07%	0.10%	314.43%	(0.03)%	0.00%

The ratio of the annual provision for credit losses to average total loans was 0.07% for fiscal 2007–08, exceeding 2006–07, which was negative 0.03%. These ratios were lower in both years than our target ratio of 0.10% to 0.20%. ATB continues to benefit from the strength of the Alberta economy and the resulting positive credit environment, and we continue to maintain an emphasis on strong credit and effective loss-limitation practices, thus minimizing our credit loss experience. (The provision for credit losses and our approach to credit risk management is further discussed in the Credit Risk section of the MD&A.)

Outlook for Fiscal Year 2008–09—Credit Losses as Percentage of Average Loans

Our expectation for fiscal 2008–09 is for our credit loss experience to remain in line with recent history. Accordingly, we are targeting the ratio of credit losses to average loan balances to fall in the range of 0.10% to 0.20%.

Non-Interest Expenses and Efficiency

Non-interest expenses ("NIE") consist of all expenses incurred by ATB except for interest expense, any provision for (or recovery of) credit losses and ATB's provision for loss on asset-backed commercial paper.

Non-Interest Expenses and Efficiency

(\$ in thousands)	2008	2008 vs 2007		2007	2006
		Increase (decrease)			
Human resources	\$ 297,404	\$ 39,212	15.19%	\$ 258,192	\$ 221,270
Data processing	67,212	7,036	11.69%	60,176	53,170
Premises and occupancy	47,831	4,753	11.03%	43,078	37,136
Professional and consulting	29,027	2,211	8.25%	26,816	22,350
Marketing and supplies	28,496	9,064	46.64%	19,432	17,948
Equipment and software	22,171	1,896	9.35%	20,275	19,411
Deposit guarantee fee	20,210	6,054	42.77%	14,156	15,236
Communication	18,532	3,739	25.28%	14,793	14,117
ATB agencies	9,339	1,084	13.13%	8,255	7,119
Other	9,159	(7,957)	(46.49)%	17,116	10,706
	\$ 549,381	\$ 67,092	13.91%	\$ 482,289	\$ 418,463
Efficiency ratio	92.76%	28.58%	44.53%	64.18%	67.73%
Efficiency ratio (excluding provision for loss on ABCP)	64.98%	0.80%	1.25%	64.18%	67.73%

NIE amounted to \$549.4 million for fiscal 2007–08, an increase of \$67.1 million or 13.9% compared to the 2006–07 year's total of \$482.3 million.

The most significant increase this year was in human resources costs (such as salaries, wages and benefits, variable compensation, and training), which increased by \$39.2 million. The increase reflects planned increases in compensation levels along with increased staffing levels to support the growth in our three lines of business. On a head-count basis, our total number of associates on the payroll increased by 10% during the year.

Data-processing fees increased by \$7.0 million this year, in line with expectations. Marketing and supplies increased by \$9.1 million over the prior year, of which \$4.8 million relates to the new accounting standards for financial instruments. These standards require adjustments between NIE and NII that relate to non-market rates for HELOC and MasterCard balance account transfers.

ATB pays a deposit guarantee fee to the Government of Alberta to compensate 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. All deposits are subject to a fee of 1.389 basis points on the first \$100,000 and 1/6 of 1% on deposits in excess of \$100,000. The increase from the prior year is due to a combination of increased deposits and an increased ratio of accounts with balances over \$100,000.

Efficiency Ratio

The efficiency ratio is the ratio of NIE to adjusted operating revenue. We use this ratio as a key measure of our expense efficiency—the lower the ratio, the better the efficiency. Our efficiency ratio (excluding provision for loss on ABCP) was 64.98% for the 2007–08 fiscal year, within our targeted range of 64% to 67%, although a slight increase from last year's ratio of 64.18%.

Outlook for Fiscal Year 2008–09—Efficiency Ratio

We have targeted the efficiency ratio for fiscal 2008–09 to be within a range of 67% to 70%. This reflects our plan to invest in growth initiatives, customer-facing technology enhancements, and compensation increases, and to strengthen our support infrastructure. Most notably, our investment in Core will put upward pressure on our efficiency ratio over the next three years as we work to implement this significant endeavour. We are expecting a substantial increase in productivity after completion of the program. (Refer to the Introduction to ATB section of the MD&A.)

REVIEW OF MARCH 31, 2008, CONSOLIDATED FINANCIAL POSITION

Financial Position—Overview and Key Performance Measures

Key Performance Measures

(in %)	2009 target	2008		2007 actual	2006 actual
		Actual	Target		
Performing loan growth	4.0 to 6.0 ⁽¹⁾	14.39	11.0 to 13.0	14.40	13.08
Personal and business deposit growth	4.0 to 6.0	7.27	7.0 to 9.0	13.77	14.85

(1) Includes the impact of planned securitization program in 2008–09.

ATB's financial position is driven by the performance of our loan and deposit portfolios, which make up the majority of our balance sheet. As ATB operates in Alberta only, our loan and deposit balances are driven primarily by the performance of the provincial economy. The growth of both portfolios is also affected by the interest rate environment, though to differing degrees. After remaining steady at 6.00% during most of the 2006–07 year, the prime interest rate fluctuated during 2007–08, increasing 25 basis points in July 2007 and then decreasing 100 basis points over the remainder of the year. Our spread (excluding the impact of the new financial instruments standards) declined over the course of the year, as a combined result of prime movements and increased competition.

Our performing loan growth experience during 2007–08 was very strong overall, with balances growing by \$2.5 billion. At 14.4%, this was broadly in line with last year's growth rate and exceeded the year's target range of 11% to 13%. Markets are generally apprehensive about a US recession; however, the Alberta economic micro-climate continues to look robust on the strength of commodity prices, so some borrowers are sensing investment opportunities. During the year, the housing sector began to return to a more normal growth rate across most of Alberta; however, ATB still saw substantial growth in its HELOC portfolio in particular, and, to a lesser extent, in residential mortgages. Agricultural and small business loans did not perform as well as expected, but commercial loan growth and growth in our MasterCard portfolio were strong. Our loan portfolio is analyzed in detail in the Risk Management section of the MD&A.

Personal and business deposits grew significantly in 2007–08, with total balances increasing by \$1.21 billion over the course of the year. The rate of growth in personal and business deposits was 7.3%, down from the prior year's 13.8% growth rate but within our targeted growth range. Securing deposits to keep pace with loan growth continues to be a challenge, and intense price competition has also reduced the spread on our deposit products. ATB is launching a mortgage securitization program to enhance our liquidity levels. (Refer to page 41 for additional discussion of our deposit experience.)

Total Assets

ATB's total assets were over \$23.3 billion as at March 31, 2008, an increase of over \$3.0 billion, or 15.0%, from \$20.3 billion as at March 31, 2007. This increase in total assets was driven primarily by growth in our performing loan portfolio, which increased by \$2.5 billion over the course of the 2007–08 fiscal year.

Liquid Assets—Cash and Securities

Liquidity level is defined as the percentage of total assets represented by liquid assets. For a financial institution, maintaining a sufficient pool of liquid assets is essential. ATB's liquid assets consist of cash resources and securities.

Liquid Assets

(\$ in thousands)	2008	2008 vs 2007		2007	2006
		Increase (decrease)			
Cash resources	\$ 2,019,797	\$ 924,183	84.35%	\$ 1,095,614	\$ 1,054,125
Securities	329,601 ⁽¹⁾	(1,355,220)	(80.44)%	1,684,821	1,381,444
Total liquid assets	\$ 2,349,398	\$ (431,037)	(15.50)%	\$ 2,780,435	\$ 2,435,569
As a percentage of total assets	10.06%	(3.64)%	(26.57)%	13.70%	13.80%

(1) Excludes ABCP, which is considered illiquid as a result of the market disruption that occurred during the second quarter. (Refer to the Asset-Backed Commercial Paper section and Note 5 to the statements.)

ATB's liquidity level decreased from 13.7% as at March 31, 2007 to 10.1% as at March 31, 2008. As outlined in the Asset-Backed Commercial Paper section of the MD&A, ATB held over \$1.2 billion of ABCP on August 14, 2007, when there was a liquidity disruption in the market. These holdings were previously held as short-term investments, with the majority having 30-day terms; however, the disruption caused these securities to become illiquid because there was no longer an active market for them. In response to this sudden change in liquidity, ATB amended its operating agreement with the Government of Alberta—increasing its wholesale borrowing facility from \$3.5 billion to \$4.3 billion—and issued additional bearer deposit and mid-term notes. As at March 31, 2008, the wholesale borrowing facility has a balance of \$3.4 billion.

ATB also amended its internal policy to require optimal target liquidity levels of 10% to 12% (versus 14% to 16% previously), with targeted minimal liquidity levels remaining at 10%.

The impacted ABCP that ATB holds is currently being restructured into long-term notes with a six- to nine-year term to maturity. ATB expects these notes to remain illiquid until maturity.

As part of its liquidity management program, ATB began securitizing a portion of its mortgages in late 2007–08.

To support our participation in Canadian clearing and payment systems, a portion of our liquid assets are pledged as collateral. (Refer to Note 5 and 15 to the statements for details.)

Our liquidity risk and related management strategies are discussed in greater detail in the Risk Management section.

Loans, Net of Allowances for Credit Losses

Loans and Allowances

(\$ in thousands)	2008	2008 vs 2007		2007	2006
		Increase (decrease)			
Gross loans	\$19,605,287	\$ 2,457,124	14.33%	\$ 17,148,163	\$ 15,007,898
Less: specific allowances	(8,760)	3,247	27.04%	(12,007)	(16,105)
Net loans	19,596,527	2,460,371	14.36%	17,136,156	14,991,793
Less: general allowances	(153,010)	(11,183)	(7.88)%	(141,827)	(145,099)
Loans, net of allowances	\$19,443,517	\$ 2,449,188	14.41%	\$ 16,994,329	\$ 14,846,694

Loans, net of allowances for credit losses, increased by \$2.4 billion from the previous year to \$19.4 billion as at March 31, 2008. This overall increase in net loans represents a 14.4% growth over last year. Our loan portfolio and the related allowances for credit losses are discussed in greater detail in the Risk Management section of the MD&A.

Outlook for Fiscal Year 2008–09—Performing Loan Growth

We are targeting overall growth in our gross performing loan balance of 9% to 11% in 2008–09 based on our expectation of a more moderate but still healthy housing market. We also expect continued growth across the business loan portfolio.

As a result of our planned securitization program, we are forecasting loan growth, net of securitized loans, of 4% to 6%.

Remaining Assets

ATB's remaining assets are composed primarily of accrued interest receivable, premises and equipment (net of accumulated amortization), derivative financial instruments, and other smaller amounts. (Refer to Notes 8, 9, and 14 to the statements for details.)

(\$ in thousands)	2008	2008 vs 2007		2007	2006
		Increase (decrease)			
Premises and equipment, net	\$ 208,875	\$ 31,314	17.64%	\$ 177,561	\$ 134,479
Accrued interest receivable	177,617	31,325	21.41%	146,292	125,595
Derivative financial instruments	109,250	81,050	287.41%	28,200	27,437
Other	130,579	(37,322)	(22.23)%	167,901	78,041
	\$ 626,321	\$ 106,367	20.46%	\$ 519,954	\$ 365,552

The net balance for premises and equipment increased by \$31.3 million over the course of 2007–08, down from the \$43.1-million increase over the 2006–07 year. The 2007–08 increase reflects \$64.0 million (2007: \$72.3 million) of capital expenditures during the year. Leasehold improvement costs increased by \$22.2 million (2007: \$32.4 million) primarily for new retail-branch expansion, with three new branch openings in Edmonton and Calgary and one branch relocation. Computer equipment and software costs increased by \$16.4 million (2007: \$33.7 million), of which \$1.5 million was related to the new Core banking transformation initiative ("Core"). (Refer to the Introduction to ATB section of the MD&A for more details of this initiative.)

The growth in accrued interest receivable reflects overall growth in the performing loan balances as at March 31, 2008, as well as accrued interest on ABCP.

During the year, ATB adopted new or revised accounting standards issued by the Canadian Institute of Chartered Accountants and enhanced its accounting treatment under certain other accounting guidelines. As these standards, collectively referred to as "the financial instruments standards" or "the new standards," have been adopted prospectively, prior period results have not been restated.

The new standards require that all derivative financial instruments be carried on the balance sheet, where previously the majority of derivative financial instruments were carried off balance sheet. The adjustment to the opening balance sheet was to increase derivative assets by \$55.4 million, to \$83.6 million. At year-end ATB had derivative assets of \$109.3 million.

The decrease in other remaining assets reflects a decrease in obligations due from other financial institutions for cheques and other items in transit—which can fluctuate from one day to the next as part of normal business operations—partially offset by an increase in deferred expenses. Deferred expenses relate to effective-yield adjustments in respect of off-market-rate loans and MasterCards, resulting from the implementation of the new financial instruments standards.

Outlook for Fiscal Year 2008–09—Capital Expenditures

The 2008–09 capital expenditure budget explicitly supports ATB's strategy to enhance tools and facilities for our associates and our customers. ATB continues to target a significant expansion of our retail branch network in Edmonton, Calgary, and other high-growth markets, along with renovations or relocations of branches in the rural areas and smaller urban centres. We are forecasting completion and opening of six to eight new branches in 2008–09. We anticipate opening up to three new Investor Services locations over the next two fiscal years to support financial advisors with mature portfolios. ATB is also planning a significant program to centralize its Calgary region non-branch business units into a single location.

During the 2007–08 year, we launched a major business transformation initiative ("Core") that will replace our legacy banking system and 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 and better value to our customers, while reducing our internal costs.

Core, along with a number of planned enhancements to our information technology infrastructure, represents a significant portion of our capital expenditures for the coming year. (Refer to the Introduction to ATB section of the MD&A for further details about Core.)

ATB has initiated several projects within its lines of business. Specifically, PBFS has begun the migration to a chip-enabled environment intended to replace all magnetic-strip cards by December 31, 2010.

Total capital expenditures budgeted for the 2008–09 year are \$185 million, including \$37 million for facilities construction and renovations, \$28 million for the Calgary relocation program (\$225 million over 2009–11), \$40 million for Core (\$150 million over 2009–11), \$25.0 million for IT infrastructure, \$38 million for line-of-business development, and \$17 million for enhancements to customer-facing and corporate-support technology, together with associated process improvements.

Deposits

As is typical for any financial institution, 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 mid-term notes issued on our behalf by the Government of Alberta and sold to other financial institutions.

<i>(\$ in thousands)</i>	Payable on demand	Payable after notice	Payable on fixed date	Total	Percentage of total
2008					
Retail					
Personal	\$ 1,534,146	\$ 2,237,142	\$ 5,986,552	\$ 9,757,840	46.08%
Business and other	3,710,531	1,091,533	3,233,526	8,035,590	37.95%
Wholesale	–	–	3,382,286	3,382,286	15.97%
	\$ 5,244,677	\$ 3,328,675	\$ 12,602,364	\$ 21,175,716	100.00%
	24.77%	15.72%	59.51%	100.00%	–
2007					
Retail					
Personal	\$ 1,567,492	\$ 1,753,260	\$ 5,836,071	\$ 9,156,823	50.17%
Business and other	3,576,237	830,779	3,023,020	7,430,036	40.70%
Wholesale	–	–	1,665,979	1,665,979	9.13%
	\$ 5,143,729	\$ 2,584,039	\$ 10,525,070	\$ 18,252,838	100.00%
	28.18%	14.16%	57.66%	100.00%	–

During 2007–08, total deposits increased by \$2.9 billion to end the fiscal year at \$21.2 billion. Retail deposits grew by \$1.2 billion, or 7.3%, meeting our 2007–08 targeted range of 7% to 9% for retail deposit growth.

The growth in retail deposits reflects mixed performance across the deposit portfolio. Fixed-date deposit balances increased compared to a year ago; however, registered deposit balances decreased slightly. Personal retail deposits grew significantly, up \$0.4 billion, or 9.2%, from last year-end.

Growth in business retail deposits (up \$0.4 billion, or 9.0%) and in money desk deposits (up \$0.2 billion, or 8.0%) was healthy.

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 our retail deposit balances. Our operating agreement with the Government of Alberta currently limits the total volume of such deposits to \$4.3 billion, up from \$3.5 billion last year.

Outlook for Fiscal Year 2008–09—Growth in Retail Deposits

We are targeting a retail deposit growth rate of 4% to 6% for 2008–09. With continued downward pressure expected on both volume and price, we expect loan growth to outpace deposit growth, and we will therefore undertake new initiatives to support our funding, including an increased focus on further improving our deposit growth.

Remaining Liabilities

ATB's remaining liabilities are composed primarily of accrued interest payable, subordinated debentures, derivative financial instruments, and other smaller amounts. (See Notes 11, 12, and 14 to the statements for details.)

(\$ in thousands)	2008 vs 2007				
	2008	Increase (decrease)		2007	2006
Accrued interest payable	\$ 161,072	\$ 4,397	2.81%	\$ 156,675	\$ 133,761
Subordinated debentures	72,998	756	1.05%	72,242	71,579
Derivative financial instruments	82,390	73,761	854.80%	8,629	1,271
Other	182,525	1,574	0.87%	180,951	221,901
	\$ 498,985	\$ 80,488	19.23%	\$ 418,497	\$ 428,512

The growth in accrued interest payable reflects the overall growth in the deposit balances payable as at March 31, 2008, compared to the prior year-end, compounded by the increased costs of interest on such deposits and driven primarily by strong competition for deposits in the Alberta market. Offsetting this somewhat, the prime interest rate increased 25 basis points during the second quarter of 2007–08 and then dropped 100 basis points over the remainder of the year, reducing ATB's deposit interest expense.

The nominal increase in the balance of subordinated debentures outstanding at the end of fiscal 2007–08 reflects our annual issuance of new debentures in payment of our obligation to the Government of Alberta for the deposit guarantee fee for the preceding fiscal year, offset by the repayment of debentures that matured during the year.

As discussed earlier, the new financial instruments standards require that all derivative financial instruments be carried on the balance sheet, where previously the majority of derivative financial instruments were carried off the balance sheet. As at March 31, 2008, ATB had recognized derivative financial instrument liabilities with a fair value of \$82.4 million, compared to \$8.6 million last year. As with derivative financial assets, this is due to a combination of growth during the year and the new standards.

The increase in other remaining liabilities reflects an increase in accounts payable, accrued liabilities, and deposit guarantee fee payable, mostly offset by a significant decrease in amounts due to clients, brokers, and dealers. The latter balances can fluctuate from one day to the next as part of normal business operations.

Financial Instruments

As with all financial institutions, ATB's Consolidated Balance Sheet consists largely of financial instruments, and our operating results are driven by income and expenses related to financial instruments.

Using financial instruments exposes ATB to credit, counterparty, and various market risks, including interest risk, currency risk, and equity or commodity price risk. These risks and how ATB manages them are discussed at length in the Risk Management section of the MD&A of this annual report.

Details about how we determine the fair value of financial instruments are included in the Accounting Policies and Estimates discussion. The difference between the fair value of financial instruments and values reported in the statements is described in Note 18 to the statements.

Regulatory Capital

As at March 31, 2008, our regulatory capital was 11.2% of risk-weighted assets, down from 12.4% a year ago. ATB is in full compliance with the capital adequacy requirements under the ATB Regulation, which are modelled after the Basel I requirements of the Office of the Superintendent of Financial Institutions ("OSFI"). ATB is working to achieve standards of Basel II compliance, which would be applicable to an institution of its size and complexity. Our calculations are determined by the ATB Regulation, which provides a transitional provision to credit ATB with "notional capital" in lieu of equity that the stakeholder might have otherwise invested in ATB. This transitional provision expired during the 2006–07 year.

As set forth in the following table, our regulatory capital (excluding any amounts in respect of transitional provisions for notional capital as at March 31, 2006) consists of retained earnings, eligible subordinated debt, and a percentage of general loan loss allowance.

Regulatory Capital and Capital Ratios

(\$ in thousands)	2008 vs 2007				
	2008	Increase (decrease)		2007	2006
Tier 1 capital					
Retained earnings	\$ 1,643,341	\$ 19,958	1.23%	\$ 1,623,383	\$ 1,348,995
Tier 2 capital					
Eligible portions of:					
Subordinated debentures	29,512	1,388	4.94%	28,124	29,171
General loan loss allowance	141,863	16,417	13.09%	125,446	106,626
	171,375	17,805	11.59%	153,570	135,797
Total regulatory capital	\$ 1,814,716	\$ 37,763	2.13%	\$ 1,776,953	\$ 1,484,792
Total risk-weighted assets	\$ 16,212,873	\$ 1,876,217	13.09%	\$ 14,336,656	\$ 12,326,154
Risk-weighted capital ratios					
Tier 1 capital ratio	10.14%	(1.18)%	(10.42)%	11.32%	10.94%
Total capital ratio	11.19%	(1.20)%	(9.69)%	12.39%	12.05%
Assets-to-capital multiple	12.86	1.44	12.61%	11.42	11.89
Capital-to-assets ratio	7.77%	(0.98)%	(11.19)%	8.76%	8.41%

Our Tier 1 capital was 10.1% of risk-weighted assets, and total capital was 11.2% of risk-weighted assets as at March 31, 2008. Though we are not subject to regulation by OSFI, we are mindful of its requirements as the industry standards for other financial institutions in Canada. ATB's minimum Tier 1 capital requirement is 7% and total capital requirement is 10%. Our asset-to-capital multiple was 12.9, which is also well below OSFI's maximum level of 20.

The total risk-weighted assets is determined through the application of industry standard weightings to ATB's on- and off-balance-sheet assets as follows:

Risk-Weighted Assets

(\$ in thousands)	Risk-weighted percentage	2008		2008 vs 2007		2007		2006
		On- or off-balance-sheet value	Risk-weighted value	Risk-weighted value increase (decrease)		On- or off-balance-sheet value	Risk-weighted value	Risk-weighted value
Balance sheet amounts								
Cash resources	0 to 20	\$ 2,019,797	\$ 389,463	\$ 158,898	68.92%	\$ 1,095,614	\$ 230,565	\$ 195,334
Securities	0 to 100	1,253,518	1,092,214	(555,096)	(33.70)%	1,684,821	1,647,310	1,368,850
Residential mortgages	0 to 100	7,658,304	2,435,887	427,072	21.26%	6,965,985	2,008,815	1,857,740
Other loans	0 to 100	11,785,213	10,845,953	1,502,933	16.09%	10,028,344	9,343,020	8,442,549
Other assets	20 to 100	626,321	572,958	106,560	22.85%	519,954	466,398	321,408
Total balance sheet amounts		23,343,153	15,336,475	1,640,367	11.98%	20,294,718	13,696,108	12,185,881
Off-balance-sheet amounts								
Guarantees and letters of credit	50 to 100	9,342,494	827,617	209,893	33.98%	7,570,584	617,724	108,882
Derivative financial instruments	20 to 50	3,480,056	48,781	25,957	113.73%	4,228,122	22,824	31,391
Total off-balance-sheet amounts		12,822,550	876,398	235,850	36.82%	11,798,706	640,548	140,273
Total risk-weighted assets		\$36,165,703	\$16,212,873	\$ 1,876,217	13.09%	\$ 32,093,424	\$ 14,336,656	\$ 12,326,154

Outlook for Fiscal Year 2008–09—Regulatory Capital

Over the upcoming 2008–09 fiscal year, we expect that our capital levels will 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 GAAP, are either not recorded on the Consolidated Balance Sheet or are recorded at different amounts from the full notional or contract amount. These off-balance-sheet arrangements normally involve, among other risks, at least some element of market, credit, and liquidity risk and are discussed in further detail in the Risk Management section of the MD&A. Examples of such arrangements in which ATB participates include various derivative financial instruments, credit instruments, and other contractual obligations.

Derivative Financial Instruments

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

Prior to April 1, 2007, any derivative that qualified for hedge accounting was not recognized on the Consolidated Balance Sheet. As a result of the adoption of four new or revised accounting standards on April 1, 2007 (detailed in the Accounting Policies and Estimates section of the MD&A and Note 3 to the statements), all 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 only as points of reference for calculating payments and do not truly reflect the credit risk associated with the financial instrument. Notes 3 and 14 to the statements provide 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 their outstanding balance drawn as at March 31, 2008, 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. For a detailed description of these arrangements, including the maximum amount of additional credit ATB may be obligated to extend as at March 31, 2008 (and the portion thereof that relates to demand facilities), refer to Note 15 to the statements.

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. Details of these obligations are disclosed in Note 15 to the statements. We are also obligated to make future interest payments in respect of our subordinated debentures, as disclosed in Note 12 to the statements.

REVIEW OF BUSINESS SEGMENTS

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 ("IS").

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 statements, as is disclosed in the Notes to the statements with the exception of financial instruments and AcG-4-related adjustments, which are recorded at the other business unit 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.)

<i>(\$ in thousands)</i>	Personal and Business Financial Services	Corporate Financial Services	Investor Services	Other business units	Total
For the year ended March 31, 2008					
Net interest income	\$ 466,865	\$ 78,218	\$ 6,814	\$ 107,513	\$ 659,410
Other income	126,823	19,940	39,023	209	185,995
Provision for loss on ABCP	-	-	-	(253,133)	(253,133)
Provision for (recovery of) credit losses	18,235	(339)	-	(4,990)	12,906
Non-interest expenses	431,047	26,956	43,462	47,916	549,381
Net income (loss)	\$ 144,406	\$ 71,541	\$ 2,375	\$ (188,337)	\$ 29,985
Increase (decrease) from 2007					
Net interest income	\$ 43,689	\$ 15,703	\$ 1,687	\$ 26,526	\$ 87,605
Other income	7,361	5,039	10,054	(16,120)	6,334
Provision for loss on ABCP	-	-	-	(253,133)	(253,133)
Provision for (recovery of) credit losses	26,934	(12,342)	-	3,525	18,117
Non-interest expenses	45,644	7,677	7,393	6,378	67,092
Net income (loss)	\$ (21,528)	\$ 25,407	\$ 4,348	\$ (252,630)	\$ (244,403)
For the year ended March 31, 2007					
Net interest income	\$ 423,176	\$ 62,515	\$ 5,127	\$ 80,987	\$ 571,805
Other income	119,462	14,901	28,969	16,329	179,661
Provision for loss on ABCP	-	-	-	-	-
(Recovery of) provision for credit losses	(8,699)	12,003	-	(8,515)	(5,211)
Non-interest expenses	385,403	19,279	36,069	41,538	482,289
Net income (loss)	\$ 165,934	\$ 46,134	\$ (1,973)	\$ 64,293	\$ 274,388
For the year ended March 31, 2006					
Net interest income	\$ 360,061	\$ 47,948	\$ 3,152	\$ 51,090	\$ 462,251
Other income	109,364	12,342	18,296	15,619	155,621
Provision for (recovery of) credit losses	14,313	5,168	-	(18,793)	688
Non-interest expenses	336,882	16,601	30,797	34,183	418,463
Net income (loss)	\$ 118,230	\$ 38,521	\$ (9,349)	\$ 51,319	\$ 198,721

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 20 to the statements.

The net interest income ("NII"), other income ("OI"), and non-interest expenses ("NIE") reported for each line may also include certain inter-line charges. The net effects of the internal funds transfer pricing and inter-line charges, if any, are offset by amounts reported for other business units.

Personal and Business Financial Services

Overview

PBFS encompasses 157 branches and 134 agencies with approximately 3,400 employees. It is ATB's largest line of business and a combination of many sub-businesses: retail, financial services, credit cards, and business and agricultural financial services. PBFS's channel diversity extends beyond the branch network to telephone banking, a Customer Contact Centre, direct sales, Internet banking, and mortgage brokers. PBFS is focused on serving retail and independent business and agricultural customers with borrowings of less than \$2 million.

Business Plan Summary

ATB is heavily connected to our community and to Albertans both through widespread physical locations and focused community investment. We intend to continue to leverage this advantage by becoming even more connected to Albertans through a deeper knowledge of our province and our customers. PBFS will continue to invest in its associates through appropriate training and development programs. We commit to continuing this investment because good training translates to business success.

Competition in retail financial services continues to be strong and growing. All major financial institutions are increasing their capital spending in Alberta and most are also expanding their branch networks. We are competing for both customers and human resources. Our business is customer-focused and relationship-based and we complete a high volume of transactions; therefore, large growth in volume requires more associates. We will overcome the tight Alberta labour market by investing heavily in technology and automating transactional processing to reduce the human resource requirement. ATB is commencing a significant investment in its core business transformation initiative ("Core"). (Refer to the Introduction to ATB section of the MD&A.) Core offers PBFS a tremendous opportunity to deliver new innovative products and services through more effective and automated channels. The way we do business will change significantly, to provide better customer experiences more efficiently. During this transformation we will build the foundation to enable PBFS to ramp up its growth and revenue significantly. Once the transformation is completed, we will be positioned to outperform market growth.

Our investment in Core means an exciting future. We will continue to serve customers successfully through our PBFS associates. We will have the best leaders working with us—leaders who others want to follow. We will continue to be highly service-oriented. We are known for finding ways to "get it done" for our clients, and we live by our "Where there's a way" brand promise. PBFS will contribute to ATB's success by providing a superior experience for customers, offering our customers products and services of value, and employing highly developed, efficient processes.

2007–08 Accomplishments

In 2007–08, PBFS continued to focus on providing a superior experience for customers. We did this by developing products and services that are relevant to our Alberta customers, streamlining processes, and listening to what our customers are saying.

We showed appreciation

ATB is not just another financial institution. Our history is built on helping Albertans in the communities where we live and work. Last fall for Customer Appreciation Week, for example, we challenged all branches to come up with an act of kindness for customers, people in the community, or a local charity. Associates from across the province stepped up and the response to the challenge was overwhelming.

Some employees delivered home-cooked meals to farmers working the fall harvest. A few associates with an agricultural background even took a turn at driving combines and working the fields for customers. Another team took to the local senior centre and called bingo for the afternoon. From street cleaning to raking leaves and mowing lawns for seniors, our teams took the time to give back to the people who keep us employed—our customers. Customer Appreciation Week was such a great success that we can't wait to do it again. Many teams kept the acts of kindness going all year.

We listened

We unleashed a team of mystery shoppers across the province to rate our branch service and report back on how we need to improve. We also introduced regular client surveys to continuously monitor how our customers feel about ATB and allow us to respond to customer needs faster. It worked. Last year we saw a substantial increase in the satisfaction results from our annual customer-satisfaction survey.

We delivered

To deliver the best service in Alberta we know we need to understand our customers better than any other financial institution. That's why we introduced our new "on-boarding program"—to make sure we provide the right advice and the right products to meet customers' individual needs. Through new innovations our employees connected with more than 50,000 clients and checked in to see if their requirements were being met.

Going forward, we will extend this service and attention to all of our clients, with a specific focus next year on our agriculture and small business customers.

We made doing business easier

We introduced a new online application to provide customers with fast decisions on business loan applications under \$250,000. This streamlining helped us make agricultural and business lending more consistent and efficient for ATB customers across Alberta.

We introduced new locations

We continue to increase our presence in Edmonton and Calgary—Alberta's two fastest-growing markets. Last fiscal year we opened three new branches—two in Edmonton and one in Calgary—and we have plans to build six to eight additional branches next year (three in Edmonton, three in Calgary, and one in each of Grande Prairie and Fort McMurray). We are also relocating our Camrose branch to a new location that will better serve our customers.

We produced

PBFS had a record year in terms of loan growth, with significant increases in both loan growth and operating revenue. This can be attributed to our team's focus on clients' needs and on acquiring new clients through our mortgage specialist channel.

We grew MasterCard and Merchant Services

Our merchant services and MasterCard programs enjoyed great success, with a substantial increase in card fee income. This is attributed to a strong focus by the sales teams with the branch network to increase penetration with these two key products.

ATB has a full suite of MasterCard products aimed at meeting the needs of Albertans. This past year has seen strong account and spending growth across the product line, due to a favourable economic environment and our alignment of products and offers to customers' needs.

MasterCard Canada, Visa Canada, and the Interac Association are bringing the success of chip-based transactions to the Canadian marketplace. A total migration will not be instantaneous—it will take several years to complete. ATB has initiated plans to issue its chip-enabled MasterCards this year.

We served business and agriculture in new ways

We are redesigning the way we deliver service to our small business and agriculture customers. This Business Sales and Service ("BS&S") redesign project is well underway. As we work on the redesign of BS&S, our core focus is to understand business through the eyes of our customers.

2008–09 Objectives

Our plan relies on all areas of PBFS working together to deliver effective customer experiences that will enable us to deepen the relationships we have with our clients. We will focus on competitive intelligence to ensure we know Alberta businesses, people, and communities. We will understand what it takes to compete in our province. The PBFS sales program will continue to train ATB associates on how to deliver a differentiated customer experience. We will continue to invest in the community by striving for a seamless fit through community-specific branch designs and continued community involvement.

PBFS relies on associates to deliver the right service to customers. Our success with customers depends on dedicated and loyal associates who believe in our business. Effective training programs, solid leadership, and competitive compensation are keys to an engaged workforce. We are introducing additional initiatives in all of these areas in 2008–09 to leverage our core strength.

PBFS will deliver seamless customer service through a variety of integrated channels based on customer preference. Direct sales will expand the new customer base through mortgage specialists and brokers. The Customer Contact Centre will support a comprehensive contact and outbound sales program to deepen our customer relationships. In communities without an ATB branch, the agency network will continue to serve markets not served by our competitors. We will maintain the agency network with a renewed focus on leveraging the capabilities of the top agencies. Branches will be the focal point for relationship-building and advice-based service. We will continue to invest in new branches in growing communities, and each branch will reflect the changing needs of our customers. Community-based branches that reflect the communities they serve will become a stronger identifier for ATB's branding.

We aim to be number one in the Alberta marketplace for retail, business, and agricultural clients. Therefore, we will re-establish our focus on agricultural and business markets and our dominance in small-business financial services in Edmonton and Calgary. For all our products and services, ATB will distinguish itself through fully trained associates, consistent credit decisions, a competitive product offering, and Alberta-based decision-making. Effective and trusted solutions will be designed through an appropriate mix of product development across each line of business, including business and agriculture, MasterCard, and merchant sales. PBFS will invest significant capital over the next few years to deliver new products and services. Where we are not product leaders, we will become fast followers. Our pricing will reflect ATB's complete value proposition. Finally, where we cannot build the best products and services in-house, we will look to form strategic alliances with suitable partners to provide world-class solutions for our Alberta customers.

We thoroughly researched the latest global technology that will allow us to meet our customers' financial needs well into the future. Core will provide us with processes and systems that will deliver world-class solutions.

We in PBFS believe that unrelenting focus on these objectives in 2008–09 and beyond will contribute to the success of ATB. It will help us to offer products and services of value; employ highly developed, efficient processes; and ultimately provide a superior experience for our customers.

Corporate Financial Services

Overview

CFS has established itself as a highly credible provider of financial services to Alberta's mid- and senior-market companies. After just five years of operations, we have attained market relevancy in the business community at large and in the financial industry by developing the beginnings of a strong brand. One major driver of this progress is our decision to specialize along industry lines, including developing three focused groups in the commercial, energy, and food and forestry sectors. These teams of industry experts are located strategically throughout the province in locations such as Edmonton, Calgary, Grande Prairie, Lethbridge, and Red Deer. Through a unique customer-focused approach to business, the division's executive and credit functions are geographically and functionally aligned so the team can be highly responsive to its clients and market.

Business Plan Summary

The goal of CFS is to become the leading financial institution for mid-market companies across selected industry sectors in Alberta. CFS will bring value to this market through a highly responsive relationship model delivered by industry specialists who make decisions locally and are committed unwaveringly to strong customer service. The growth opportunities for CFS are substantial; therefore, CFS's objective is to double direct contribution again over the coming five years.

2007–08 Accomplishments

The business strength of the Alberta economy resulted in increased levels of debt utilization in the energy sector and decreased utilization in the diversified sector. Nevertheless, due to strong growth, loan balances exceeded plan, and the strength of our customer base also resulted in substantially increased deposit balances. However, the increased levels of liquidity in the system, early in the fiscal year, meant that spreads and fees were under considerable competitive pressure, although the resulting decreased yields were offset by increased business activity, and the net contribution from CFS exceeded plan.

During 2007–08, CFS increased its lending capability and geographic diversification by hiring additional expert sales staff in the business lines of energy, commercial, and food and forestry, and by growing the loan book in the syndicated market. Specialized customer-service roles were introduced to attend to the non-lending needs of CFS clients, and borrowing was made easier through streamlining loan documentation.

2008–09 Objectives

The key financial objective of CFS is to double direct contribution in five years. The business plan and immediate objectives are driven by our view of the growth of the Alberta marketplace and our ability to increase market share through a superior customer experience whenever and wherever customers choose to bank. Another key objective for 2008–09 is to provide comprehensive support for the Core project. (Refer to the Introduction to ATB section of the MD&A.)

The short-term financial and operational dynamics of the energy, commercial, and food and forestry sectors are unique, as are their business drivers. Although CFS does not expect this diversity to change in the medium or long term, the division will continue to support its diverse customers through its strong relationship model and provision of unique and specific products and services. CFS will also expand and further penetrate some of its key industry sectors through increased specialization in areas such as real estate, manufacturing, and transportation.

Long-term drivers of the Alberta economy are commodity prices. While CFS expects short-term volatility in these prices, we do not anticipate any structural declines in the forecast period. CFS will capitalize on a strong Alberta economy during the planning period by implementing changes to the technology infrastructure required for future growth.

Investor Services

Overview

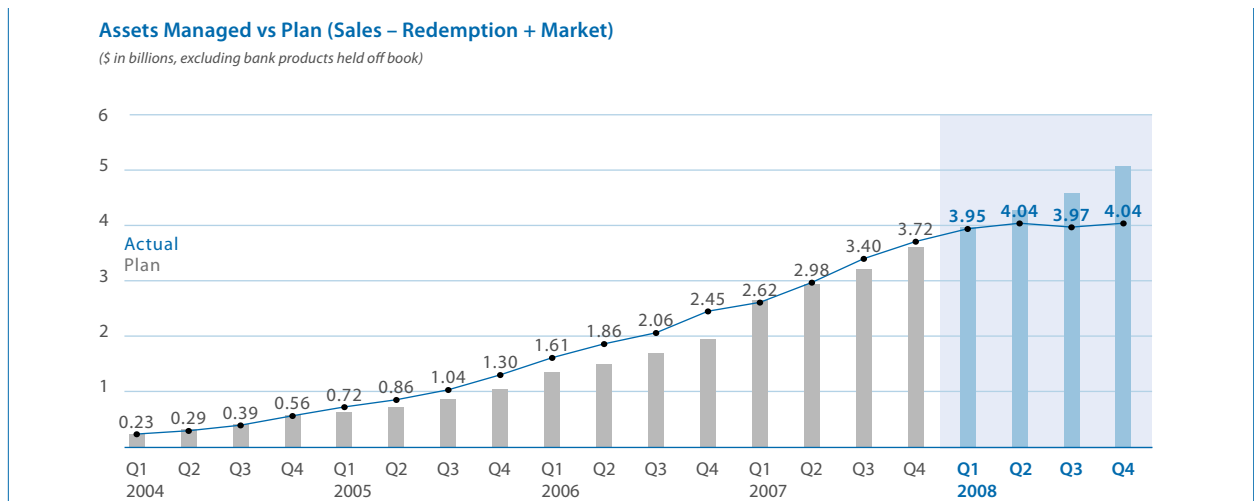
IS has been the fastest-growing line of business at ATB since it was established as a separate line in fiscal 2002–03. As the wealth management arm of ATB, IS is responsible for growing, protecting, and transferring wealth for IS customers. We deliver unbiased investment advice, solid returns aligned with customer objectives, and attentive, dedicated personal service through our network of professional advisors committed to the "Your Life. Your Plan." promise. The continued development of ATB's wealth management business is a key component of ATB's corporate plan.

Business Plan Summary

Referrals of existing ATB customers to IS are critical for this line of business's growth, as it continues to build a quality team of advisors and specialists committed to the IS value proposition of individualized investment plans and best-in-class portfolio solutions. IS is focused on profitable growth while ensuring long-term customer retention. The plan for growth will be achieved through leveraging our unique value proposition and trusted brand to repatriate the investment assets of ATB customers who may still deal with our competitors, and through acquiring new customers by obtaining referrals from our existing IS customers.

To date, key areas of focus have been 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 enhanced technology for our advisors and customers and on improving the quality and efficiency of the IS offering to the mass market segment.

2007–08 Accomplishments



Client assets grew by \$320 million during the year to \$4.0 billion as at March 31, 2008, up from \$3.7 billion a year ago. While the growth rate of 9% was down significantly from the previous year's 51%, the reduction in growth was primarily due to market conditions (equity markets' negative performance and increased redemptions by consumers) and compared favourably to the industry, which contracted by 1% over the same period. Gross sales remained at a healthy \$1.5 billion, and IS continued to increase its customer base, now serving over 45,000 Albertans.

Despite negative market growth, revenue growth of 34% was greater than expense growth of 20% during the fiscal year. This was significantly aided by our ability to achieve scale in our back-office operations as volumes increased without increasing staffing levels. IS employee engagement remained high despite challenging market conditions. Our high levels of customer satisfaction decreased slightly during the year, but they remain higher than the Alberta market average (as measured by an independent third party).

2008–09 Objectives

Our objectives for 2008–09 are focused around IS's strategic priorities:

- Building the best team in Alberta: We will continue to grow the number and quality of our advisory team, adding 25 new advisors and wealth management specialists as well as enhancing our already strong training program.
- Benefiting Albertans across all market segments: Much of IS's success has been in attracting and meeting the needs of mid-market customers, with good inroads into the high-net-worth and institutional customer segments. This year we will pilot a number of strategies to deliver our advisory offering more effectively to mass market customers.
- Providing world-class advice and solutions: IS's approach of using well-diversified investment portfolios that match client objectives has reduced the impact of short-term market volatility and continued to provide long-term returns above targets. Our focus this year is on continuing to enhance the quality of portfolio analytics and financial planning tools used by our advisors in analyzing clients' current investments and providing an overall plan that best suits their objectives. We will continue to emphasize ongoing best-in-class service through coaching and training.

- Enhancing our efficient and scalable infrastructure: IS has built solid account opening and trading, compliance, and financial reporting platforms; this year's emphasis will be on continued efficiency enhancements. The main infrastructure focus will be on developing a comprehensive plan for using technology to enhance service levels and efficiency.
- Supplementing organic growth with acquisitions: If the right partners can be found to enhance IS's ability to deliver against its strategic plan, IS will supplement its organic growth plan through acquisitions.

2008–09 Targets

Our targets for 2008–09 include:

- asset growth of \$0.9 billion to \$4.9 billion;
- revenue growth of 16% to \$53 million; and
- continuing to increase already strong customer satisfaction and employee engagement ratings.

Other Business Units

Overview

ATB's other business units are dedicated to supporting our lines of business (such as Credit) 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 (such as Human Resources, Finance, IT, and Treasury).

Business Plan Summary

The focus of these other business units is on providing effective and efficient service to our internal partners and on developing and enhancing corporate-wide enablers for success in the line-of-business segments.

2007–08 Accomplishments

Significant accomplishments over the 2007–08 fiscal year include:

1. Supporting the line-of-business-led programs to deliver an exceptional, superior service experience to our customers through:
 - leveraging the investment in our marketing information system through more effective customer segmentation, which increased our capabilities to offer and support new, targeted, and more competitive marketing campaigns;
 - developing the business case for replacing our core banking system and completing the associated business transformation program to provide the best technology and processes to support new products and services; and
 - completing construction of three new branch locations in key urban markets and continuing modernization of our rural branch network.
2. Preserving and building a highly skilled and engaged team of associates through:
 - attracting over 400 new associates to new permanent positions created to advance our growth strategy;
 - being named one of "Alberta's top 35 companies to work for" and recognized by *Benefits Canada* magazine as providing one of the top benefit programs in Canada;
 - significantly enhancing associate engagement through a focus on leadership, rewards, and recognition of the contributions of our associates; and
 - expanding our training curriculum, delivering over 25,000 student days, and successfully implementing an enterprise-wide learning management system.
3. Continuing to improve business performance through:
 - upgrading our treasury management system, enhancing the business planning process and metrics management, improving the project priority-setting process to manage capital and resources more effectively, and developing a strategy to improve procurement and supply management processes;
 - improving business- and consumer-lending guidelines and processes and developing scoring models for small business loans to improve efficiency and consistency of approvals through the new Credit Express application;
 - developing a mortgage securitization strategy as an alternate source of funding to help manage financial risks; and
 - continuing to improve our management of operational risk, including technical enhancements to our ability to comply with increasingly stringent anti-money-laundering requirements, continued rollout of the Internal Controls over Financial Reporting management program (patterned on a C-SOX-compliant approach), and enhancements to IT information security and recoverability capabilities in the face of constantly evolving requirements.

2008–09 Objectives

Major planned deliverables for the 2008–09 fiscal year include the following:

1. Making ATB the place to work by:
 - strengthening leadership and developing our ability to identify, nurture, and retain great leaders;
 - building the ATB employment brand, developing talent, and continuing to increase our investment in training;
 - offering what our associates and future associates value and becoming an industry leader in offering flexible benefits and work arrangements; and
 - continuing to develop competitive compensation that is linked to performance.
2. Providing world-class financial solutions for our customers by:
 - leading the development of Alberta intelligence and insight into Alberta and Albertans, and supporting the business in leveraging that understanding to develop and deliver financial products and services that are the best in the world;
 - leading the core banking transformation initiative (“Core”), which will enable the business to provide new products and services through new and expanded integrated delivery channels;
 - developing a framework to enhance the level of innovation throughout the organization;
 - supporting the profitable growth of the business into new client-industries, new business ventures, and the expansion of comprehensive financial services; and
 - continuing to increase our focus on the branch network with new branch openings and renovations designed to enhance the in-branch customer experience and increase our associates’ efficiency and engagement.
3. Maintaining an effective, financially sound organization by:
 - leading the transformational business process redesign that maximizes the available functionality of the new Core technology;
 - developing and initiating an enhanced community investment program to fulfill ATB’s social responsibility, community involvement, and philanthropy commitments;
 - implementing improvements to procurement and supply management processes to optimize purchasing power and reduce overall expenditures;
 - developing and implementing a more effective internal IT service delivery model;
 - developing an optimal funding strategy that generates sufficient funding from a combination of deposits, borrowings, and securitization; and
 - continuing to build our capabilities to identify, assess, and manage our organizational risk.

ACCOUNTING POLICIES AND ESTIMATES

Significant Accounting Policies

ATB’s significant accounting policies are outlined beginning in Note 2 and then throughout the remainder of the Notes to 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 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. Significantly different amounts could be 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. (Further information on the process and methodology for determining the allowance for credit losses is contained in the Risk Management section and in Note 7 to the statements.)

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. (Further information regarding our accounting for premises and equipment is contained in Note 8 to the statements.)

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. (Further information regarding our accounting for pension benefits is contained in Note 13 to the statements.)

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 and challenging fair value estimate this year relates to ATB's holdings of asset-backed commercial paper.

Valuation of Asset-Backed Commercial Paper ("ABCP")

In the continued absence of an active market for the third-party-sponsored and bank-sponsored ABCP, ATB, in accordance with CICA Guidelines, has estimated the fair value of these investments as at March 31, 2008, using a probability-weighted discounted cash flow valuation model. (Details of this valuation model are outlined in Note 5 to the statements.) Although management maximized the use of observable market data in this model, a number of estimates and assumptions had to be made. Two of the most significant challenges in estimating fair value of these instruments was determining the probability of successful restructuring and the appropriate market discount rate to use in the discounted cash flow.

Although the issuance of the Information Statement outlining the proposed restructuring pursuant to the Companies' Creditors Arrangement Act (Canada) ("CCAA") removes much of the uncertainty relating to the structure of the expected follow-on investment from the Montreal Accord, there still remains a level of inherent uncertainty as to the outcome. Based on the progress that has been made, and the motivation of all parties to make this restructuring succeed, management has assumed a very high probability of success under the terms outlined in the Information Statement. Management also reviewed the status of restructuring of the two bank-sponsored trusts held by ATB, and determined that these also had a high probability of success.

The valuation model also involves assumptions regarding the difference between the yield ATB expects to earn from the restructured floating-rate notes ("FRNs") and the appropriate market discount rate attributable to such investments. The estimated investment yields were determined based on available information. The estimated market discount rates for the various types of follow-on investments under the Montreal Accord (traditional and the A-1, A-2, B, and C notes in MAV1) and the bank-sponsored trusts were determined by reference to market rates for other market investments and appropriate credit indices. These rates were then adjusted to include an estimated premium to reflect the expected lack of liquidity in the restructured FRNs together with the leveraged nature of the underlying assets. In the case of the Montreal Accord notes, an adjustment was also made for the various levels of subordination where appropriate.

ATB management is of the opinion that the estimated valuation as at March 31, 2008, is a reasonable estimate as at a point in time based on the available information, although a change in either of the above two key assumptions could have a significant impact on the result. The current fair value calculation is significantly different from the fair value estimated in the third quarter this year. The key drivers of this change were: significant increase in market spreads from Q3 to Q4; details on the expected rating of the follow-on investments and the expected cash flow being different than expectation in Q3; and change in methodology in the valuation of the margin funding facility. It is possible that fair values determined in subsequent periods may also vary significantly from this current estimate.

Current-Year Changes in Accounting Policies

ATB adopted four new or revised accounting standards in the current year: *CICA Handbook* Section 3855, Financial Instruments – Recognition and Measurement; Section 3865, Hedges; Section 1530, Comprehensive Income; and Section 3861, Financial Instruments – Disclosure and Presentation. These new requirements were adopted prospectively as of April 1, 2007, and first applied to the financial statements for the quarter ending June 30, 2007.

The principal impacts of these new policies on the statements for the fiscal year 2007–08 are as follows:

- All financial assets and liabilities have been classified according to their characteristics, management's intention as to their future use, or, in some cases, by management's choice of classification category. Depending on the classification, financial assets and liabilities are either carried on the balance sheet at fair value or at amortized cost as measured on an effective-yield basis.
- Each derivative instrument is carried on the balance sheet at fair value, either as a "derivative asset" or a "derivative liability." This includes derivatives embedded in other contracts not already carried at fair value, where the derivatives are not considered to be closely related to the host contract.
- A new category of equity is presented on the balance sheet—accumulated other comprehensive income ("AOCI").
- A new financial statement—the Consolidated Statement of Changes in Equity—presents the continuity of ATB's retained earnings and AOCI.
- Changes in the fair value of certain financial assets or liabilities (unrealized gains or losses) are recognized in either net income ("NI") or in other comprehensive income ("OCI")—a category of change in ATB's equity, depending on how the instrument has been classified. Unrealized gains or losses previously recognized in OCI are, on realization, removed from AOCI and recognized in NI.
- New accounting requirements for hedges have been adopted. Qualifying hedging relationships between derivative financial instruments and other financial assets or liabilities are accounted for differently depending on whether the relationship is a cash flow hedge or a fair value hedge.
 - For cash flow hedges, the effective portion of any change in fair value of the hedging derivative is recorded in OCI (and accumulated in AOCI). When net income is affected by any variability in the cash flow of the related financial asset or liability, the amounts previously recognized in AOCI are recognized in income. Any hedge ineffectiveness is recognized in income during the period of ineffectiveness.
 - For fair value hedges, any change in the fair value of the hedging derivative is recognized in income in the same period as the change in fair value of the financial asset or liability being hedged.

(Refer to Note 3 to the statements for more detail on the impact of these accounting standards.)

Future Changes in Accounting Policies

The following accounting policy changes are expected to impact ATB's accounting and reporting for the year ending March 31, 2009. (Refer to Note 21 to the statements for further details as to the anticipated impact of implementing these new policies.)

Capital Disclosures

In December 2006, the CICA issued Handbook Section 1535, Capital Disclosures, which requires the disclosure of certain qualitative and quantitative information regarding our objectives, policies, and processes for the management of capital. This new standard applies to ATB effective April 1, 2008, and will be adopted prospectively as of that date. Our first financial statements to be impacted by these new standards will be for the quarter ending June 30, 2008.

Financial Instruments—Disclosures and Presentation

In December 2006, the CICA issued other new accounting standards that will take effect for ATB beginning April 1, 2008. CICA Handbook Section 3862, Financial Instruments – Disclosures; and CICA Handbook Section 3863, Financial Instruments – Presentation. These standards will complement the new standards on financial instruments issued in January 2005 and will expand on the disclosure requirements of Section 3861, placing an increased emphasis on disclosures about the risks associated with recognized and unrecognized financial instruments and how those risks are managed. The impact of these new standards will also be reflected in our financial statements for the quarter ending June 30, 2008.

The following changes are expected to impact ATB's accounting and reporting in the future:

Goodwill and Intangible Assets

In February 2008, the CICA issued a new accounting standard that will take effect for ATB beginning April 1, 2009: CICA Handbook Section 3064, Goodwill and Intangible Assets. This standard will replace Section 3062, Goodwill and Other Intangible Assets; and Section 3450, Research and Development Costs. This section will establish the standard for the recognition, measurement, and disclosure of goodwill and intangible assets. The impact of this new standard will be reflected in our financial statements for the quarter ending June 30, 2009.

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board (“AcSB”) confirmed that the basis for financial reporting by Canadian publicly accountable enterprises will change significantly, from Canadian Generally Accepted Accounting Standards (“GAAP”) to International Financial Reporting Standards (“IFRS”), effective for fiscal year-ends beginning on or after January 1, 2011. This change is part of a worldwide shift to IFRS intended to facilitate global capital flows and increase clarity and consistency in financial reporting in the global marketplace. ATB must be IFRS-compliant for the year ended March 31, 2012, and will require comparative information for the year ending March 31, 2011. ATB has developed a project plan to deal with this transition.

REGULATORY AND COMPLIANCE

Overview

ATB and its subsidiaries are provincial Crown corporations operating under the authority of the Alberta Treasury Branches Act, RSA Chapter A-37 (“ATB Act”) and the Alberta Treasury Branches Regulation 187/1997 (“ATB Regulation”), as amended. ATB and its subsidiaries follow investment, liquidity, and risk management standards broadly comparable to federally regulated financial institutions. (Our investment, lending, liquidity, and hedging policies are described in the Risk Management section of this MD&A.)

The ATB Regulation provides specific regulatory requirements in the areas of capital adequacy, liquidity, hedging, investments, related-party transactions, and lending policies. This regulatory framework is supplemented by specific guidelines regarding liquidity, the prudent person approach, derivatives best practices, outsourcing, and legislative compliance management. In June 2004, the ATB Regulation was amended to include a requirement for ATB to report to the Minister of Finance on its compliance with the ATB Act, the ATB Regulation, and the guidelines. The process associated with the preparation of this report has now become entrenched as part of the operational processes of ATB.

In addition to the ATB Act and the ATB Regulation, three of ATB’s four subsidiaries are subject to other independent regulatory oversight. ATB Securities Inc. operates under the jurisdiction of the Investment Dealers Association of Canada, ATB Investment Services Inc. is subject to the Mutual Fund Dealers Association of Canada, and ATB Investment Management Inc. operates under the jurisdiction of the Alberta Securities Commission. Each subsidiary maintains a stringent and comprehensive compliance regime to ensure its daily operations comply with its respective requirements.

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

Privacy

ATB has been subject to Alberta’s Personal Information Protection Act (“PIPA”) since January 2004. PIPA governs the collection, use, and disclosure of personal information by organizations in a manner that recognizes both the right of an individual to have his or her personal information protected and the need for organizations to collect, use, or disclose personal information for purposes that are reasonable.

ATB’s privacy code addresses the expectations of our customers and our requirements to ensure compliance with PIPA. ATB’s “Your Privacy Our Priority” brochure is distributed to new ATB customers and identifies personal information uses, collects consent for marketing opportunities, and provides instructions to customers on how to opt out of non-essential services.

Anti-Money-Laundering

ATB is subject to the Federal Proceeds of Crime (Money Laundering) and Terrorist Financing Act, which mandates customer identification and record keeping and reporting requirements to the Financial Transactions and Reports Analysis Centre of Canada (“FINTRAC”) in an effort to thwart money laundering and terrorist financing through financial institutions.

ATB was subject to review by FINTRAC in the fall of 2007 to ensure adherence to this act and its related regulations. The results of this review were largely favourable. In addition, recent revisions to anti-money-laundering legislation, effective in June 2008, have compelled ATB to modify its processes related to a “know your customer” approach and suspicious-transaction reporting.

Internal Controls over Financial Reporting

In 2004–05, ATB’s Board approved a voluntary initiative for ATB to bring its internal controls over financial reporting into substantial compliance with the requirements of the Canadian investor confidence rules (commonly referred to as “C-SOX”). ATB is not a “reporting issuer” required to comply with C-SOX, as it has not issued publicly traded equity securities and its debt securities are exempt.

RISK MANAGEMENT

Overview

Taking a risk and then effectively managing that risk is fundamental to success in any financial services business. ATB operates in a dynamic and increasingly competitive environment with rising regulatory requirements and growing client and market expectations. Given ATB's mandated focus on the Alberta market and on growing our business, risk is unavoidable. However, when carefully managed, risks create opportunity.

Our business activities inherently expose ATB to a variety of risks in the normal course of operations, including credit risk, market risk, liquidity risk, operational risk, and strategic risk.

ATB has made a strong commitment to manage risk strategically with the objective of increasing and protecting shareholder value.

Enterprise Risk Management Framework

ATB's enterprise risk management ("ERM") framework has been designed in accordance with the framework outlined by the Committee of Sponsoring Organizations of the Treadway Commission—the recognized risk management control standard in the financial services and auditing industries. Our framework, the implementation of which is ongoing, will provide for processes to identify risks, assess their potential impact on ATB's business objectives, and establish policies, procedures, and controls to ensure risk is contained within acceptable tolerance levels.

Effective risk management is achieved through a renewed emphasis on a strong risk-management culture, structure, and governance, and is increasingly becoming integrated into our business plan objectives. ATB's ability to properly assess, identify, and manage risk in our day-to-day business activities is critical to ensure safe and sound operations and long-term sustainability.

Risk Management Governance and Structure

Risk management governance at ATB is provided through various executive management and Board-level committees. Management for each business unit reports initially to the responsible executive member of the Corporate Management Committee ("CMC"). Once endorsed by the CMC, the unit's risk report flows to the committees of the Board responsible for overseeing management of the risks. The Governance and Conduct Review Committee of the Board oversees the continued development and implementation of ATB's ERM processes.

The management framework to manage risk is derived from our ERM framework and functions as follows:

- The Board, CEO, and executive management establish the overall standards for the risk management culture within ATB through the development of policies, accountabilities, and practices with respect to risk and control, and the communication thereof throughout ATB.
- Management committees and individual business units are responsible for ensuring adequate risk management policies and effective internal controls are in place for the management of identified risks within their respective areas.
- ATB's Internal Audit unit provides to the Audit Committee of the Board an independent assessment of key risk issues.

Details of our various committees and their roles in risk management governance are outlined below.

Board of Directors Committees

Audit Committee

Reviews budgets, financial results, and other key measures of performance, and monitors progress against plans. Also reviews the control environment, approves the internal audit plan, reviews internal audit results, and monitors operational risk issues.

Credit and Financial Risk Committee

Reviews and approves credit, liquidity, market, and other risk management policies, monitors financial compliance to policies, and reviews and approves high-value credit proposals. Also monitors credit and financial risk issues.

Governance and Conduct Review Committee

Oversees, monitors, and recommends established policies that implement and maintain corporate governance and define conflict of interest for directors and officers and ethical conduct of all associates. Also monitors management's implementation of the ERM framework.

Human Resource Committee

Provides guidance, oversight, and review of the strategies and key policies relating to associates, including recruitment, training and development, disciplinary action, and compensation. Also oversees pension governance and monitors people-risk issues.

Investor Services Committee

Oversees the activities and decisions of the Boards of the four Investor Services subsidiaries with respect to strategic and annual business plans, structure, and compliance.

Management Committees

Corporate Management Committee

The most senior management-decision-making body within ATB. Recommends to the Board of Directors significant policies, the strategic plan, the annual business plan, and risk tolerance for the business. Also oversees enterprise risk management and ensures implementation of the corporate actions to address identified risks.

Asset/Liability Committee

Oversees operation of the organization's asset/liability management and ensures operations are within the risk management policies for liquidity, interest rate asset/liabilities, short- and long-term investments, deposit limits, and derivatives.

Credit Committee

Administers, monitors, and adjudicates all lending programs and initiatives, and recommends approval of large credits.

Ethics Committee

Supports the attainment of objectives in ATB's Code of Conduct and Ethics and ensures effectiveness of related education, disclosure, and reporting.

Operational Risk Committee

Oversees, directs, and manages operational risk—including operational-risk identification, assessment, and management—all in accordance with best practices.

Retirement Committee and Defined Contribution Advisory Committee

Ensures prudent and effective management of the defined benefit and defined contribution provisions of the ATB pension plans.

The remainder of this section of the MD&A describes the most significant risks facing ATB and our strategies for managing them.

Strategic Risk

Strategic risk represents the potential for loss that may arise as a result of an absence of integrated business strategies, the presence of ineffective business strategies, the inability to successfully implement selected strategies, and/or the inability to adapt strategies to changes in the business environment.

ATB's medium-term business strategies to achieve our strategic goals are re-evaluated annually by the CEO and executive management in connection with the company's business planning. The outcome is a five-year plan that is reviewed and approved by the Board. This process typically involves a review of the top strategic risks faced by ATB and the effectiveness and appropriateness of our ongoing mitigation strategies. Longer-term strategies are re-evaluated in detail periodically in connection with mandate reviews undertaken with our shareholder.

Credit Risk

Credit risk is the potential for financial loss in the event of failure by a borrower or counterparty to completely honour its financial or contractual obligation to ATB arising from an on- or off-balance-sheet financial instrument, such as interest and/or principal payments due in respect of a loan balance, or other amounts due in respect of guarantees, letters of credit, or derivative contracts.

Credit Risk Management

ATB applies a conservative and disciplined approach to credit risk management. Credit risk is managed through strategies, policies, and limits approved by the Credit and Financial Risk Committee of the Board. Credit risk evaluation and related reporting are independent of operations, which protects the integrity of the evaluation processes.

Credit risk management standards are identified and communicated through written policies and directives and are implemented by way of operational procedures and training. The Credit and Financial Risk Committee reviews and approves large individual credits and any major policy issues pertaining to credit.

ATB has comprehensive policies and procedures for managing credit risk, including:

- policies in accordance with the requirements of the ATB Act and the ATB Regulation, and guidelines established by Alberta Finance, together with policies modelled on relevant credit guidelines issued by the Office of the Superintendent of Financial Institutions and applied to Canadian chartered banks;
- credit-scoring models and techniques for underwriting and monitoring consumer credit;
- specific standards for measuring credit exposure;
- evaluation and ranking of risk using standardized criteria for business accounts; and
- guidelines limiting portfolio concentrations by borrower, geographical distribution within Alberta, industry, and loan type.

ATB actively mitigates its credit risk through:

- thorough assessment of each credit proposal prior to approval and, at minimum, annual reviews thereafter to assess the continued appropriateness of the associated credit risk;
- the adjudication and/or review of all credit proposals by a separate group of credit managers who are independent of operations;
- the administration of any credits considered problematic (either because of payment arrears or other forms of credit impairment) by a separate asset-management group independent of operations and focused solely on credit workouts and asset liquidations;
- a consumer loan review function that confirms lender compliance with business rules and processes as defined by ATB's Operating Guide, and conformity with post-approval and disbursement conditions;
- an ongoing program whereby Internal Audit conducts reviews of individual lenders and verifications of compliance with established policies; and
- the continuous and evolving upgrade of credit processes, automatic scoring programs, and portfolio management techniques to manage risk effectively within the various loan portfolios.

Credit Risk Diversification

Effective credit risk management requires ATB to maintain a diversified loan and credit portfolio. Even though legislation restricts our lending operations to largely within the Alberta marketplace, we believe a diversified portfolio can be achieved by way of:

- policies and limits to ensure broad diversification across various types of credit risk; and
- policies that ensure the portfolio is not overly concentrated on any particular industry sector, single borrower, related borrower groups, loan type, or geographic region within Alberta.

Credit portfolio concentration risk is managed through:

- diversification across industry segments and regions of Alberta, maximum limits on individual borrower exposure, participation in syndication arrangements, and establishment of minimum loan-quality factors;
- quarterly tracking of consumer client risk profiles and scorecard performance;
- effective use of information systems to report on compliance with risk policies and to assist in identifying emerging credit issues;
- limits based on risk rating, overall risk appetite, business strategy, management expertise, and industry best-practice knowledge; and
- regular key-performance-indicator tracking and monitoring.

In addition, credit risk is monitored regularly with formal reporting to executive management and the Board to provide awareness of shifts in loan quality and portfolio performance. ATB also continues to explore more sophisticated methods to enhance our portfolio risk management capabilities, including implementation of active credit-portfolio-management processes and systems, and the possible future use of credit derivatives or other forms of risk transfer.

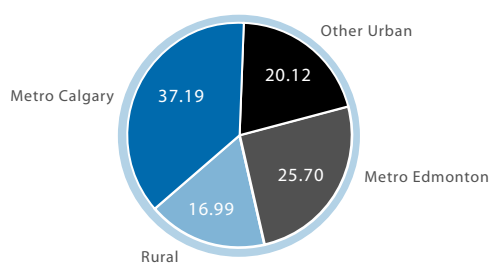
The following table and charts illustrate the diversity of our loan portfolio as at March 31, 2008, across customer and industry segments and, for certain key sub-segments, across regions of Alberta:

Net Loans

<i>(\$ in thousands)</i>	2008		2007		2006	
		% of total		% of total		% of total
Individuals						
Residential mortgages	\$ 7,728,003	39.7	\$ 6,953,271	40.9	\$ 6,359,221	42.8
Personal	4,346,689	22.4	3,304,635	19.4	2,645,574	17.8
	12,074,692	62.1	10,257,906	60.4	9,004,795	60.7
Business and other						
Mining, energy, forestry	1,746,324	9.0	1,703,812	10.0	1,077,475	7.3
Agricultural and related services	1,251,562	6.4	1,249,035	7.3	1,327,595	8.9
Real estate	862,744	4.4	768,738	4.5	774,493	5.2
Construction	517,359	2.7	413,872	2.4	349,565	2.4
Accommodation, food, and beverage	514,709	2.6	519,198	3.1	513,239	3.5
Other services	482,609	2.5	195,733	1.2	96,136	0.6
Transportation, communication, and utilities	455,917	2.3	333,197	2.0	350,037	2.4
Manufacturing	408,325	2.1	493,425	2.9	317,112	2.1
Retail trade	322,267	1.7	320,777	1.9	332,458	2.2
Business services	263,790	1.4	201,500	1.2	195,189	1.3
Educational, health, and social services	239,658	1.2	196,705	1.2	175,018	1.2
Finance and insurance	179,796	0.9	128,566	0.8	138,541	0.9
Wholesale trade	168,686	0.9	200,091	1.2	191,101	1.3
Other	108,089	0.6	153,601	0.9	149,039	1.0
	7,521,835	38.7	6,878,250	40.5	5,986,998	40.3
Total loans before general allowance for credit losses	19,596,527	100.8	17,136,156	100.8	14,991,793	101.0
General allowance for credit losses	(153,010)	(0.8)	(141,827)	(0.8)	(145,099)	(1.0)
Net loans	\$ 19,443,517	100.0	\$ 16,994,329	100.0	\$ 14,846,694	100.0

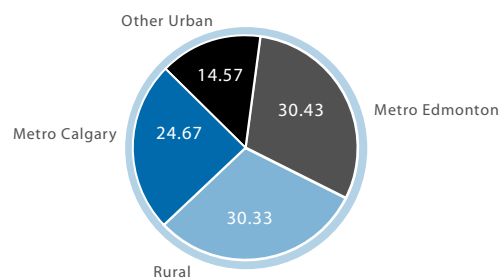
Commercial/Industrial Real Estate – Geographic Concentration

(in % as of March 31, 2008)



Conventional Residential Mortgage Loans – Geographic Concentration

(in % as of March 31, 2008)



Risk Ratings

ATB uses various internal and external credit-modelling techniques to supplement the risk analysis of our credit portfolios. Credit-scoring models are used to assist in loan approval and pricing of consumer loans. Scorecards are also used to assist in the ongoing assessment and management of the consumer loan portfolio and in calculating loan loss allowances.

Independent business, commercial, and agri-business loans are assigned internal risk ratings based on a detailed review of the borrower. The scores reflect the strength of the entire borrower relationship and the probability of the borrower defaulting on obligations to ATB. The ratings use variables that consider industry sector trends, market competitiveness, company strategy, availability of funds, and financial management. These risk ratings are used to assist in the approval process, pricing of the loan facility, and ongoing maintenance and evaluation of the non-consumer loan portfolio as a whole. Risk ratings are regularly assessed and updated.

Last year, ATB completed an initiative to increase the sophistication of our risk-rating processes for business customers. This involved the development and staged rollout of a new risk-rating model that produces both a borrower rating (13-point scale) designed to estimate probability of default and a facility rating (5-point scale) to estimate loss given default. This new model significantly enhances our risk assessment capability in our business lending decisions.

Impaired Loans

While ATB applies a disciplined approach to risk by continually monitoring all credit exposures, we also actively manage impaired accounts. Generally, a loan is classified as impaired when management believes there is no longer reasonable assurance of the timely collection of principal or interest. Loans are generally considered impaired when the loan principal or interest is 90 days or more past due from its contracted repayment date. Credit card loans are considered impaired when, for consumer balances, payments become 180 days past due or, for non-consumer balances, payments are past due for three billing cycles (or approximately 90 days).

A workout group with specialized expertise in collection management handles performing loans showing credit deterioration. Other skilled management teams manage the various non-performing loan portfolios to minimize risk and maximize recoveries. Specific allowances for impaired loans are established when it is determined a loss is likely.

The following table indicates the distribution of net impaired loan balances across customer and industry segments:

Impaired Loans

(\$ in thousands)

	2008	2007	2006
Individual loans			
Residential mortgages	\$ 13,896	\$ 12,714	\$ 19,504
Personal	6,697	5,471	6,678
	20,593	18,185	26,182
Business and other			
Agricultural	10,750	15,986	18,728
Independent business, commercial, and other	11,036	12,564	17,383
	21,786	28,550	36,111
Gross impaired loans	42,379	46,735	62,293
Specific allowance for credit losses	(8,760)	(12,007)	(16,105)
	33,619	34,728	46,188
General allowance for credit losses	(153,010)	(141,827)	(145,099)
Net impaired loans	\$ (119,391)	\$ (107,099)	\$ (98,911)
Net impaired loans as a percentage of gross loans	(0.61)%	(0.62)%	(0.66)%
Allowance for credit losses as a percentage of gross impaired loans	381.7%	329.2%	258.8%

As indicated in the preceding table, gross impaired loans decreased by \$4.4 million, or 9.3%, to \$42.4 million as at March 31, 2008, from \$46.7 million a year prior. Total net impaired loans ended fiscal 2007–08 at a net negative \$119.4 million, as compared to net negative \$107.1 million at the prior year-end.

The following table indicates the components of year-to-year changes in net impaired loans:

Changes in Net Impaired Loans

<i>(\$ in thousands)</i>	2008	2007	2006
Gross impaired loans			
Balance at beginning of year	\$ 46,735	\$ 62,293	\$ 89,622
Net additions (reductions)	1,172	(11,160)	(15,108)
Write-offs	(5,528)	(4,398)	(12,221)
Balance at end of year	\$ 42,379	\$ 46,735	\$ 62,293
Allowance for credit losses			
Balance at beginning of year	\$ 153,834	\$ 161,204	\$ 168,194
Provision for (recovery of) credit losses	13,115	(5,313)	2,227
Write-offs	(10,224)	(7,262)	(14,584)
Recoveries	5,045	5,205	5,367
Balance at end of year	\$ 161,770	\$ 153,834	\$ 161,204
Net impaired loans			
Balance at beginning of year	\$ (107,099)	\$ (98,911)	\$ (78,572)
Net change in gross impaired loans	(4,356)	(15,558)	(27,329)
Net change in allowance	(7,936)	7,370	6,990
Balance at end of year	\$ (119,391)	\$ (107,099)	\$ (98,911)

Credit Quality and Provisions for Credit Losses

Management records a provision for credit losses to bring the allowance for credit losses to a level determined prudent and in line with our conservative guiding principles. The allowance covers all probable credit-related losses that are believed to be within the credit portfolio as at the reporting date, but that may or may not be attributable to a specific borrower.

Provision for Credit Losses

<i>(\$ in thousands)</i>	2008	2007	2006
Total credit losses (recoveries) charged to income	\$ 12,906	\$ (5,211)	\$ 688
As a percentage of average net loans	0.07%	(0.03)%	0.00%

ATB uses the level of credit losses incurred, expressed as a percentage of average net loans, as a key measure and indicator of the credit quality of our loan portfolio. For the year ended March 31, 2008, our net provision for credit losses was 0.07% of average net loans, compared to a net recovery of 0.03% during 2007 and a marginal provision for 2006.

Allowance for Credit Losses

The allowance for credit losses is maintained at a level management believes is sufficient to absorb probable losses in the loan and off-balance-sheet credit portfolios. The total allowance for credit losses consists of two components: specific allowance and general allowance.

Specific allowances are recorded when loans are identified as impaired. The specific allowances on larger non-consumer loans are established on a loan-by-loan basis. The specific allowances on consumer loans and smaller non-consumer loans are calculated on a pooled basis, reflecting recent loss experience.

The general allowance is management's best estimate of probable losses related to loans or credits not yet specifically identified as impaired. This is calculated using quantitative models largely based on expected default rates and loss factors, and also includes factors reflecting management's assessment of economic conditions. It also includes an allowance for specific events that have occurred and will result in credit losses, where such losses cannot yet be identified on an individual loan basis. A special general allowance is created where there is a significant change in the credit environment which cannot be adequately measured using the above methods. The discovery of BSE in the Canadian beef industry during the 2003–04 fiscal year is an example of such an event.

A more detailed discussion of the methodologies used to determine the allowances for credit losses is provided in Note 7 to the statements.

Market Risk

Market risk is the risk that ATB may incur a loss due to adverse changes in interest rates, foreign exchange rates, or equity or commodity market prices. Financial institutions such as ATB accept market risk as an inherent part of day-to-day operations such as investing, lending, and deposit-taking. The level of market risk to which ATB is exposed varies depending on the composition of our portfolios, market conditions, and expectations of future price and future market movements. The Credit and Financial Risk Committee of the Board annually reviews our risk management policies and standards.

Our market-risk-management responsibilities include:

- defining market risk policies;
- developing methods for measuring and reporting market risk;
- approving market rates and prices; and
- enforcing approved market-risk limits.

We manage our market risk through:

- a framework of policies, procedures, committees, and measurement and monitoring practices;
- assessment and judgment of risk prior to acceptance, including whether the risk will fall within our pre-approved risk capacity and business expertise;
- provision of monthly status reporting of market risk exposure to the Asset/Liability Committee; and
- quarterly status reporting to the Credit and Financial Risk Committee.

ATB's normal operations expose us to the following specific types of market risk: interest rate risk, foreign exchange risk, and equity and commodity price risk.

Interest Rate Risk

Interest rate risk is the risk of a negative impact on ATB's net interest income ("NII") due to changes in interest rates. This risk occurs when there is a mismatch in the repricing characteristics of interest-rate-sensitive assets (such as loans and investments) and interest-rate-sensitive liabilities (such as deposits). Any such mismatch is referred to as an interest rate gap. ATB proactively manages our interest-rate-gap sensitivity position based upon actual and anticipated interest rate movements. We have Board-approved limits that control and mitigate short-term and medium- to long-term interest rate exposure.

To ensure a balanced interest-rate-risk-management approach, ATB uses a variety of measurement techniques to monitor our interest rate risk, including gap analysis, market value of equity, and income simulation.

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 in a short period of time. The impact of changes in interest rates on NII 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. We actively manage our interest rate gap to protect NII while minimizing risk.

Market Value of Equity

The market value of ATB's equity represents the net present-value difference between the market value of our assets and the market value of our liabilities. The change in the market value of equity is a form of interest rate risk measurement, as the change measures the financial institution's sensitivity to interest rate movement.

Income Simulation

Income simulation is used to monitor the impact of interest rate fluctuations on earnings over a specific time period. A dynamic-simulation approach is used, whereby simulations are calculated regularly using detailed assumptions about the future course of interest rates and expected changes in our activity over the applicable time period.

The following table presents ATB's interest rate gap position as at March 31, 2008. Negative amounts represent an excess of liabilities over assets or a negative gap position.

Interest Rate Gap Position

(\$ in thousands)	Term to maturity/repricing							Total		
	Within 1 year	Effective interest rate (%)	1–5 years	Effective interest rate (%)	Over 5 years	Effective interest rate (%)	Non-interest-sensitive	Effective interest rate (%)	\$	%
Assets										
Cash	\$ 91,567	3.61	\$ –	–	\$ –	–	\$ –	–	\$ 91,567	3.61
Securities and interest-bearing deposits with financial institutions	3,181,748	3.90	–	–	–	–	–	–	3,181,748	3.90
Loans	13,055,935	5.71	6,456,365	5.67	77,505	6.22	(146,288)	–	19,443,517	5.74
Other	–	–	–	–	–	–	626,321	–	626,321	–
Total assets	\$ 16,329,250		\$ 6,456,365		\$ 77,505		\$ 480,033		\$ 23,343,153	
Liabilities and Equity										
Deposits	\$ 16,774,331	2.59	\$ 4,401,385	4.16	\$ –	–	\$ –	–	\$ 21,175,716	2.92
Subordinated debentures	–	–	–	–	–	–	72,998	4.29	72,998	4.29
Other liabilities and equity	–	–	–	–	–	–	2,094,439	–	2,094,439	–
Total liabilities	\$ 16,774,331		\$ 4,401,385		\$ –		\$ 2,167,437		\$ 23,343,153	
On-balance-sheet gap	\$ (445,081)		\$ 2,054,980		\$ 77,505		\$ (1,687,404)			
Off-balance-sheet gap	(1,200,000)		1,200,000		–		–			
2008 net gap	\$ (1,645,081)		\$ 3,254,980		\$ 77,505		\$ (1,687,404)			
2008 net gap as % of assets	(7.05)%		13.94%		0.33%		(7.23)%			
2007 net gap	\$ (644,722)		\$ 2,201,757		\$ 65,231		\$ (1,622,266)			
2007 net gap as % of assets	(3.18)%		10.85%		0.32%		(7.99)%			
2006 net gap	\$ 316,730		\$ 1,122,950		\$ 60,249		\$ (1,499,929)			
2006 net gap as % of assets	1.79%		6.36%		0.34%		(8.50)%			

ATB had a net negative interest rate gap of \$1.6 billion for exposures coming due or repricing within one year as at March 31, 2008, as compared to a net negative gap of \$644.7 million last year. We have adjusted our position to reduce our exposure to interest rate changes. In both years, ATB contained within defined policy limits its net exposures to changing rates.

Based on our short- and medium-term interest rate position as at March 31, 2008, an immediate and sustained 100-basis-point rise in interest rates across all maturities would be expected to increase forecast 2008–09 net earnings by \$19.2 million as detailed in the following table:

Interest Rate Sensitivity

(\$ in thousands)	2008	2007	2006
Impact on net earnings in succeeding year from:			
Increase in interest rates of:			
100 basis points	\$ 19,190	\$ 26,777	\$ 27,458
200 basis points	\$ 25,175	\$ 52,821	\$ 53,889
Decrease in interest rates of:			
100 basis points	\$ (19,361)	\$ (19,315)	\$ (21,109)
200 basis points	\$ (44,136)	\$ (41,623)	\$ (42,652)

Readers are cautioned that these sensitivities are modelled based on the details of ATB's on- and off-balance-sheet interest-sensitive assets and interest-sensitive liabilities as at the Consolidated Balance Sheet date. That position is measured as at that point in time only and may change significantly from day to day due to customer transactions and ATB's application of its various risk-management practices. The modelling exercise also assumes that all expiring loans and deposits are renewed on comparable terms, that the loan and deposit portfolios do not grow or shrink, that variable-rate products are immediately repriced, and that fixed-rate products that either mature or are repriced during the upcoming period are repriced as of the date of maturity/repricing.

Foreign Exchange Risk

Foreign exchange risk is the potential risk of loss resulting from fluctuations in foreign exchange rates. Foreign exchange 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. Foreign exchange risk is monitored daily, continually corrected, and offset. We can mitigate foreign exchange risk by offsetting transactions, by managing maturity profiles, and through hedging activities. Foreign exchange risk is subject to Board-approved limits. (Refer to Note 14 to the statements for details of foreign-exchange-related derivative contracts held as at March 31, 2008, and March 31, 2007.)

ATB's foreign exchange risk is primarily related to assets and liabilities denominated in US dollars, as substantially all other foreign-currency-denominated transactions are settled in Canadian dollars through offsetting transactions.

Foreign-Currency-Denominated Amounts

(\$ in thousands)	2008	2007	2006
Assets			
Cash resources	\$ 77,973	\$ 71,301	\$ 62,232
Securities	37,684	29,414	17,994
Loans	233,212	133,562	152,139
Other	78,114	1,717	570
Liabilities			
Deposits	(423,488)	(229,840)	(221,879)
Other	(6,659)	(7,217)	(9,406)
Net total	\$ (3,164)	\$ (1,063)	\$ 1,650

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.

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 commodity price risk. (Refer to the following Use of Derivatives section.)

(Refer to Note 14 to the statements for details of equity- and commodity-related derivative contracts held as at March 31, 2008, and March 31, 2007.)

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-linked options, and forward foreign exchange contracts. We refer to these contracts as our "corporate derivative portfolio."

During the prior year, ATB launched a new "client derivative" product offering where ATB provides commodity and foreign exchange derivatives to customers, allowing them to hedge their existing exposure to commodity and/or foreign exchange risk. The client derivative portfolio is not used to generate trading income through active assumption of market risk, but rather to meet the risk management requirements of ATB customers. ATB does not accept any net exposure to such derivative contracts (except for 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.

All derivative transactions are stringently reviewed and managed within the policies approved by the Board. ATB employs the appropriate segregation of duties to ensure that the market risk and counterparty exposure for the client and corporate derivative portfolios are managed and monitored daily within approved limits. Further, the Asset/Liability Committee 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, when measuring our exposure, consider potential future exposure in connection with each contract and its current fair value.

Potential Exposure

Potential exposure is an estimate of potential exposure over the remaining term of a derivative. It is a function of the potential movement in the market rates, which affect the value of the derivative. Statistical modelling techniques are used to estimate what that potential “worst-case” movement could be. Such techniques are typically dependent on subjective parameters used to describe the behaviour of the underlying markets (which may include volatility, correlations, mean reversion factors, etc.). Exposures estimated using such techniques are inevitably made to some arbitrary degree of confidence, which varies subject to the expected distribution of potential market outcomes.

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, in our client derivative portfolio, can collateralize obligations above agreed thresholds to limit potential exposure. We are 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.

The following table presents a summary of our derivatives position as at March 31, 2008. (For additional information on our derivatives position, refer to Note 14 to the statements.)

Derivative Contracts

(\$ in thousands)	Notional amount	Net fair value	Current replacement cost	
			Favourable position	Unfavourable position
2008				
Interest rate contracts	\$ 2,866,119	\$ 27,981	\$ 33,785	\$ (5,804)
Equity-linked contracts	249,650	47,200	47,200	–
Commodity forwards	354,738	257	28,070	(27,813)
Foreign exchange forwards	19,992	16	195	(179)
Embedded derivatives ⁽¹⁾	362,208	(48,594)	–	(48,594)
2008 total	\$ 3,852,707	\$ 26,860	\$ 109,250	\$ (82,390)
2007				
Interest rate contracts	\$ 3,949,116	\$ 3,686	\$ 6,146	\$ (2,460)
Equity-linked contracts	263,920	74,160	74,160	–
Commodity forwards	148,295	73	3,204	(3,131)
Foreign exchange forwards	30,177	12	127	(115)
2007 total	\$ 4,391,508	\$ 77,931	\$ 83,637	\$ (5,706)
2006 total	\$ 3,229,110	\$ 83,419	\$ 87,704	\$ (4,285)

(1) Embedded derivatives were not separately identified prior to the current fiscal year.

Liquidity Risk

Liquidity risk is the risk of ATB being unable to meet either our known financial commitments when they come due or unexpected cash requirements. 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 financial obligations. We take into account both our liquid assets on hand and our ability to raise additional funds to meet liquidity requirements.

We mitigate our liquidity risk by:

- establishing prudent liquidity policies combined with effective processes, monitoring, and management systems;
- conducting regular forecasting scenarios to ensure adequate liquidity is available to meet cash flow fluctuations and react to commitments; and
- reporting liquidity regularly to ensure compliance with our limits and guidelines.

We manage our liquidity by:

- using a variety of funding sources for liquidity, the primary source being our retail-deposit base;
- encouraging growth in deposits from individuals, as they provide a stable source of funding over the long term;
- participating in Canadian financial markets through the issuance of short- and mid-term notes;
- maintaining a large holding of liquid assets in proportion to anticipated demand;
- establishing access to other sources of liquidity—including Receiver General term-deposit auctions and short-term credit facilities with other financial institutions—that can be used on short notice if additional funds are required; and
- developing a securitization program to raise liquidity through the sale of residential mortgages.

Operational Risk

Overview

Operational risk is inherent in the business activities of any organization, including financial institutions. 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 from inadequate or failed internal processes and controls, systems, human error, or external events. Operational risks are also associated with problems in service or delivery, such as the function of internal controls, information systems, the integrity of our associates, business continuity planning, and operating processes. For ATB's purposes, operational risk is also considered to include legal and regulatory risk.

Although operational risk can never be eliminated entirely, its assessment, management, and mitigation must be integrated into the decision-making process of ATB's Board of Directors, executive management, and business unit managers. To this end, we established an Operational Risk Management ("ORM") unit during fiscal 2004–05. Working within our ERM framework, we subsequently developed and adopted an ORM framework, which we continue to revise and improve.

Each line of business is responsible for the day-to-day management of its operational risks, within the guidelines established by corporate policy and standards, using the ORM framework's processes and control programs. The ORM unit oversees the operational-risk-management process. Internal Audit independently reports to the Audit Committee of the Board on the effectiveness of internal controls for operational risk and operational-risk-management processes. ATB's goal is to increase the visibility and our associates' awareness of operational risk throughout the organization.

Governance

To reflect the increasing importance ATB places on operational risk management, our operational risk governance structure was strengthened in 2006–07. The Operational Risk Committee ("ORC") is chaired by the Director of Operational Risk and includes each member of the CMC (or a suitably empowered delegate). The terms of reference for the committee were also updated and expanded as approved by the CMC and the Board. The ORC continues to have oversight responsibility for operational risk strategy and governance but now takes a more proactive role in risk management, including the development of key risk indicators and processes to monitor these indicators at the business unit level across the organization. The ORM unit provides advice and guidance to the business units on operational risk assessments, measurement and mitigation, related monitoring, and change initiatives. To appropriately mitigate business units' operational risks, specialized functions such as finance, legal and regulatory compliance, human resources, and information technology are involved in the measurement and assessment process, as appropriate, and are represented through membership on the ORC. The Operational Risk Management Policy was completed and approved by the Board of Directors in 2007–08. The policy describes the operational risk objectives and outlines the roles of the Board of Directors, CMC, ORC, the lines of business, and the Operational Risk business unit.

Legal and Regulatory Risk Management

Operational risk management, as defined by ATB, also includes meeting legal and regulatory requirements. The risks associated with these requirements include ATB's failure to comply with prevailing legislation, regulations, guidelines, bylaws, established practices, and ethical standards. The operational risk framework includes all the regulatory requirements that have a major impact on ATB's operations, including the ATB Act, provincial occupational health and safety guidelines, and anti-money-laundering and terrorist-financing legislation, among other federal and provincial legislation that applies to ATB as a Crown agent, financial services provider, employer, and pension sponsor.

Identifying Other Operational Risk

The ORM unit completed the first phase of risk identification in 2005–06 through a high-level-risk profile of ATB, which indicated areas of higher risk based on business activities and potential operational risks as categorized by Basel II. The Basel II risk categories consider common risks such as human error in processing, improper practices, fiduciary obligations, theft, and fraud. The results of this phase were then aggregated into a corporate-wide risk profile that allowed ATB to prioritize the next phase of risk identification and assessment—Risk Control Self-Assessment (“RCSA”). The RCSA involves the ORM unit, the business unit owners, and the business unit risk managers collaboratively developing a more detailed look at operational risks. The RCSA framework and methodology were approved by the CMC and the Board in 2006–07, and a number of critical business units have subsequently completed RCSA workshops or operational-risk-mapping exercises. RCSA is currently being aligned with ATB’s C-SOX program to ensure consistency of approach.

Evaluating the Frequency and Potential Impact of Operational Loss Events

During RCSA workshops facilitated by the ORM unit, business managers identify the risks that impact successful completion of business objectives. These risks are evaluated based on the current controls in place in order to derive a residual-risk rating. The residual-risk rating is measured using a method that combines the likelihood of a risk event with the potential impact of that risk event occurring. This residual-risk rating is then used to determine if the controls in place are effective to mitigate the risk for each business unit to a level acceptable to ATB and, ultimately, the shareholder. A tailored measurement process and model are used to determine the operational risk for each business unit.

Managing Operational Risk

The function of the ORM unit and an integral part of managing operational risk is the centralized collection of loss data to establish trends and benchmarks against industry norms and best practices. The process of managing operational risk consists of setting acceptable levels of risk tolerance and then deciding to control, avoid, or transfer certain risks and put appropriate procedures and control measures in place to reach the acceptable residual level of risk. ATB uses several means to minimize its operational risks, including insurance, outsourcing, and integrated plans for the continuity of operations. Last year, the ORM unit led the development of business continuity plans across the organization and supported the enhancement of ATB’s emergency response structure.

Operational Risk Reporting

The operational risk framework includes regular reporting of relevant operational-risk-management activities and processes to senior line and corporate management, the ORC, the ERC, and the Board of Directors. These reports include ATB’s risk profile on an organization-wide basis and action plans intended to reduce risk levels where the residual operational risk of business processes is considered too high according to the tolerance levels established.

QUARTERLY OPERATING RESULTS

Asset-Backed Commercial Paper

The Canadian market for third-party and bank-sponsored asset-backed commercial paper (“ABCP”) suffered a liquidity disruption in fiscal 2008.

As of March 31, 2008, ATB has recognized a provision for loss on ABCP of \$253.1 million. (The net provision for loss on ABCP for the fourth quarter was \$146.2 million.) **Where applicable, ATB’s consolidated quarterly operating results are reported inclusive and exclusive of this provision; however, for clarity, the commentary below refers to the operating results exclusive of ABCP.** (Refer to the Asset-Backed Commercial Paper section in the MD&A and Note 5 to the statements for further details on ABCP.)

Review of 2007–08 Fourth-Quarter Operating Results

Net Income

For the quarter ended March 31, 2008, ATB Financial earned net income excluding provision for ABCP (“adjusted NI”) of \$60.1 million, up 22.1% from the \$49.2 million earned in the fourth quarter of 2006–07. This increase from the prior year’s quarter reflects an increase in net interest income (“NII”) of \$20.9 million, offset by a decrease in other income (“OI”) of \$4.5 million. ATB’s provision for credit losses was lower than the prior year’s quarter by \$8.6 million, and non-interest expenses (“NIE”) were up \$14.1 million.

The adjusted NI of \$60.1 million in the fourth quarter of 2007–08 was down \$12.3 million from the \$72.4 million earned in the third quarter. This decrease is primarily a result of increases in NIE of \$16.4 million, offset by increased NII of \$2.3 million and lower credit losses of \$2.5 million.

Operating Revenue

Operating revenue in the fourth quarter, excluding provision for loss on ABCP, increased by \$16.4 million over the prior year's fourth quarter and by \$1.6 million over the third quarter of 2007–08.

The year-over-year increase (from fourth quarter 2006–07 to fourth quarter 2007–08) includes a \$20.9-million increase in NII and is offset by a decrease in OI of \$4.5 million. The increase in NII was mostly due to implementation of the new financial instruments standards, which were adopted during the year. (Refer to the Accounting Policies and Estimates section for further details of these new standards.)

The net increase in operating revenue for the fourth quarter compared to the third quarter was \$1.6 million, the majority of which is attributable to increased NII of \$2.3 million offset by reduced OI of \$0.6 million.

Provision for Credit Losses

The decrease from a provision of \$11.3 million in the fourth quarter of 2006–07 to a provision of \$2.6 million in the fourth quarter of 2007–08 was largely due to a decrease in the general loan loss allowance ("GLLA") during the fourth quarter of 2007–08. The \$2.5-million decrease over the third quarter of 2007–08 is also attributable to a decrease in the GLLA.

Non-Interest Expenses and Efficiency Ratio

NIE for the fourth quarter were up \$14.1 million (10.4%) from the fourth quarter of last year and up \$16.4 million (12.3%) from the third quarter of this fiscal year. The majority of non-interest-expense categories increased from the prior year's fourth quarter, the most substantial being a \$10.4-million increase in human resources costs. Other significant increases were in the deposit-guarantee fee and marketing and supplies.

Human resources also increased substantially—by \$9.0 million (12.9%)—from the third quarter to the fourth quarter of 2007–08. Other significant increases quarter to quarter were professional and consulting fees (\$3.3 million) and the deposit-guarantee fee (\$1.6 million).

Our efficiency ratio (excluding the provision for loss on ABCP), measured as total NIE divided by total operating revenue, increased (or worsened) from 63.22% in the third quarter to 70.46% in the fourth quarter of 2007–08, with the change from the prior year's fourth quarter increasing (or worsening) from 69.13%.

Contribution by Segment

Operating revenue in the fourth quarter was up across the board for all business units compared to the fourth quarter in the prior year. Personal and Business Financial Services ("PBFS") led the way with an increase of \$9.5 million (7.0%), Corporate Financial Services ("CFS") increased by \$3.7 million (17.7%), and Investor Services ("IS") increased by \$1.1 million (11.0%). These increases were partially offset by increases in NIE in all business units with the exception of IS, which saw a decrease of \$0.2 million. A decrease in the provision for credit losses in PBFS and CFS positively impacted NI. NI increased in PBFS by \$0.7 million, in CFS by \$8.3 million, and in IS by \$1.4 million.

Operating revenue was down in all business units for the fourth quarter compared to the third quarter with the exception of other business units, which increased by \$8.1 million. Operating revenue increases in other business units resulted from adjustments for financial instruments during the fourth quarter. PBFS decreased by \$5.5 million (3.6%), CFS decreased by \$0.8 million (3.0%), and IS decreased by \$0.2 million (1.6%). NI was down in all business units, with the exception of other business units, compared to the prior quarter due to higher NIE and declining net interest spreads. NI decreased in PBFS by \$12.7 million (31.0%), in CFS by \$0.6 million (3.7%), and in IS by \$0.3 million (31.0%).

Review of Financial Position as at March 31, 2008

ATB's total assets ended the year at \$23.3 billion, an increase of \$3.0 billion (15.0%) over the fourth quarter of 2006–07 and \$402.0 million (1.8%) over the third quarter of 2007–08. This increase was driven by strong growth across our entire loan portfolio. From the fourth quarter of 2006–07 to the fourth quarter of 2007–08, residential mortgages increased by \$753.1 million (10.8%), personal loans increased by \$987.7 million (31.8%), business loans increased by \$634.7 million (9.5%), and credit cards increased by \$81.7 million (22.2%). The fourth-quarter results, as compared to the preceding third quarter, also reflect growth in every component of the portfolio (except for credit cards), with the largest dollar increases coming from residential mortgages (\$89.7 million), personal loans (\$234.0 million), and business loans (\$254.3 million).

Total deposits also increased in the fourth quarter of 2007–08, up \$2.9 billion from the fourth quarter of 2006–07 and up \$530.9 million from the third quarter of 2007–08.

ATB's total equity as at March 31, 2008, was \$1.7 billion, down \$64.5 million from the end of the third quarter of 2007–08 and up \$45.1 million from a year ago, reflecting the NI earned over the 2007–08 fiscal year and changes in other comprehensive income. The growth in our equity was affected by the provision for loss on ABCP, which was \$146.2 million for the fourth quarter of fiscal 2007–08 and \$253.1 million for the year.

Summarized Quarterly Financial Results
Consolidated Balance Sheet

As at: (\$ in thousands)	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	Mar-31-08	Dec-31-07	Sep-30-07	Jun-30-07	Mar-31-07	Dec-31-06	Sep-30-06	Jun-30-06
Assets								
Cash resources and securities	\$ 3,273,315	\$ 3,532,292	\$ 3,667,832	\$ 3,147,288	\$ 2,780,435	\$ 2,904,350	\$ 2,809,911	\$ 3,090,515
Loans, net of allowances for credit losses:								
Residential mortgages	7,719,066	7,629,365	7,432,414	7,187,222	6,965,985	6,789,255	6,658,993	6,517,476
Instalment and other personal loans	4,089,104	3,855,138	3,628,745	3,379,551	3,101,429	2,918,954	2,788,018	2,634,907
Credit card	450,007	453,267	417,806	402,560	368,329	366,570	352,141	331,057
Business	7,347,110	7,092,829	6,869,088	6,891,501	6,712,420	6,564,927	6,369,052	5,986,062
Allowance for credit losses	(161,770)	(161,035)	(157,064)	(159,629)	(153,834)	(143,303)	(142,125)	(162,554)
	19,443,517	18,869,564	18,190,989	17,701,205	16,994,329	16,496,403	16,026,079	15,306,948
Other assets	626,321	539,289	594,482	593,107	519,954	432,005	484,747	396,427
Total assets	\$23,343,153	\$22,941,145	\$22,453,303	\$21,441,600	\$ 20,294,718	\$ 19,832,758	\$ 19,320,737	\$ 18,793,890
Liabilities and equity								
Deposits								
Personal	\$ 9,757,840	\$ 9,486,877	\$ 9,353,166	\$ 9,279,148	\$ 9,156,823	\$ 9,045,680	\$ 8,911,329	\$ 8,722,575
Business	11,417,876	11,157,949	10,867,865	10,022,519	9,096,015	8,759,317	8,482,838	8,248,106
	21,175,716	20,644,826	20,221,031	19,301,667	18,252,838	17,804,997	17,394,167	16,970,681
Other liabilities	425,987	490,360	479,218	417,293	346,255	381,363	349,356	353,316
Subordinated debentures	72,998	72,998	72,998	57,009	72,242	72,242	72,242	58,840
Equity	1,668,452	1,732,961	1,680,056	1,665,631	1,623,383	1,574,156	1,504,972	1,411,053
Total liabilities and equity	\$23,343,153	\$22,941,145	\$22,453,303	\$21,441,600	\$ 20,294,718	\$ 19,832,758	\$ 19,320,737	\$ 18,793,890

Consolidated Statement of Income

For the three months ended: (\$ in thousands)	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	Mar-31-08	Dec-31-07	Sep-30-07	Jun-30-07	Mar-31-07	Dec-31-06	Sep-30-06	Jun-30-06
Interest income	\$ 330,160	\$ 339,225	\$ 330,833	\$ 302,346	\$ 280,919	\$ 279,587	\$ 267,820	\$ 249,956
Interest expense	(163,181)	(174,503)	(162,009)	(143,461)	(134,833)	(131,037)	(124,783)	(115,824)
Net interest income	166,979	164,722	168,824	158,885	146,086	148,550	143,037	134,132
Other income	45,358	45,976	46,379	48,282	49,864	44,596	42,788	42,413
Provision for loss on ABCP	(146,233)	(29,300)	(77,600)	-	-	-	-	-
Operating revenue	66,104	181,398	137,603	207,167	195,950	193,146	185,825	176,545
Provision for (recovery of) credit losses	2,630	5,113	(1,434)	6,597	11,253	2,285	(20,108)	1,359
Non-interest expenses	149,604	133,213	130,490	136,074	135,470	121,677	112,014	113,128
Net income	\$ (86,130)	\$ 43,072	\$ 8,547	\$ 64,496	\$ 49,227	\$ 69,184	\$ 93,919	\$ 62,058

Summarized Quarterly Financial Results (continued)
Consolidated Statement of Cash Flows

For the three months ended: (\$ in thousands)	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	Mar-31-08	Dec-31-07	Sep-30-07	Jun-30-07	Mar-31-07	Dec-31-06	Sep-30-06	Jun-30-06
Cash flows from operating activities								
Net income	\$ (86,130)	\$ 43,072	\$ 8,547	\$ 64,496	\$ 49,227	\$ 69,184	\$ 93,919	\$ 62,058
Adjustments to determine net cash flows:								
Provision for (recovery of) credit losses	2,630	5,113	(1,434)	6,597	11,253	2,285	(20,108)	1,359
Amortization	8,226	7,950	8,398	8,092	7,432	7,198	7,415	7,173
Net changes in accrued interest receivable and payable	(5,601)	(10,186)	(6,619)	(4,377)	(5,864)	(4,008)	1,335	10,754
Net changes in derivative financial instruments	(33,882)	31,539	20,055	(59)	(6,773)	7,820	1,460	4,088
Provision for loss on ABCP	146,233	29,300	77,600	-	-	-	-	-
Other items, net	(75,819)	67,435	50,955	(1,658)	(97,428)	87,954	(81,368)	(39,968)
	(44,343)	174,223	157,502	73,091	(42,153)	170,433	2,653	45,464
Cash flows from financing activities								
Net change in deposits	535,226	424,193	917,347	1,062,994	447,841	410,830	423,486	1,100,373
Issuance of subordinated debentures	-	-	15,990	-	-	-	13,401	-
Repayment of subordinated debentures	-	-	-	(15,234)	-	-	-	(12,738)
	535,226	424,193	933,337	1,047,760	447,841	410,830	436,887	1,087,635
Cash flows from investing activities								
Net change in interest-bearing deposits with financial institutions	85,970	175,591	(1,055,266)	(116,954)	56,130	(93,387)	97,176	(100,745)
Purchase of investment securities	(2,125,008)	(2,629,727)	(3,029,079)	(4,844,882)	(5,631,884)	(4,588,653)	(4,009,779)	(4,926,625)
Proceeds from investment securities	2,149,953	2,587,504	3,385,604	4,683,895	5,702,470	4,513,421	4,097,075	4,540,598
Net change in loans	(579,913)	(686,397)	(481,559)	(743,291)	(509,179)	(472,609)	(699,023)	(461,613)
Net purchases of premises and equipment	(23,472)	(18,336)	(10,692)	(11,480)	(20,424)	(14,215)	(21,121)	(16,540)
	(492,470)	(571,365)	(1,190,992)	(1,032,712)	(402,887)	(655,443)	(535,672)	(964,925)
Net (decrease) increase in cash resources	(1,587)	27,051	(100,153)	88,139	2,801	(74,180)	(96,132)	168,174
Cash resources at beginning of quarter	93,154	66,103	166,256	78,117	75,316	149,496	245,628	77,454
Cash resources at end of quarter	\$ 91,567	\$ 93,154	\$ 66,103	\$ 166,256	\$ 78,117	\$ 75,316	\$ 149,496	\$ 245,628
Supplementary cash flow information:								
Amount of interest paid during the period	\$ 160,044	\$ 182,004	\$ 148,313	\$ 148,397	\$ 140,214	\$ 152,365	\$ 90,676	\$ 100,308

Quarterly Segmented Results

<i>For the three months ended: (\$ in thousands)</i>	Net interest income	Other income	Provision for loss on ABCP	Operating revenue	Provision for (recovery of) credit losses	Non-interest expenses	Net income (loss)	Total assets	Total liabilities
March 31, 2008									
Personal and Business Financial Services	\$ 115,346	\$ 31,040	\$ –	\$ 146,386	\$ 2,174	\$ 115,839	\$ 28,373	\$ 15,698,335	\$ 14,776,994
Corporate Financial Services	19,983	4,631	–	24,614	632	7,613	16,369	4,060,638	2,153,106
Investor Services	2,007	9,547	–	11,554	–	10,934	620	4,078	548,877
Other business units	29,643	140	(146,233)	(116,450)	(176)	15,218	(131,492)	3,580,102	4,195,724
Total	\$ 166,979	\$ 45,358	\$ (146,233)	\$ 66,104	\$ 2,630	\$ 149,604	\$ (86,130)	\$ 23,343,153	\$ 21,674,701
December 31, 2007									
Personal and Business Financial Services	\$ 121,226	\$ 30,683	\$ –	\$ 151,909	\$ 4,608	\$ 106,192	\$ 41,109	\$ 15,403,494	\$ 14,648,638
Corporate Financial Services	19,820	5,545	–	25,365	1,796	6,575	16,994	3,759,311	2,034,545
Investor Services	1,834	9,907	–	11,741	–	10,842	899	2,984	521,132
Other business units	21,842	(159)	(29,300)	(7,617)	(1,291)	9,604	(15,930)	3,775,356	4,003,869
Total	\$ 164,722	\$ 45,976	\$ (29,300)	\$ 181,398	\$ 5,113	\$ 133,213	\$ 43,072	\$ 22,941,145	\$ 21,208,184
September 30, 2007									
Personal and Business Financial Services	\$ 119,243	\$ 32,327	\$ –	\$ 151,570	\$ 7,425	\$ 106,082	\$ 38,063	\$ 14,872,625	\$ 14,550,779
Corporate Financial Services	19,719	5,190	–	24,909	(6,657)	6,432	25,134	3,598,415	1,939,830
Investor Services	1,641	9,919	–	11,560	–	10,524	1,036	2,782	511,270
Other business units	28,221	(1,057)	(77,600)	(50,436)	(2,202)	7,452	(55,686)	3,979,481	3,771,368
Total	\$ 168,824	\$ 46,379	\$ (77,600)	\$ 137,603	\$ (1,434)	\$ 130,490	\$ 8,547	\$ 22,453,303	\$ 20,773,247
June 30, 2007									
Personal and Business Financial Services	\$ 111,050	\$ 32,773	\$ –	\$ 143,823	\$ 4,028	\$ 102,934	\$ 36,861	\$ 14,134,925	\$ 14,502,925
Corporate Financial Services	18,696	4,574	–	23,270	3,890	6,336	13,044	3,549,416	1,867,356
Investor Services	1,332	9,650	–	10,982	–	11,162	(180)	4,092	489,780
Other business units	27,807	1,285	–	29,092	(1,321)	15,642	14,771	3,753,167	2,915,908
Total	\$ 158,885	\$ 48,282	\$ –	\$ 207,167	\$ 6,597	\$ 136,074	\$ 64,496	\$ 21,441,600	\$ 19,775,969
Year ended March 31, 2008	\$ 659,410	\$ 185,995	\$ (253,133)	\$ 592,272	\$ 12,906	\$ 549,381	\$ 29,985	\$ 23,343,153	\$ 21,674,701

Quarterly Segmented Results (continued)

<i>For the three months ended: (\$ in thousands)</i>	Net interest income	Other income	Provision for loss on ABCP	Operating revenue	Provision for (recovery of) credit losses	Non-interest expenses	Net income (loss)	Total assets	Total liabilities
March 31, 2007									
Personal and Business									
Financial Services	\$ 106,222	\$ 30,650	\$ –	\$ 136,872	\$ 5,393	\$ 103,799	\$ 27,680	\$ 13,645,926	\$ 13,974,317
Corporate Financial Services	17,462	3,447	–	20,909	7,089	5,754	8,066	3,454,594	1,875,709
Investor Services	1,948	8,458	–	10,406	–	11,159	(753)	2,800	436,294
Other business units	20,454	7,309	–	27,763	(1,229)	14,758	14,234	3,191,398	2,385,015
Total	\$ 146,086	\$ 49,864	\$ –	\$ 195,950	\$ 11,253	\$ 135,470	\$ 49,227	\$ 20,294,718	\$ 18,671,335
December 31, 2006									
Personal and Business									
Financial Services	\$ 108,566	\$ 28,795	\$ –	\$ 137,361	\$ 2,281	\$ 98,371	\$ 36,709	\$ 13,207,006	\$ 13,689,150
Corporate Financial Services	16,626	3,915	–	20,541	2,522	5,081	12,938	3,242,892	1,861,412
Investor Services	1,106	7,465	–	8,571	–	8,541	30	2,959	399,199
Other business units	22,252	4,421	–	26,673	(2,518)	9,684	19,507	3,379,901	2,308,841
Total	\$ 148,550	\$ 44,596	\$ –	\$ 193,146	\$ 2,285	\$ 121,677	\$ 69,184	\$ 19,832,758	\$ 18,258,602
September 30, 2006									
Personal and Business									
Financial Services	\$ 106,752	\$ 31,740	\$ –	\$ 138,492	\$ (18,471)	\$ 91,979	\$ 64,984	\$ 13,035,425	\$ 13,811,116
Corporate Financial Services	14,737	3,795	–	18,532	478	4,315	13,739	2,933,455	1,674,362
Investor Services	1,073	6,795	–	7,868	–	8,472	(604)	2,785	373,044
Other business units	20,475	458	–	20,933	(2,115)	7,248	15,800	3,349,072	1,957,243
Total	\$ 143,037	\$ 42,788	\$ –	\$ 185,825	\$ (20,108)	\$ 112,014	\$ 93,919	\$ 19,320,737	\$ 17,815,765
June 30, 2006									
Personal and Business									
Financial Services	\$ 101,636	\$ 28,277	\$ –	\$ 129,913	\$ 2,098	\$ 91,254	\$ 36,561	\$ 12,653,677	\$ 13,533,112
Corporate Financial Services	13,690	3,744	–	17,434	1,914	4,129	11,391	2,592,388	1,739,535
Investor Services	1,000	6,251	–	7,251	–	7,897	(646)	2,010	282,285
Other business units	17,806	4,141	–	21,947	(2,653)	9,848	14,752	3,545,815	1,827,905
Total	\$ 134,132	\$ 42,413	\$ –	\$ 176,545	\$ 1,359	\$ 113,128	\$ 62,058	\$ 18,793,890	\$ 17,382,837
Year ended March 31, 2007	\$ 571,805	\$ 179,661	\$ –	\$ 751,466	\$ (5,211)	\$ 482,289	\$ 274,388	\$ 20,294,718	\$ 18,671,335

Quarterly Results—Other Information

For the three months ended: (\$ in thousands)	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	Mar-31-08	Dec-31-07	Sep-30-07	Jun-30-07	Mar-31-07	Dec-31-06	Sep-30-06	Jun-30-06
Allowance for credit losses								
Balance at beginning of quarter	\$ 163,866	\$ 159,739	\$ 163,047	\$ 157,179	\$ 146,249	\$ 145,097	\$ 165,761	\$ 164,447
Write-offs	(2,623)	(2,266)	(3,099)	(2,236)	(1,450)	(2,678)	(1,684)	(1,450)
Recoveries	1,033	1,280	1,225	1,507	1,127	1,545	1,128	1,405
Provision for (recovery of) credit losses	2,630	5,113	(1,434)	6,597	11,253	2,285	(20,108)	1,359
Balance at end of quarter	164,906	163,866	159,739	163,047	157,179	146,249	145,097	165,761
Less: Allowance for cost of credit recovery included in other liabilities	3,136	2,831	2,675	3,418	3,345	2,946	2,972	3,207
Balance at end of quarter	\$ 161,770	\$ 161,035	\$ 157,064	\$ 159,629	\$ 153,834	\$ 143,303	\$ 142,125	\$ 162,554
Employee future benefits								
Net pension-benefit expense	\$ 3,606	\$ 3,191	\$ 5,388	\$ 5,076	\$ 5,258	\$ 5,081	\$ 5,062	\$ 5,078
Key performance measures (in %)								
Operating revenue growth ⁽¹⁾	(66.26)	(6.08)	(25.95)	17.35	14.63	25.97	24.07	22.75
Operating revenue growth ⁽¹⁾⁽²⁾	8.36	9.09	15.81					
Net interest margin ⁽³⁾	2.93	2.87	3.07	3.07	2.95	3.03	3.04	2.96
Net interest spread on average earning assets ⁽³⁾	3.01	2.98	3.17	3.14	3.01	3.10	3.11	3.02
Other income to operating revenues	68.62	25.35	33.70	23.31	25.45	23.09	23.03	24.02
Other income to operating revenues ⁽²⁾	21.36	21.82	21.55					
Non-interest expense to operating revenue	226.32	73.44	94.83	65.68	69.13	63.00	60.28	64.08
Non-interest expense to operating revenue ⁽²⁾	70.46	63.22	60.64					
Return on average assets ⁽³⁾	(1.51)	0.75	0.16	1.25	0.99	1.41	2.00	1.37
Return on average assets ⁽²⁾⁽³⁾	1.05	1.26	1.56					
Operating expense growth ⁽¹⁾	10.43	9.48	16.49	20.28	12.34	16.06	17.04	16.24
Net impaired loans to total gross loans	(0.61)	(0.57)	(0.53)	(0.65)	(0.62)	(0.58)	(0.53)	(0.67)
Credit losses to average loans ⁽³⁾	0.05	0.11	(0.03)	0.15	0.27	0.06	(0.51)	0.04
Loan growth ⁽¹⁾	14.41	14.39	13.51	15.64	14.47	13.75	14.66	12.23
Deposit growth ⁽¹⁾	16.01	15.95	16.25	13.74	15.01	13.38	16.42	17.07
Asset growth ⁽¹⁾	15.02	15.67	16.21	14.09	15.00	13.80	16.46	16.79
Asset growth ⁽¹⁾⁽²⁾	16.26	16.21	16.62	-	-	-	-	-

(1) Calculated over trailing one-year period.

(2) Excludes provision for loss on asset-backed commercial paper.

(3) Calculated as average over trailing three-month period.

ANNUAL SUPPLEMENTARY INFORMATION

Consolidated Balance Sheet

As at March 31:
(\$ in thousands)

	2008	2007	2006	2005	2004	2003	2002	2001	2000
Assets									
Cash resources									
Cash	\$ 91,567	\$ 78,117	\$ 77,454	\$ 26,279	\$ 101,281	\$ 72,750	\$ 120,061	\$ 139,896	\$ 81,114
Interest-bearing deposits with financial institutions	1,928,230	1,017,497	976,671	927,244	956,727	579,607	752,269	752,519	494,903
	2,019,797	1,095,614	1,054,125	953,523	1,058,008	652,357	872,330	892,415	576,017
Securities	1,253,518	1,684,821	1,381,444	932,511	854,997	578,850	807,793	926,180	692,453
Loans, net of allowance for credit losses									
Residential mortgages	7,719,066	6,965,985	6,378,725	5,818,780	5,378,595	4,961,459	4,428,527	3,980,759	3,652,135
Business	7,347,110	6,712,420	5,825,602	5,106,655	4,818,228	4,979,212	4,420,018	4,088,618	3,988,761
Personal	4,089,104	3,101,429	2,483,980	2,093,423	1,857,028	1,689,679	1,529,848	1,502,712	1,362,141
Credit card	450,007	368,329	319,591	287,253	270,098	235,865	195,900	150,752	94,771
Allowance for credit losses	(161,770)	(153,834)	(161,204)	(168,194)	(192,896)	(174,733)	(173,730)	(168,589)	(164,233)
	19,443,517	16,994,329	14,846,694	13,137,917	12,131,053	11,691,482	10,400,563	9,554,252	8,933,575
Other									
Premises and equipment	208,875	177,561	134,479	110,067	93,016	81,322	74,661	74,183	63,616
Derivative financial instruments	109,250	28,200	27,437	32,420	32,197	39,825	38,652	30,650	18,577
Other assets	308,196	314,193	203,636	214,794	136,539	140,159	159,811	174,852	147,874
	626,321	519,954	365,552	357,281	261,752	261,306	273,124	279,685	230,067
	\$23,343,153	\$20,294,718	\$17,647,815	\$15,381,232	\$14,305,810	\$13,183,995	\$12,353,810	\$11,652,532	\$10,432,112
Liabilities and equity									
Deposits									
Payable on demand	\$ 5,244,677	\$ 5,143,729	\$ 4,492,175	\$ 3,596,652	\$ 3,120,136	\$ 2,396,930	\$ 2,363,524	\$ 1,875,454	\$ 1,656,730
Payable after notice	3,328,675	2,584,039	1,893,787	1,358,758	1,124,359	1,507,233	1,561,329	1,437,830	1,353,069
Payable on a fixed date	12,602,364	10,525,070	9,484,346	8,884,622	8,790,625	8,192,748	7,500,357	7,605,579	6,914,827
	21,175,716	18,252,838	15,870,308	13,840,032	13,035,120	12,096,911	11,425,210	10,918,863	9,924,626
Other									
Derivative financial instruments	82,390	8,629	1,271	2,542	20	300	910	-	-
Other liabilities	343,597	337,626	355,662	322,665	262,293	250,431	305,475	282,118	227,329
	425,987	346,255	356,933	325,207	262,313	250,731	306,385	282,118	227,329
Subordinated debentures	72,998	72,242	71,579	65,719	45,416	45,416	30,182	17,444	7,519
Equity	1,668,452	1,623,383	1,348,995	1,150,274	962,961	790,937	592,033	434,107	272,638
	\$23,343,153	\$20,294,718	\$17,647,815	\$15,381,232	\$14,305,810	\$13,183,995	\$12,353,810	\$11,652,532	\$10,432,112

Consolidated Statement of Income

Years ended March 31
(\$ in thousands)

	2008	2007	2006	2005	2004	2003	2002	2001	2000
Interest income									
Loans	\$1,155,845	\$ 960,074	\$ 748,741	\$ 657,838	\$ 695,106	\$ 657,374	\$ 669,422	\$ 726,242	\$ 644,255
Securities	71,883	71,593	35,630	20,188	22,268	18,613	34,697	43,355	28,085
Deposits with financial institutions	74,836	46,615	30,298	21,857	23,227	21,537	35,326	40,229	31,401
	1,302,564	1,078,282	814,669	699,883	740,601	697,524	739,445	809,826	703,741
Interest expense									
Deposits	639,981	503,143	348,994	297,791	340,627	330,896	372,243	446,959	371,561
Subordinated debentures	3,173	3,334	3,424	3,346	2,690	2,468	1,619	898	309
	643,154	506,477	352,418	301,137	343,317	333,364	373,862	447,857	371,870
Net interest income	659,410	571,805	462,251	398,746	397,284	364,160	365,583	361,969	331,871
Other income									
Service charges	69,891	68,241	64,275	60,227	58,174	54,277	50,406	49,050	46,462
Investor Services	38,427	28,526	17,994	8,632	3,276	1,594	1,265	732	270
Card fees	35,764	27,919	23,649	18,599	15,636	13,892	12,679	10,182	7,182
Foreign exchange	11,763	8,625	7,451	6,689	5,930	5,314	5,153	5,489	3,659
Insurance	11,525	10,789	10,150	11,468	4,119	3,798	3,499	4,384	3,796
Credit fees	10,627	29,738	30,068	29,525	28,216	26,520	25,581	17,238	17,677
Sundry	5,465	4,047	996	606	921	2,047	2,626	2,000	15,514
Gains on derivative financial instruments, net	2,533	1,776	1,038	3,562	–	–	–	–	–
	185,995	179,661	155,621	139,308	116,272	107,442	101,209	89,075	94,560
Operating revenue before the undernoted	845,405	751,466	617,872	538,054	513,556	471,602	466,792	451,044	426,431
Provision for loss on ABCP	(253,133)	–	–	–	–	–	–	–	–
Total operating revenue	592,272	751,466	617,872	538,054	513,556	471,602	466,792	451,044	426,431
Provision for (recovery of) credit losses	12,906	(5,211)	688	(14,594)	15,859	(43,211)	21,095	20,969	(41,821)
Non-interest expenses									
Human resources	297,404	258,192	221,270	190,876	169,156	161,491	147,766	136,018	112,661
Communications and electronic processing	85,744	74,969	67,287	58,915	55,316	53,607	49,224	46,086	45,032
Premises and equipment, including amortization	70,002	63,353	56,547	54,073	50,574	46,922	42,904	42,314	38,676
Professional and consulting costs	29,027	26,816	22,350	13,627	12,462	12,297	8,450	8,426	11,063
Marketing and supplies	28,496	19,432	17,948	15,156	12,561	12,346	9,780	10,508	11,030
Deposit-guarantee fee	20,210	14,156	15,236	15,784	11,836	15,985	15,234	12,739	9,925
ATB agencies	9,339	8,255	7,119	6,155	5,748	5,725	5,277	4,713	4,329
Other	9,159	17,116	10,706	10,749	8,020	7,536	9,136	7,802	7,046
	549,381	482,289	418,463	365,335	325,673	315,909	287,771	268,606	239,762
Net income	\$ 29,985	\$ 274,388	\$ 198,721	\$ 187,313	\$ 172,024	\$ 198,904	\$ 157,926	\$ 161,469	\$ 228,490

Consolidated Statement of Changes in Equity

Years ended March 31: (\$ in thousands)	2008	2007	2006	2005	2004	2003	2002	2001	2000
Retained earnings at beginning of year	\$1,623,383	\$1,348,995	\$1,150,274	\$ 962,961	\$ 790,937	\$ 592,033	\$ 434,107	\$ 272,638	\$ 44,148
Transition adjustment on adoption of new financial instruments accounting standards effective April 1, 2007	(10,027)	-	-	-	-	-	-	-	-
Adjusted balance as at April 1	1,613,356	1,348,995	1,150,274	962,961	790,937	592,033	434,107	272,638	44,148
Net income	29,985	274,388	198,721	187,313	172,024	198,904	157,926	161,469	228,490
Retained earnings at end of year	1,643,341	1,623,383	1,348,995	1,150,274	962,961	790,937	592,033	434,107	272,638
Accumulated other comprehensive income at beginning of year	-	-	-	-	-	-	-	-	-
Transition adjustment on adoption of new financial instruments accounting standards effective April 1, 2007	3,461	-	-	-	-	-	-	-	-
Adjusted balance as at April 1	3,461	-	-	-	-	-	-	-	-
Increase in other comprehensive income, net	21,650	-	-	-	-	-	-	-	-
Accumulated other comprehensive income at end of year	25,111	-	-	-	-	-	-	-	-
Equity	\$1,668,452	\$1,623,383	\$1,348,995	\$1,150,274	\$ 962,961	\$ 790,937	\$ 592,033	\$ 434,107	\$ 272,638

Consolidated Statement of Cash Flows

Years ended March 31:
(\$ in thousands)

	2008	2007	2006	2005	2004	2003	2002	2001	2000
Cash flows from operating activities									
Net income	\$ 29,985	\$ 274,388	\$ 198,721	\$ 187,313	\$ 172,024	\$ 198,904	\$ 157,926	\$ 161,469	\$ 228,490
Adjustments to determine net cash flows:									
Provision for (recovery of) credit losses	12,906	(5,211)	688	(14,594)	15,859	(43,211)	21,095	20,969	(41,821)
Amortization	32,666	29,218	27,886	25,862	24,676	20,107	17,419	16,379	14,041
Net changes in accrued interest receivable and payable	(26,783)	2,217	(2,620)	(10,263)	9,138	12,604	4,867	14,233	(3,255)
Net changes in derivative financial instruments	17,653	6,595	3,712	2,299	7,348	(1,783)	(7,092)	(12,073)	(8,634)
Provision for loss on ABCP	253,133	–	–	–	–	–	–	–	–
Other items, net	40,913	(130,810)	46,775	(7,620)	6,344	(47,996)	33,531	13,578	(15,293)
Net cash provided by operating activities	360,473	176,397	275,162	182,997	235,389	138,625	227,746	214,555	173,528
Cash flows from financing activities									
Net change in deposits	2,939,760	2,382,530	2,030,276	804,912	938,209	671,701	506,347	994,237	902,316
Issuance of subordinated debentures	15,990	13,401	15,785	27,822	–	15,234	12,738	9,925	7,519
Repayment of subordinated debentures	(15,234)	(12,738)	(9,925)	(7,519)	–	–	–	–	–
Net cash provided by financing activities	2,940,516	2,383,193	2,036,136	825,215	938,209	686,935	519,085	1,004,162	909,835
Cash flows from investing activities									
Net change in interest-bearing deposits with financial institutions	(910,659)	(40,826)	(49,427)	29,483	(377,120)	172,662	250	(260,374)	(56,474)
Purchase of investment securities	(12,628,696)	(19,156,941)	(11,008,614)	(7,910,221)	(7,802,340)	(6,653,500)	(8,595,386)	(6,762,829)	(5,100,139)
Proceeds from investment securities	12,806,956	18,853,564	10,559,681	7,832,707	7,526,193	6,882,443	8,713,773	6,531,860	4,938,394
Net change in loans	(2,491,160)	(2,142,424)	(1,709,465)	(992,270)	(455,430)	(1,247,708)	(867,406)	(641,646)	(854,978)
Net purchases of premises and equipment	(63,980)	(72,300)	(52,298)	(42,913)	(36,370)	(26,768)	(17,897)	(26,946)	(23,486)
Net cash used in investing activities	(3,287,539)	(2,558,927)	(2,260,123)	(1,083,214)	(1,145,067)	(872,871)	(766,666)	(1,159,935)	(1,096,683)
Net increase (decrease) in cash and cash equivalents	13,450	663	51,175	(75,002)	28,531	(47,311)	(19,835)	58,782	(13,320)
Cash and cash equivalents at beginning of year	78,117	77,454	26,279	101,281	72,750	120,061	139,896	81,114	94,434
Cash and cash equivalents at end of year	\$ 91,567	\$ 78,117	\$ 77,454	\$ 26,279	\$ 101,281	\$ 72,750	\$ 120,061	\$ 139,896	\$ 81,114
Supplementary cash flow information:									
Amount of interest paid during the year	\$ 638,758	\$ 483,563	\$ 355,715	\$ 307,942	\$ 341,462	\$ 335,260	\$ 378,411	\$ 401,759	\$ 359,661

Consolidated Financial Statements Index

- 78 Statement of Responsibility for Financial Reporting
- 79 Auditor's Report
- 80 Consolidated Balance Sheet
- 81 Consolidated Statement of Income
- 82 Consolidated Statement of Changes in Equity and Other Comprehensive Income
- 83 Consolidated Statement of Cash Flows
- 84 Notes to the Consolidated Financial Statements

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 the supporting systems of internal controls designed to provide reasonable assurance as to the reliability of financial information, that transactions are properly authorized and recorded and liabilities are recognized, and to ensure 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 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 9, 2008



Dave Mowat

President and Chief Executive Officer
Edmonton, Alberta
May 9, 2008



Jim McKillop

Chief Financial Officer
Edmonton, Alberta
May 9, 2008

Auditor's Report

To the Minister of Finance and Enterprise

I have audited the consolidated balance sheet of Alberta Treasury Branches as at March 31, 2008, and the consolidated statements of income, changes in equity and other comprehensive income, and cash flows for the year 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 audit.

I conducted my audit 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, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original Signed by Fred J. Dunn, FCA

Auditor General

Edmonton, Alberta
May 9, 2008

Consolidated Balance Sheet

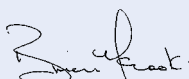
<i>As at March 31 (\$ in thousands)</i>	2008	2007
Assets		
Cash resources (Note 4)		
Cash	\$ 91,567	\$ 78,117
Interest-bearing deposits with financial institutions	1,928,230	1,017,497
	2,019,797	1,095,614
Securities (Note 5)		
	1,253,518	1,684,821
Loans (Notes 6 and 7)		
Residential mortgages	7,719,066	6,965,985
Business	7,347,110	6,712,420
Personal	4,089,104	3,101,429
Credit card	450,007	368,329
Allowance for credit losses	(161,770)	(153,834)
	19,443,517	16,994,329
Other		
Premises and equipment (Note 8)	208,875	177,561
Derivative financial instruments (Note 14)	109,250	28,200
Other assets (Note 9)	308,196	314,193
	626,321	519,954
	\$ 23,343,153	\$ 20,294,718
Liabilities and equity		
Deposits (Note 10)		
Personal	\$ 9,757,840	\$ 9,156,823
Business and other	8,035,590	7,430,036
Wholesale	3,382,286	1,665,979
	21,175,716	18,252,838
Other liabilities		
Derivative financial instruments (Note 14)	82,390	8,629
Other liabilities (Note 11)	343,597	337,626
	425,987	346,255
Subordinated debentures (Note 12)		
	72,998	72,242
Equity		
Retained earnings	1,643,341	1,623,383
Accumulated other comprehensive income	25,111	-
	1,668,452	1,623,383
	\$ 23,343,153	\$ 20,294,718

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 Committee

Consolidated Statement of Income

<i>For the years ended March 31 (\$ in thousands)</i>	2008	2007	2006
Interest income			
Loans	\$ 1,155,845	\$ 960,074	\$ 748,741
Deposits with financial institutions	74,836	46,615	30,298
Securities	71,883	71,593	35,630
	1,302,564	1,078,282	814,669
Interest expense			
Deposits	639,981	503,143	348,994
Subordinated debentures	3,173	3,334	3,424
	643,154	506,477	352,418
Net interest income	659,410	571,805	462,251
Other income			
Service charges	69,891	68,241	64,275
Credit fees	10,627	29,738	30,068
Investor Services	38,427	28,526	17,994
Card fees	35,764	27,919	23,649
Foreign exchange	11,763	8,625	7,451
Insurance	11,525	10,789	10,150
Sundry	5,465	4,047	996
Gains on derivative financial instruments, net	2,533	1,776	1,038
	185,995	179,661	155,621
Operating revenue before the undernoted	845,405	751,466	617,872
Provision for loss on asset-backed commercial paper (Note 5)	(253,133)	-	-
Total operating revenue	592,272	751,466	617,872
Provision for (recovery of) credit losses (Note 7)	12,906	(5,211)	688
Non-interest expenses			
Human resources (Notes 13 and 16)	297,404	258,192	221,270
Data-processing	67,212	60,176	53,170
Premises and occupancy, including amortization	47,831	43,078	37,136
Marketing and supplies	28,496	19,432	17,948
Professional and consulting costs	29,027	26,816	22,350
Equipment and software, including amortization	22,171	20,275	19,411
Deposit guarantee fee	20,210	14,156	15,236
Communication	18,532	14,793	14,117
ATB agencies	9,339	8,255	7,119
Other	9,159	17,116	10,706
	549,381	482,289	418,463
Net income	\$ 29,985	\$ 274,388	\$ 198,721

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

Consolidated Statement of Changes in Equity and Other Comprehensive Income

<i>(\$ in thousands)</i>	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Equity as at March 31, 2007	\$ 1,623,383	\$ –	\$ 1,623,383
Transition adjustment on adoption of new financial instruments accounting standards effective April 1, 2007 <i>(Note 3)</i>	(10,027)	3,461	(6,566)
Adjusted balance as at April 1, 2007	1,613,356	3,461	1,616,817
Net income for the year ended March 31, 2008	29,985	–	29,985
Other comprehensive income (loss) for the year ended March 31, 2008			
Change in unrealized gains (losses) on available-for-sale securities and deposits with financial institutions, net of cash flow hedges	–	(543)	(543)
Reclassification to earnings in respect of available-for-sale securities and deposits with financial institutions	–	(3)	(3)
Changes in gains (losses) on derivative financial instruments designated as cash flow hedges	–	16,543	16,543
Reclassification to earnings of gains (losses) on cash flow hedges	–	5,653	5,653
	–	21,650	21,650
Comprehensive income for the year ended March 31, 2008			51,635
Equity as at March 31, 2008	\$ 1,643,341	\$ 25,111	\$ 1,668,452
Equity as at March 31, 2006	\$ 1,348,995	\$ –	\$ 1,348,995
Net income for the year ended March 31, 2007	274,388		274,388
Equity as at March 31, 2007	\$ 1,623,383	\$ –	\$ 1,623,383
Equity as at March 31, 2005	\$ 1,150,274	\$ –	\$ 1,150,274
Net income for the year ended March 31, 2006	198,721		198,721
Equity as at March 31, 2006	\$ 1,348,995	\$ –	\$ 1,348,995

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

Consolidated Statement of Cash Flows

<i>For the years ended March 31 (\$ in thousands)</i>	2008	2007	2006
Cash flows from operating activities			
Net income	\$ 29,985	\$ 274,388	\$ 198,721
Adjustments to determine net cash flows:			
Provision for (recovery of) credit losses	12,906	(5,211)	688
Amortization	32,666	29,218	27,886
Net changes in accrued interest receivable and payable	(26,783)	2,217	(2,620)
Net changes in derivative financial instruments	17,653	6,595	3,712
Provision for loss on ABCP	253,133	-	-
Other items, net	40,913	(130,810)	46,775
Net cash provided by operating activities	360,473	176,397	275,162
Cash flows from financing activities			
Net change in deposits	2,939,760	2,382,530	2,030,276
Issuance of subordinated debentures	15,990	13,401	15,785
Repayment of subordinated debentures	(15,234)	(12,738)	(9,925)
Net cash provided by financing activities	2,940,516	2,383,193	2,036,136
Cash flows from investing activities			
Net change in interest-bearing deposits with financial institutions	(910,659)	(40,826)	(49,427)
Purchase of investment securities	(12,628,696)	(19,156,941)	(11,008,614)
Proceeds from investment securities	12,806,956	18,853,564	10,559,681
Net change in loans	(2,491,160)	(2,142,424)	(1,709,465)
Net purchases of premises and equipment	(63,980)	(72,300)	(52,298)
Net cash used in investing activities	(3,287,539)	(2,558,927)	(2,260,123)
Net increase in cash and cash equivalents	13,450	663	51,175
Cash and cash equivalents at beginning of year	78,117	77,454	26,279
Cash and cash equivalents at end of year, represented by cash	\$ 91,567	\$ 78,117	\$ 77,454
Supplementary cash flow information:			
Amount of interest paid during the year	\$ 638,758	\$ 483,563	\$ 355,715

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

Notes to the Consolidated Financial Statements

For the year 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 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

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, amortization of premises and equipment, assumptions underlying the accounting for employee future-benefit obligations, and the fair value of financial instruments, including derivative financial instruments and securities.

Basis of Consolidation

These consolidated financial statements include the assets, liabilities, and results of operations and cash flows of ATB and its subsidiaries. All inter-company 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; and
- 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 at the balance sheet date. Operating revenues and expenses related to foreign currency transactions are translated using the average exchange rate for the year. Realized and unrealized gains and losses arising from these translations are included in foreign exchange in the Consolidated Statement of Income.

Other Significant Accounting Policies

Other significant accounting policies followed in the preparation of these consolidated financial statements are disclosed throughout the following notes, along with the related financial disclosures.

Comparative Amounts

Certain comparative amounts have been reclassified where necessary to conform to the presentation adopted in the current year.

3. Changes in Accounting Policies

Effective April 1, 2007, ATB adopted new or revised accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"): CICA Handbook Section 1530, Comprehensive Income; Section 3855, Financial Instruments – Recognition and Measurement; Section 3861, Financial Instruments – Disclosure and Presentation; and Section 3865, Hedges. The adoption of new accounting policies to comply with these standards, often collectively referred to as "the financial instruments standards" or "the new standards," resulted in certain changes to ATB's accounting for financial instruments and hedges. As these new policies have been adopted prospectively, prior period results have not been restated and certain transition adjustments have been recorded in opening retained earnings and opening accumulated other comprehensive income as of April 1, 2007 (the transitional date).

Classification of and Accounting for Financial Instruments

Prior to adopting the new standards, ATB accounted for virtually all of its financial assets (principally cash resources, securities, and loans) and financial liabilities (principally deposits and subordinated debentures) on an accrual basis and measured them at cost or amortized cost, as applicable.

Section 3855 establishes a new framework for the recognition and measurement of financial assets, financial liabilities, and non-financial derivatives. All existing financial instruments have been classified as of April 1, 2007, according to this new framework, either based on the type of instrument or ATB's intention regarding the instrument, as described below. Any new financial instruments entered into after that date are classified on inception. This classification determines how financial instruments are accounted for under the new standards.

Held for Trading

As of April 1, 2007, ATB has classified certain interest-bearing deposits with financial institutions and securities denominated in foreign currencies as "held for trading" ("HFT"), and has maintained that classification through March 31, 2008. As at March 31, 2008, ATB held \$103,380 HFT assets (April 1, 2007: \$92,860).

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).

Financial Assets and Liabilities Designated as Held for Trading under the Fair Value Option

ATB may designate any financial instrument as HFT on initial recognition or adoption of the new standard if fair value can be reliably determined, irrespective of whether the instrument would otherwise qualify as HFT.

ATB has not designated any financial instruments as HFT under the fair value option as of March 31, 2008 (or as of April 1, 2007).

Available for Sale

As of April 1, 2007, ATB has classified interest-bearing deposits with financial institutions and most securities denominated in Canadian dollars as "available for sale" ("AFS") and has maintained that classification through March 31, 2008.

Financial assets classified as AFS are measured on the Consolidated Balance Sheet at fair value, with changes in fair value (unrealized gains or losses), including any foreign exchange component, being recognized in other comprehensive income rather than net income. Unrealized gains and losses from changes in fair value are not ordinarily recognized in income but are recognized in accumulated other comprehensive income ("AOCI") until sale, when the cumulative gain or loss on disposal is transferred 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 earned prior to disposal continues to be recognized on an accrual basis as interest income.

Held to Maturity

ATB may classify non-derivative financial assets as "held to maturity" ("HTM") if the assets have fixed or determinable payments, 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.

As of March 31, 2008, the total HTM assets was \$35,483 (nil for April 1, 2007).

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).

Effective Interest Rate Method

Prior to adopting the new standards, all transaction and origination costs relating to financial assets and liabilities were expensed as incurred within non-interest expenses in the Consolidated Statement of Income. Significant loan fees were deferred and recognized in the Consolidated Statement of Income as net interest income on a straight-line basis over the term of the loan. Amortized cost for loans and deposits was determined on the basis of the contractual rate, as was any related interest income and interest expense.

On adoption of the new standards, ATB adjusted the balance of deferred loan fees as of April 1, 2007, as if all origination, restructuring, and renegotiation fees were deferred as received, and amortized into income using the effective interest rate method. Incremental direct costs relating to the origination of loans are netted against deferred loan fees and are 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.

Derivatives and Hedge Accounting

ATB enters into over-the-counter derivative contracts in the normal course of business. These contracts are used either for ATB's own risk management purposes to manage its exposure to fluctuations in interest rates or equity markets or are used to facilitate ATB's clients' own risk management programs. These contracts are hereinafter referred to as the "corporate" or "non-trading" portfolio and the "client" or "trading" portfolio, respectively. (Refer to Note 14 to the statements for a complete description of these derivative financial instruments.)

Prior to adopting the new standards, ATB's corporate derivative contracts that qualified for hedge accounting in accordance with Accounting Guideline 13 ("AcG-13") were accounted for on an accrual basis with any income or expense amounts attributable to the hedging instruments recognized in the Consolidated Statement of Income in the same category and period as the related hedged item. The fair value of derivative contracts that qualified for hedge accounting was not recognized in the Consolidated Balance Sheet during the life of the hedging relationship. Client derivatives and any corporate derivatives that did not meet the criteria for hedge accounting were measured at fair value and recognized as an asset or liability in the Consolidated Balance Sheet, with changes in fair value recognized in the Consolidated Statement of Income.

The new standards for financial instruments require all derivative financial instruments, including "embedded derivatives," to be classified as HFT and measured at fair value on the Consolidated Balance Sheet beginning April 1, 2007. 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 now 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.

Embedded Derivatives

Embedded derivatives are components within a financial instrument or other contract that have features similar to a derivative. Under the new standards, embedded derivatives having economic characteristics and risks that are not considered closely related to the characteristics and risks of the host contract may need to be accounted for separately if a separate instrument having the same terms would qualify as a derivative and if the host contract is not already measured at fair value. Prior to adopting the new standards, ATB did not account for embedded derivatives separately from the host contract.

On and subsequent to adoption of the new standards, ATB reviewed contracts signed after March 31, 2004, and identified embedded derivatives within certain extendible loan contracts and within all equity-linked deposit contracts. As of and subsequent to April 1, 2007, any such embedded derivatives not considered closely related to the host contract have been accounted for separately as derivative assets or liabilities.

Hedge Accounting

Section 3865 establishes new criteria under which hedge accounting may be applied to ATB's corporate derivatives, which are held for risk management purposes. Hedge accounting is optional and allows the 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 under the new standards, the hedging relationship between the derivative (hedging) instrument and the hedged item(s) must be designated and formally documented at inception in accordance with the new requirements of Section 3865. 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.

As of April 1, 2007, ATB has discontinued hedge accounting for certain previously effective cash flow hedges and any previously effective fair value hedges. The cumulative unrealized gain or loss on such derivative instruments as of April 1, 2007, was recognized in opening retained earnings on the transition date.

No derivative instruments have been designated as fair value hedges as of March 31, 2008 (or as of April 1, 2007).

Cash Flow Hedges

The derivative instrument in a cash flow hedge is 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 variable rate 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 AOCI are reclassified from other comprehensive income into net income in the same period that the underlying hedged item affects net income.

To the extent cash-flow-hedging relationships that existed prior to adoption of the new standards are continued and qualify under the new criteria, any cumulative unrealized gain or loss on the hedging instrument that is attributable to the effective portion of the hedge relationship as of April 1, 2007, was recognized in AOCI and that portion of the unrealized gain or loss attributable to the ineffective portion was recognized in opening retained earnings on transition.

The fair value of corporate derivative instruments that have been designated and qualify as cash flow hedges as of March 31, 2008 (and as of April 1, 2007), is disclosed in Note 14.

Comprehensive Income and Accumulated Other Comprehensive Income

Comprehensive income is comprised of net income and other comprehensive income. For ATB, other comprehensive income includes net unrealized gains and losses on securities and interest-bearing deposits with financial institutions classified as AFS and changes in fair value of the effective portion of cash-flow-hedging derivative financial instruments.

Amounts recognized in other comprehensive income will eventually be reclassified to the Consolidated Statement of Income and reflected in net income as gains or losses once securities and interest-bearing deposits with financial institutions classified as AFS are realized or as cash-flow-hedging derivative financial instruments become ineffective.

Comprehensive income and its components are disclosed in the new Consolidated Statement of Changes in Equity. This statement also presents the continuity of AOCI. The cumulative amount of other comprehensive income recognized, AOCI, represents a new component of equity on the Consolidated Balance Sheet.

Transition Adjustments

On ATB's adoption of new accounting policies for financial instruments, the following transition adjustments have been recorded as adjustments to the opening April 1, 2007, balances of assets, liabilities, and equity:

<i>(\$ in thousands)</i>	Assets	Liabilities	Retained earnings	Accumulated other comprehensive income
Unrealized gains on securities and deposits with financial institutions classified as available for sale, net	\$ 715	\$ –	\$ –	\$ 715
Unrealized (losses) on securities and deposits with financial institutions classified as held for trading, net	(2)	–	(2)	–
Effective-yield adjustment of loan portfolio for loan and credit fees	(5,121)	–	(5,121)	–
Fair value of corporate derivative instruments previously not recognized	57,072	(1,522)	55,848	2,746
Fair value of derivative instruments embedded in loans and deposits	–	60,518	(60,518)	–
Ineffective portion of cash flow hedges	(88)	–	(88)	–
Reversal of transition balances deferred on adoption of AcG-13	–	(171)	171	–
Carrying amounts no longer considered assets or liabilities	–	317	(317)	–
	\$ 52,576	\$ 59,142	\$ (10,027)	\$ 3,461

Other

On adoption of the new standards, ATB elected to recognize investment transactions relating to its securities portfolio on a settlement date basis.

4. 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 (refer to Note 9) and other liabilities (refer to Note 11).

The March 31, 2008, carrying value consists of \$1,862,534 of interest-bearing deposits with financial institutions classified as AFS, and \$65,696 classified as HFT.

5. Securities

Securities consist of investments in commercial paper and debt securities issued by the federal and provincial governments and investment grade banks. All debt securities held 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, calculated using the average-cost method are included in other income in the Consolidated Statement of Income.

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

	As at March 31, 2008			March 31, 2007
	Less than 1 year	Greater than 5 years	Total carrying value	Total carrying value ⁽¹⁾
Issued or guaranteed by the Canadian federal government	\$ 161,304	\$ –	\$ 161,304	\$ 110,705
Commercial paper				
Third-party-sponsored ABCP	–	825,984	825,984	1,267,340
Bank-sponsored ABCP	–	76,333	76,333	300,865
Corporate paper	182,766	–	182,766	997
Total commercial paper	182,766	902,317	1,085,083	1,569,202
Other	7,131	–	7,131	4,914
	\$ 351,201	\$ 902,317	\$ 1,253,518	\$ 1,684,821

(1) March 31, 2007, comparative amounts have been measured at cost. (Refer to Note 3 for more information on the change in accounting policy.)

The March 31, 2008, carrying value consists of \$1,180,351 of securities classified as AFS, \$37,684 HFT, and \$35,483 HTM.

The total carrying value of corporate debt securities in the preceding schedule includes securities denominated in US funds totalling \$37,684 as at March 31, 2008 (2007: \$29,414).

As described in Note 15, ATB has pledged certain securities and interest-bearing deposits with financial institutions as at March 31, 2008, having total carrying value of \$362,500 (2007: \$313,300).

Third-Party-Sponsored Asset-Backed Commercial Paper

The Canadian market for third-party- or non-bank-sponsored asset-backed commercial paper ("ABCP") suffered a liquidity disruption in mid-August 2007, following which a group of market participants, including major investors, banks, asset providers, dealers, and third-party sponsors, agreed to work collectively to restructure this market segment. As at March 31, 2008, ATB holds investments in such ABCP with a net carrying value of \$826.0 million (or \$1.1-billion gross investment, excluding the \$243.0-million provision) as detailed in the table above. This agreement, which came to be known as the Montreal Accord (the "Accord"), provided for a standstill period during which participating investors would not demand repayment of their ABCP investments as they matured and the commercial paper issuers would not make liquidity calls to their liquidity providers who, in turn, would not demand additional collateral from the issuers. Participants to the Accord also agreed in principle to conversion of the ABCP notes into longer-term floating-rate notes ("FRNs") with maturities corresponding to those of the underlying assets. The Pan-Canadian Investors Committee ("Investors Committee") was subsequently established to oversee the orderly restructuring of these instruments during this standstill period. ATB is a signatory to the Accord and a member of the Investors Committee, and continues to actively support the restructuring process.

When these ABCP investments were originally purchased by ATB, Dominion Bond Rating Service had rated them R-1 (High) and they complied with the criteria of ATB's investment policy.

Anticipated Restructuring—Montreal Accord

On March 20, 2008, a Notice of Proceedings and Meeting was issued in respect of the plan of compromise and arrangement (the “Plan”) proposed and supported by the Investors Committee pursuant to the Companies’ Creditors Arrangement Act (Canada). This Plan provides for the comprehensive restructuring of all the outstanding third-party debt obligations (the “affected ABCP”) under the Accord. Investors’ holdings of ABCP backed by traditional or ineligible assets will be restructured separately as TA tracking notes or IA tracking notes, while notes backed primarily by synthetic assets will be pooled with those of other investors into one of two entities that the Investors Committee refers to as “master asset vehicles” (“MAV1” and “MAV2”). Based on this and other public information, it is estimated that, of the \$1.0 billion of ABCP in which ATB has invested:

- \$75.8 million is represented by traditional securitized assets, and, on restructuring, ATB expects to receive TA tracking long-term FRNs with a maturity of approximately 6.4 to 8.3 years;
- \$943.9 million is represented by a combination of leverage-collateralized debt, synthetic assets, and traditional securitized assets, and upon restructuring, ATB expects to receive replacement senior Class A-1 and Class A-2 and subordinated Class B and Class C long-term FRNs with maturities of approximately 8.5 years. ATB expects to receive replacement notes with par values as follows:
 - Class A-1: \$445.8 million
 - Class A-2: \$400.8 million
 - Class B: \$69.0 million
 - Class C: \$28.3 million

The replacement senior notes are expected to obtain a rating of AA, while the replacement subordinated notes are likely to be unrated; and

- \$13.8 million is represented by assets that have an exposure to US sub-prime mortgages. On restructuring, ATB expects to receive IA tracking long-term FRNs with maturities of approximately 8.5 years. There has been no indication whether these notes will be rated or not.

In order for the restructuring to proceed, the Plan requires the support of noteholders constituting a majority in number (i.e., 50% plus 1 of the number of noteholders) and representing not less than 66 2/3% of the total aggregate principal amount of affected ABCP. While there is no guarantee as at March 31 that the restructuring will succeed as outlined, the likelihood of success was assumed to be highly probable in our valuation.

Under its current regulatory framework, ATB is restricted from making investments in a single entity in excess of 25% of ATB’s capital. Under the terms of the current Plan, ATB’s post-restructuring holdings in notes of a MAV would exceed that limit. As at March 31, 2008, ATB is currently working with the Government of Alberta to resolve this matter and is assuming a successful resolution for the purposes of the estimated valuation of the subject assets. (Refer to Note 22 to the statements for further details.)

Skeena Capital Trust

Skeena Capital Trust, one ABCP investment held by ATB that was subject to the Accord, was successfully restructured in December 2007. ATB received a combination of cash (\$55.7 million) and a long-term FRN (\$34.8 million) issued by a successor trust in exchange for its holdings of \$91.9 million in the Skeena Capital Trust. The FRN, with a rate of Canadian Deposit Offering Rate + 155 basis points and a nine-year term, was recorded on initial recognition as a held-to-maturity investment at a fair value of \$35.5 million—resulting in a net loss on the Skeena Capital Trust of \$0.6 million, or 0.69% of ATB’s original investment. This loss is included in the provision for loss on asset-backed commercial paper in the Consolidated Statement of Income.

Valuation—Montreal Accord

In the continued absence of an active market for the third-party-sponsored ABCP subject to the Accord, ATB has estimated the fair value of these investments as at March 31, 2008, using a probability-weighted discounted cash-flow valuation model. This model incorporates management’s best estimates of multiple factors, updated to reflect market-related and other additional information that has become available since the corresponding valuation as at December 31, 2007.

Although the issuance of the Plan removes much of the uncertainty relating to the structure of the expected follow-on investment, there still remains a level of inherent uncertainty as to the outcome of the vote for support and whether other ongoing negotiations will succeed. As a result, management was required to make a number of significant assumptions in modelling the estimated fair value of these ABCP investments. In particular, management has assumed a very high probability of success of the Accord under the terms outlined in the Plan.

In determining the estimated fair value of these ABCP investments, management assumed that ATB will participate in MAV1 and used the cost of the facility in MAV2 as the basis for estimating the value of the MAV1 self-insured margin-funding facility. The valuation model does not contemplate any potential costs that would be incurred in the event that ATB chooses to hedge any portion of this facility guarantee. The fair value of any such arrangement would be recognized as a liability (with a corresponding charge to net income) in the period that the arrangement is established. Depending on the terms and conditions arranged, the value of that liability (and the charge to net income) could be material to our financial results.

The valuation model also involves assumptions regarding the difference between the yield ATB expects to earn from the restructured FRNs and the appropriate market-discount rate attributable to such investments. The estimated investment yields were determined based on available information. The estimated market-discount rates for the various types of follow-on investments (traditional and the A-1, A-2, B, and C notes in MAV1) were determined by reference to market rates for other market investments and appropriate forward-credit indices. They were then adjusted to include an estimated premium to reflect the expected lack of liquidity in the restructured floating-rate notes together with the leveraged nature of the underlying assets, and were adjusted for subordination where appropriate. Management's best estimate from this exercise is that for traditional and synthetic assets there will be a shortfall between the expected yield and expected discount rate of between 85 basis points (for traditional tracking notes) and 648 basis points (for C notes).

The valuation model also incorporates assumptions regarding the probability of success or failure of the restructuring process for each of the various assets or, in the event of such a failure, the probability of an alternate restructuring plan, or the continued recovery of asset value by each trust separately, either as a going concern or by way of an orderly liquidation. The likelihood of a comprehensive failure of the Investors Committee to implement the restructuring pursuant to the Accord is considered remote. Other significant assumptions include the expected date of issuance of the restructured investments and the repayment on restructuring of interest earned on the ABCP notes since the date of disruption at the original rate for each investment.

The valuation of the ineligible assets (primarily US sub-prime assets) is based on information detailed in the Plan and the accompanying Report of Restructuring.

Bank-Sponsored Asset-Backed Commercial Paper

During the fourth quarter of 2008, the two bank-sponsored ABCP investments held by ATB suffered a liquidity disruption and were at some risk of liquidation—which would have resulted in losses to ATB. Separate restructuring plans have been announced for both of these trusts outside of the Accord. In general, these restructuring plans are similar to the Accord in that the current investments will be restructured into long-term notes (approximately nine years) to match the maturity date of the underlying assets. The expectation is that both of these trusts will be restructured on or before May 30, 2008. In the absence of an active market for these investments, ATB has estimated their fair value as at March 31, 2008, using a probability-weighted discounted-cash-flow valuation model similar to the approach used for the Accord holdings. Key assumptions included:

- expected cash flows—interest is expected to be paid monthly over a nine-year term, with anticipated lump sum principal payments and ultimate full repayment at the end of nine years;
- an appropriate market-discount rate to use in the discounted cash flow—expected shortfall between the expected yield and the expected discount rate to range from 197 to 380 basis points; and
- expected credit losses and the cost of any required margin-funding facility.

Fair Value Provision

Based on the two analyses described above (and as outlined in the following table), ATB has determined that a total fair value provision of \$252.5 million is required to adjust downward the carrying value of its ABCP holdings (both third-party- and bank-sponsored ABCP). This provision is considered to represent an other-than-temporary impairment in the value of these investments and has been reflected as a separate charge in the Consolidated Statement of Income.

<i>(\$ in thousands)</i>	Gross investment including accrued interest ⁽¹⁾	Provision	Estimated fair value	Provision %
Montreal Accord asset-backed commercial paper				
Synthetic assets	\$ 965,545	\$ (224,368)	\$ 741,177	23.24%
Traditional assets	77,465	(4,805)	72,660	6.20%
Ineligible assets	13,826	(13,826)	–	100.00%
	1,056,836	(242,999)	813,837	22.99%
Bank-sponsored asset-backed commercial paper				
	85,834	(9,501)	76,333	11.07%
Fair value provision	\$ 1,142,670	\$ (252,500)	\$ 890,170	22.10%
Realized loss on Skeena Capital Trust		(633)		
Total income statement provision		\$ (253,133)		

(1) Includes \$23.3 million of interest recognized and accrued in other assets since the market disruption.

In addition to this fair value provision, ATB accrued \$2.0 million in the second quarter for its estimated share of restructuring costs associated with the Accord. This provision is considered adequate and no additional provision for such expenditures is anticipated.

Measurement Uncertainty

The ongoing nature of the restructuring negotiations contributes to a lack of certainty regarding the outcome of the restructuring process. This lack of certainty, in turn, contributes to significant measurement uncertainty in management's best estimate of the fair value of ATB's current ABCP investments. Since the eventual timing and amount of future cash flows attributable to these assets may vary significantly from management's current best estimates, 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.

Other

Of the total \$826.0 million (net of provision and accrued interest) of third-party-sponsored ABCP held by ATB as at March 31, 2008, \$255.0 million was acquired through an exchange with our Investor Services subsidiaries as of August 24, 2007. These assets were acquired at par value in exchange for cash and ATB term-deposit certificates. The balance of our investments in third-party-sponsored ABCP was acquired before the mid-August market disruption through our short-term liquidity management program.

6. Loans

Loans are recorded at amortized cost using the effective interest rate method, net of specific and general allowance for credit losses. (Refer to Note 3 for details of the effective interest rate method.) Interest income related to loans is accounted for using the accrual basis of accounting.

Impaired Loans

Impaired loans, except for credit cards, are classified as such when there is no longer reasonable assurance as to the timely collection of principal and interest, or when principal or interest payments are 90 days past due. 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 past 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.

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 write-offs 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 there is reasonable assurance of the timely collection of all principal and interest, all arrears have been collected, 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. The value of such assets as at March 31, 2008 (and March 31, 2007), is insignificant.

Loans consist of the following:

(\$ in thousands)	2008				2007
	Gross loans	Specific allowances	General allowances	Net carrying value	Net carrying value
Residential mortgages	\$ 7,719,066	\$ 519	\$ 10,623	\$ 7,707,924	\$ 6,956,015
Personal	4,089,104	2,084	25,095	4,061,925	3,077,539
Credit card	450,007	–	13,932	436,075	357,953
Agricultural	1,273,976	1,450	13,922	1,258,604	1,285,155
Independent business	2,176,224	3,603	43,906	2,128,715	2,105,003
Commercial	3,896,910	1,104	45,532	3,850,274	3,212,664
	\$19,605,287	\$ 8,760	\$ 153,010	\$19,443,517	\$ 16,994,329

The total net carrying value of loans above includes residential mortgages insured primarily by Canadian Mortgage and Housing Corporation, totalling \$3,434,926 as at March 31, 2008 (2007: \$3,320,885), and other insured loans, totalling \$97,541 (2007: \$101,615).

The total net carrying value of loans above includes loans denominated in US funds, totalling \$233,212 as at March 31, 2008 (2007: \$133,562).

Impaired loans (included in the preceding schedule) consist of the following:

(\$ in thousands)	2008			2007
	Gross impaired loans	Specific allowances	Net carrying value	Net carrying value
Residential mortgages	\$ 13,896	\$ 519	\$ 13,377	\$ 12,186
Personal	6,697	2,084	4,613	3,960
Agricultural	10,750	1,450	9,300	12,866
Independent business	9,738	3,603	6,135	3,937
Commercial	1,298	1,104	194	1,779
	\$ 42,379	\$ 8,760	\$ 33,619	\$ 34,728

Concentration of Credit Risk

ATB faces credit risk from the risk of loss due to borrowers failing to meet their financial obligations. The loan portfolio represents the largest single source of credit risk to ATB, but credit risk also arises from off-balance-sheet transactions such as over-the-counter derivatives and other credit instruments (see Notes 14 and 15, respectively).

Concentrations of credit risk exist where a significant number of credit consumers are located in the same geographic region, engage in similar activities, or have similar economic characteristics. Their ability to meet their contractual obligations to ATB is similarly affected by changes in economic, political, or other conditions. ATB is inherently exposed to significant concentrations of credit risk as its customers are all participants in the Alberta economy, which, in past decades, 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 geographical regions of Alberta.

As at March 31, 2008, no single industry segment represents more than 23.84% of total gross business loans, and no single borrower represents more than 0.51% of the total gross loan portfolio (2007: 25.65% and 0.45%, respectively).

7. 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 any credit risk relating to off-balance-sheet items such as loan guarantees and letters of credit (see Note 15).

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 in excess of the related loan balance, is 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 an item-by-item 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 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 loan loss allowance ("GLLA") 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 the establishment of 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 installment loans, residential mortgages, and personal credit cards, adjusted for expected 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 expected 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 thus determined 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 that are considered to increase credit risk, an additional special general allowance may be established. Such allowances are established to provide for losses inherent in the credit portfolio that have not been specifically identified and that the general allowance is not considered sufficient to 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 follow-on probability of default, potential loss given default, and level of expected recoveries, if any, are also considered.

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

(\$ in thousands)	Specific			General			Total		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Balance at beginning of year	\$ 15,352	\$ 19,348	\$ 32,147	\$ 141,827	\$ 145,099	\$ 140,829	\$ 157,179	\$ 164,447	\$ 172,976
Write-offs	(10,224)	(7,262)	(14,584)	-	-	-	(10,224)	(7,262)	(14,584)
Recoveries	5,045	5,205	5,367	-	-	-	5,045	5,205	5,367
Provision for (recovery of) credit losses, excluding impact of new GLLA methodology	1,723	(1,939)	(3,582)	11,183	21,057	4,270	12,906	19,118	688
Impact of new GLLA methodology ⁽¹⁾	-	-	-	-	(24,329)	-	-	(24,329)	-
Balance at end of year	11,896	15,352	19,348	153,010	141,827	145,099	164,906	157,179	164,447
Less: Allowance for cost of credit recovery included in other liabilities	3,136	3,345	3,243	-	-	-	3,136	3,345	3,243
Allowance for credit losses	\$ 8,760	\$ 12,007	\$ 16,105	\$ 153,010	\$ 141,827	\$ 145,099	\$ 161,770	\$ 153,834	\$ 161,204

(1) During the second quarter of the prior fiscal year, ATB implemented a refined methodology for establishing the level of its general loan loss allowance. This represented a change in estimate, was accounted for prospectively, and resulted in a one-time recovery of \$24.3 million.

8. Premises and Equipment

Premises and equipment are carried at cost less accumulated amortization, except for land, which is carried at cost. Buildings, computer equipment and software, other equipment, and leasehold improvements are amortized on a straight-line basis over their estimated useful lives. No amortization is calculated on assets under construction and under development until the asset is placed into use. The estimated useful lives for the various asset classes are as follows:

- Buildings Up to 20 years
- Computer equipment and software 3 to 5 years
- Other equipment 5 to 10 years
- Leasehold improvements Lease term plus first renewal period, to a maximum of 10 years

(\$ in thousands)	2008			2007
	Cost	Accumulated amortization	Net carrying value	Net carrying value
Land	\$ 7,546	\$ -	\$ 7,546	\$ 7,310
Buildings	74,789	57,508	17,281	14,467
Computer equipment and software	129,020	85,300	43,720	38,264
Other equipment	42,683	31,212	11,471	11,886
Leasehold improvements	109,183	68,493	40,690	41,356
Computer equipment and software under development	55,482	-	55,482	45,534
Leasehold improvements under construction	32,685	-	32,685	18,744
	\$ 451,388	\$ 242,513	\$ 208,875	\$ 177,561

Amortization expense charged to the Consolidated Statement of Income for the year ended March 31, 2008, in respect of the above assets was \$32,666 (2007: \$29,218; 2006: \$27,886).

Gains and losses on the disposal of assets 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 any such impaired assets are written down to their estimated fair value. There were no such impairment write-downs recognized during the year ended March 31, 2008 (2007: nil; 2006: nil).

9. Other Assets

Other assets are comprised of the following:

<i>(\$ in thousands)</i>	2008	2007
Accrued interest receivable	\$ 177,617	\$ 146,292
Cheques and other items in transit	66,300	127,200
Accrued pension-benefit asset (Note 13)	20,826	20,164
Prepaid expenses and other receivables	40,475	17,509
Other	2,978	3,028
	\$ 308,196	\$ 314,193

10. Deposits

Deposit balances are comprised as follows:

<i>(\$ in thousands)</i>	Payable on demand	Payable after notice	Payable on a fixed date						2008 Total	2007 Total
			Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years		
Personal	\$ 1,534,146	\$ 2,237,142	\$ 3,209,973	\$ 1,860,978	\$ 588,724	\$ 155,475	\$ 171,362	\$ 40	\$ 9,757,840	\$ 9,156,823
Business	3,710,531	1,091,533	3,008,129	147,856	48,227	14,994	14,320	–	8,035,590	7,430,036
Wholesale	–	–	1,988,272	–	–	796,579	398,290	199,145	3,382,286	1,665,979
	\$ 5,244,677	\$ 3,328,675	\$ 8,206,374	\$ 2,008,834	\$ 636,951	\$ 967,048	\$ 583,972	\$ 199,185	\$ 21,175,716	\$ 18,252,838

Total deposits presented above include \$423,488 (2007: \$229,840) denominated in US funds.

As at March 31, 2008, deposits by various departments and agencies of the Government of Alberta included in the preceding schedule total \$3,048 (2007: \$2,262) and include deposits for loans made under the Alberta Farm Credit Stability Program in the amount of \$149 (2007: \$516).

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, 2008, the fee was \$20,210 (2007: \$15,990).

11. Other Liabilities

Other liabilities are comprised of the following:

<i>(\$ in thousands)</i>	2008	2007
Accrued interest payable	\$ 161,072	\$ 156,675
Accounts payable and accrued liabilities	137,035	131,537
Cheques and other items in transit	17,200	17,700
Deposit-guarantee fee payable	20,210	15,990
Due to clients, brokers, and dealers	3,301	11,837
Accrued pension-benefit liability (Note 13)	4,779	3,887
	\$ 343,597	\$ 337,626

12. Subordinated Debentures

ATB privately places debentures with the Crown in right of Alberta. These debentures, which are unsecured and subordinated to deposits and other liabilities, are issued following each fiscal year-end in respect of ATB's obligation for the year's deposit-guarantee fee (see Note 10). These subordinated debentures are non-convertible, non-redeemable, non-transferable, and bear a fixed rate of interest payable semi-annually.

ATB's obligation for the deposit-guarantee fee for the year ended March 31, 2008, is recorded in other liabilities in the Consolidated Balance Sheet (see Note 11). Subordinated debentures issued to March 31, 2008, are comprised of the following:

Maturity date (\$ in thousands)	Interest rate	2008	2007
June 30, 2007	5.810%	\$ –	\$ 15,234
June 30, 2008	4.287%	15,985	15,985
June 30, 2009	3.800%	11,837	11,837
June 30, 2010	4.200%	15,785	15,785
June 30, 2011	4.630%	13,401	13,401
June 30, 2012	4.450%	15,990	–
		\$ 72,998	\$ 72,242

13. Employee Future Benefits

ATB provides future benefits to current and past employees through a combination of defined benefit and defined contribution 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 defined benefit pension plan that provides benefits based on members' years of service and earnings. ATB provides its management employees with a registered pension plan ("ATB Plan") with defined benefit ("DB") and defined contribution ("DC") provisions. ATB also provides a non-registered defined benefit supplemental 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 (hereinafter referred to as the "PSPP take-on"). The arrangements formalized ATB's commitment to provide combined pensionable service ("CPS") benefits for qualifying members whose CPS benefits were affected by the withdrawal of ATB from the Management Employees Pension Plan.

Following the execution of 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 annual transfers of obligations and assets in respect of management employees promoted in the previous calendar year.

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

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 prorated 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.

In the prior year, ATB changed its accounting policy to determine the actuarial value of plan assets and to develop management's best estimate of the expected long-term rate of return on plan assets, net of investment expenses. The impact of this change was not material and was implemented prospectively in the prior year. Whereas the market-related method used in prior years reflected the expected return that would be earned by the ATB Plan's assets based on their market-related value (reflecting changes in the fair value of plan assets using a four-year moving average), the new market-value method uses market value of plan assets without any averaging adjustment.

An initial transition asset (which arose as of March 31, 1999, when ATB prospectively adopted the then-new accounting standard on employee future benefits) is being amortized on a straight-line basis over 10 years, the expected average remaining service period ("EARS") of active participants as at that time. A past-service amendment (which arose as of April 1, 2003, when the SRP was amended to include limits to pensionable earnings, reducing the accrued benefit obligation related to then-past services) is being amortized on a straight-line basis over 14 years, the EARS of participants expected to receive supplemental benefits as at that time.

In conjunction with the PSPP take-on, ATB formalized its commitment to provide CPS benefits to active and inactive DB members with PSPP service. The estimated net impact of this was accounted for as a plan amendment in the year ended March 31, 2006. The March 31, 2006, projected benefit obligation of the DB plan was increased by \$5,438 (in respect of active members) and increased by \$686 for other pension obligations (in respect of inactive members).

Effective July 15, 2006, benefit obligations of \$35,149 and assets of \$21,918 (plus market return to the payment date) were transferred into the ATB Plan in conjunction with the PSPP take-on. This net additional liability of \$13,231 accepted by the DB plan represents a past-service cost and is being amortized on a straight-line basis over 10.6 years, the EARSP of members subject to the transfer as at that time.

Accounting for PSPP and Defined Contribution Plans

ATB accounts for its participation in the PSPP on the same basis as 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 human resources in the Consolidated Statement of Income. For the year ended March 31, 2008, expenses related to the PSPP were \$6,564 (2007: \$5,457; 2006: \$4,570) and expenses related to DC provisions of the ATB Plan were \$6,861 (2007: \$6,927; 2006: \$5,676).

Plan Valuations, Asset Allocation, and Funding

ATB measures its accrued benefit obligations and the market values of plan assets for accounting purposes as at March 31 each year for the ATB Plan, SRP, and OPEB obligations. The most recent actuarial valuation of the DB provisions of the ATB Plan ("the DB Plan") for funding purposes was performed as of December 31, 2005. Following the PSPP take-on, this valuation was updated in respect of members subject to the PSPP take-on, and a funding deficiency was determined to exist. ATB made a special payment of \$22,510 on December 15, 2006, to eliminate the solvency deficiency. The next required valuation date for funding purposes is 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:

(in %)	Target March 31, 2008		Actual	Target 2005–2007 ⁽¹⁾		Actual	Actual
	Normal	Min–Max	2008	Normal	Min–Max	2007	2006
Equities							
Canadian	25	20–30	24	40	30–50	27	44
Foreign	45	40–50	41	30	20–40	43	28
	70		65	70		70	72
Fixed Income							
Canadian	30	20–40	35	30	25–40	30	28
Cash	–	0–15	–	–	0–15	–	–
	100		100	100		100	100

(1) Target asset allocations were amended March 27, 2007.

ATB makes regular funding contributions to the DB Plan in accordance with 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.

Cash Payments

Total cash paid or payable for employee future benefits for the year ended March 31, 2008—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 \$17,636 (2007: \$39,024; 2006: \$13,202).

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 comprise the SRP, obligations recognized in respect of the CPS benefit obligation to inactive plan members, and OPEB) are comprised of the following:

<i>(\$ in thousands)</i>	2008	2007
Registered plan		
Fair value of plan assets	\$ 143,800	\$ 154,277
Projected benefit obligation	(151,063)	(163,129)
Plan funding deficit	(7,263)	(8,852)
Unamortized initial-transition asset	(394)	(788)
Unamortized past-service amendment	16,012	15,466
Unamortized actuarial net loss	12,471	14,338
Accrued pension-benefit asset	\$ 20,826	\$ 20,164
Supplemental and other		
Unfunded projected benefit obligation, representing the plan funding deficit	\$ (6,131)	\$ (6,513)
Unamortized past-service amendment	1,626	1,833
Unamortized actuarial net (gain) loss	(274)	793
Accrued pension-benefit liability	\$ (4,779)	\$ (3,887)

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 9 and 11, respectively.)

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 are comprised of the following:

(\$ in thousands)	Registered plan			Supplemental and other		
	2008	2007	2006	2008	2007	2006
Change in fair value of plan assets						
Fair value of plan assets at beginning of year	\$ 154,277	\$ 94,127	\$ 78,170	\$ -	\$ -	\$ -
Contributions from ATB	3,507	26,503	2,374	704	137	393
Contributions from employees	1,061	1,065	1,069	-	-	-
Actual (loss) return on plan assets	(11,351)	11,903	16,220	-	-	-
Benefits paid	(6,116)	(3,752)	(2,798)	(704)	(137)	(393)
Net transfer in – PSPP take-on 2006	-	21,918	-	-	-	-
Net transfer in – PSPP take-on 2007	-	3,574	-	-	-	-
Net transfer in – PSPP take-on 2008	3,367	-	-	-	-	-
Actual plan expenses	(945)	(1,061)	(908)	-	-	-
Fair value of plan assets at end of year	\$ 143,800	\$ 154,277	\$ 94,127	\$ -	\$ -	\$ -
Change in projected benefit obligation						
Projected benefit obligation at beginning of year	\$ 163,129	\$ 118,040	\$ 95,894	\$ 6,513	\$ 2,442	\$ 1,541
Actuarial (gain) loss	(24,055)	(4,638)	10,294	(1,046)	447	294
Current-service cost	2,352	3,064	2,365	976	633	221
Contributions from employees	1,061	1,065	1,069	-	-	-
Plan amendments re PSPP take-on	-	-	5,438	-	-	686
Plan amendment – earnings maximum	-	-	-	-	2,838	-
Plan amendment – PSPP take-on 2006	-	13,231	-	-	-	-
Plan amendment – PSPP take-on 2007	-	2,727	-	-	-	-
Plan amendment – PSPP take-on 2008	2,548	-	-	-	-	-
Net transfer in – PSPP take-on 2006	-	21,918	-	-	-	-
Net transfer in – PSPP take-on 2007	-	3,574	-	-	-	-
Net transfer in – PSPP take-on 2008	3,367	-	-	-	-	-
Interest cost	8,777	7,900	5,778	392	290	93
Benefits paid	(6,116)	(3,752)	(2,798)	(704)	(137)	(393)
Projected benefit obligation at end of year	\$ 151,063	\$ 163,129	\$ 118,040	\$ 6,131	\$ 6,513	\$ 2,442

Defined Benefit Pension Expense

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

(\$ in thousands)	Registered plan			Supplemental and other		
	2008	2007	2006	2008	2007	2006
Current-service cost (including provision for expenses)	\$ 3,252	\$ 4,264	\$ 3,265	\$ 976	\$ 633	\$ 221
Interest cost on projected benefit obligation	8,777	7,900	5,778	392	290	93
Plan amendments	2,548	15,958	5,438	–	2,838	686
Actual loss (return) on plan assets	11,351	(11,903)	(16,220)	–	–	–
Actuarial (gains) losses	(24,055)	(4,638)	10,294	(1,046)	447	294
	1,873	11,581	8,555	322	4,208	1,294
Adjustments to recognize the long-term nature of employee future-benefit costs:						
Difference between actual and expected return on plan assets	(22,143)	4,080	10,659	–	–	–
Difference between actual actuarial (gains) losses arising and actuarial (gains) losses amortized	24,055	6,130	(8,064)	1,067	(437)	(282)
Amortization of initial transition asset	(394)	(394)	(394)	–	–	–
Difference between actual past-service amendment arising and past-service amendments amortized	(546)	(14,408)	(1,058)	207	(2,651)	(219)
Net pension-benefit expense recognized	\$ 2,845	\$ 6,989	\$ 9,698	\$ 1,596	\$ 1,120	\$ 793

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		
	2008	2007	2006	2008	2007	2006
Accrued benefit obligation as at March 31						
Discount rate at end of year	6.20%	5.30%	5.40%	6.20%	5.30%	5.40%
Rate of compensation increase ⁽¹⁾	4.40%	4.60%	5.20%	6.00%	5.80%	4.70%
Defined benefit expense for the year ended						
Discount rate at beginning of year	5.30%	5.40%	5.90%	5.30%	5.40%	5.90%
Expected long-term return on plan assets	6.96%	7.12%	7.35%	–	–	–
Rate of compensation increase ⁽¹⁾	4.60%	5.20%	4.45%	5.80%	4.70%	4.50%
Average remaining service period of active employees	9 years	9 years	9 years	12 years	12 years	14 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	–	–	–	–	–

(1) 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, 2008, and the related expense for the year then ended:

(\$ in thousands)	Registered plan		Supplemental and other	
	Benefit obligation	Benefit expense	Benefit obligation	Benefit expense
Discount rate				
Impact of: 1.0% increase	\$ (22,712)	\$ (721)	\$ (952)	\$ (168)
1.0% decrease	\$ 28,997	\$ 3,821	\$ 1,152	\$ 276
Inflation rate				
Impact of: 1.0% increase	\$ 10,944	\$ 2,007	\$ 269	\$ 76
1.0% decrease	\$ (9,962)	\$ (898)	\$ (259)	\$ (66)
Rate of compensation increase				
Impact of: 0.25% increase	\$ 1,654	\$ 154	\$ 23	\$ 4
0.25% decrease	\$ (1,647)	\$ (181)	\$ (21)	\$ (4)
Expected long-term rate of return on plan assets				
Impact of: 1.0% increase	\$ –	\$ (1,551)	\$ –	\$ –
1.0% decrease	\$ –	\$ 1,551	\$ –	\$ –

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.

14. Derivative Financial Instruments

Derivative financial instruments are financial contracts whose value is derived from an underlying reference rate such as an interest rate, 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 its business, including interest rate swaps and options, equity options, and foreign exchange and commodity forwards. ATB uses such instruments for two purposes: for its own risk management program and to meet the needs of ATB customers (referred to as “non-trading” and “trading” portfolios, respectively).

In its non-trading (or “corporate derivative”) portfolio, ATB uses derivative financial instruments for risk management purposes to manage its exposure to fluctuations in interest or foreign exchange rates as an integral component of its asset/liability management program.

ATB’s trading (or “client derivative”) portfolio is not utilized to generate trading income through active assumption of market risk, but rather is utilized 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.

The main types of derivative financial instruments used by ATB are as follows:

Swaps

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

- Interest rate swaps are transactions whereby 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.
- Cross-currency swaps are transactions whereby 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 where 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 period of time. ATB buys specialized forms of option contracts such as interest rate caps, collars, and swap options, as well as equity-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 market fluctuations, primarily arising from the loan and deposit portfolios. ATB also buys and sells (or writes) similar forms of 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 where two parties agree to either buy or sell a specified amount of a currency or security at a specific price or within a specified period of time. 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, respectively. Commodity forward contracts are only utilized in the client derivative portfolio.

Corporate (Non-Trading) Derivatives and Hedge Accounting

ATB's corporate (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-related exposures arising from its portfolio of investment and loan assets and deposit obligations. These instruments are recorded using hedge accounting, when appropriate, from April 1, 2004, onwards.

The amount of other comprehensive income that is expected to be reclassified to the Consolidated Statement of Income over the next 12 months is \$17,987. This will be offset by gains/losses on assets/liabilities that were hedged. (Refer to Note 3 for further details of ATB's hedge accounting.)

Client (Trading) Derivatives

ATB does not enter into derivative contracts for trading purposes except to accommodate its clients in managing their foreign-currency and energy-commodity risk exposures. In such instances, any resultant commodity exposure to ATB is simultaneously offset with another derivative contract, and any resultant foreign currency exposure to ATB not incorporated into its own risk management program is also simultaneously offset.

Client derivatives and any corporate derivatives that do not meet the criteria for hedge accounting, either at inception or subsequently, are marked to market. Any such contracts having positive fair value are presented as derivative assets and those having a negative fair value are presented as derivative liabilities in the Consolidated Balance Sheet, as appropriate. Any subsequent realized or unrealized changes in value are recorded in other income on the Consolidated Statement of Income.

Fair Value of Derivatives

Fair value represents a point-in-time estimate that may change in subsequent reporting periods due to changing market conditions or other factors. Fair value estimates of over-the-counter and embedded derivative financial instruments are determined 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.

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) is comprised of the following:

(\$ in thousands)	2008			2007		
	Favourable position	Unfavourable position	Net	Favourable position	Unfavourable position	Net
Contracts ineligible for hedge accounting						
Interest rate contracts						
Options	\$ 782	\$ -	\$ 782	\$ 704	\$ -	\$ 704
Swaps	2,263	(12)	2,251	287	-	287
	3,045	(12)	3,033	991	-	991
Embedded derivatives⁽¹⁾						
Equity-linked deposits	-	(48,433)	(48,433)	-	-	-
Other	-	(161)	(161)	-	-	-
	-	(48,594)	(48,594)	-	-	-
Foreign exchange contracts						
Forwards	195	(179)	16	127	(115)	12
Equity contracts						
Options	47,200	-	47,200	7,484	-	7,484
Forward contracts						
Commodities	28,070	(27,813)	257	3,204	(3,131)	73
Total fair value ineligible contracts	\$ 78,510	\$ (76,598)	\$ 1,912	\$ 11,806	\$ (3,246)	\$ 8,560
Contracts eligible for hedge accounting						
Interest rate contracts						
Options	\$ -	\$ -	\$ -	\$ 37	\$ -	\$ 37
Swaps	30,740	(5,792)	24,948	5,118	(2,460)	2,658
	30,740	(5,792)	24,948	5,155	(2,460)	2,695
Foreign exchange contracts						
Forwards	-	-	-	-	-	-
Equity contracts						
Options	-	-	-	66,676	-	66,676
Total fair value eligible contracts	\$ 30,740	\$ (5,792)	\$ 24,948	\$ 71,831	\$ (2,460)	\$ 69,371
Total fair value	\$ 109,250	\$ (82,390)	\$ 26,860	\$ 83,637	\$ (5,706)	\$ 77,931

(1) Embedded derivatives were not separately identified prior to the current fiscal year.

Notional Principal Amounts

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. Notional amounts do not represent assets or liabilities and are not recorded in the Consolidated Balance Sheet.

	2008			2007
	Ineligible for hedge accounting	Eligible for hedge accounting	Total	Total
<i>(\$ in thousands)</i>				
Interest rate contracts				
Options	\$ 131,080	\$ –	\$ 131,080	\$ 999,116
Swaps	85,039	2,650,000	2,735,039	2,950,000
	216,119	2,650,000	2,866,119	3,949,116
Embedded derivatives⁽¹⁾				
Equity-linked deposits	257,078	–	257,078	–
Other	105,130	–	105,130	–
	362,208	–	362,208	–
Foreign exchange contracts				
Forwards	19,992	–	19,992	30,177
Equity contracts				
Options	249,650	–	249,650	263,920
Forward contracts				
Commodities	354,738	–	354,738	148,295
	\$ 1,202,707	\$ 2,650,000	\$ 3,852,707	\$ 4,391,508

(1) Embedded derivatives were not separately identified prior to the current fiscal year.

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 \$8,550 as at March 31, 2008 (2007: \$4,440).

Derivative-Related Credit Risk

Derivative financial instruments traded in the over-the-counter market are subject to credit risk in that there is a risk of a financial loss occurring if a counterparty defaults on its contractual obligation. This credit risk is normally a small fraction of the notional amount of the derivative instrument. 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 credit-worthy 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 with counterparties. To the extent any unfavourable contracts with the counterparty are not settled, they reduce ATB's net exposure in respect of favourable contracts with the same counterparty.

Credit risk exposure on the derivative portfolio is comprised of the following:

	2008			2007
	Ineligible for hedge accounting	Eligible for hedge accounting	Total	Total
<i>(\$ in thousands)</i>				
Interest rate contracts				
Options	\$ 782	\$ –	\$ 782	\$ 741
Swaps	2,263	30,740	33,003	5,405
	3,045	30,740	33,785	6,146
Embedded derivatives				
Equity-linked deposits	–	–	–	–
Other	–	–	–	–
	–	–	–	–
Foreign exchange contracts				
Forwards	195	–	195	127
Equity contracts				
Options	47,200	–	47,200	74,160
Forward contracts				
Commodities	28,070	–	28,070	3,204
Total derivative exposure – gross	\$ 78,510	\$ 30,740	109,250	83,637
Less impact of master netting agreements			(5,512)	(2,460)
Residual credit exposure on derivatives			\$ 103,738	\$ 81,177

All of the residual credit exposure presented above relates to contracts with financial institution counterparties, except for \$28,265, which relates to client counterparties (2007: \$2,353).

Term to Maturity

The instruments in the derivative portfolio have varying maturity dates. The remaining contractual terms to maturity for the notional amounts of all derivative instruments are as follows:

	2008					2007
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Total
<i>(\$ in thousands)</i>						
Interest rate contracts						
Options	\$ –	\$ 31,242	\$ 99,838	\$ –	\$ 131,080	\$ 999,116
Swaps	424,595	300,000	2,000,000	10,444	2,735,039	2,950,000
Foreign exchange contracts						
Forwards	11,690	8,302	–	–	19,992	30,177
Equity contracts						
Options	10,020	82,600	157,030	–	249,650	263,920
Forward contracts						
Commodities	28,125	284,399	42,214	–	354,738	148,295
Embedded derivatives⁽¹⁾						
Equity-linked deposits	13,873	80,740	162,465	–	257,078	–
Other	4,760	22,672	77,698	–	105,130	–
Total	\$ 493,063	\$ 809,955	\$ 2,539,245	\$ 10,444	\$ 3,852,707	\$ 4,391,508

(1) Embedded derivatives were not separately identified prior to the current fiscal year.

15. 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 the future cash requirements.

Letters of Credit

Standby letters of credit represent an irrevocable obligation to make payments to a third party in the event that 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. Again, 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 as at March 31 are outlined as follows:

<i>(\$ in thousands)</i>	2008	2007
Guarantees	\$ 163,829	\$ 133,382
Letters of credit	106,046	70,592
Commitments to extend credit	8,989,493	7,366,610
	\$ 9,259,368	\$ 7,570,584

The amounts presented above in the current and comparative year for commitments to extend credit include demand facilities of \$3,965,904 (2007: \$3,221,252). For demand facilities, we consider the undrawn portion to represent a commitment to our customer; however, the terms of the commitment are such that ATB would be able to adjust the credit exposure if circumstances warranted doing so. Accordingly, these demand facilities are considered to represent a lesser exposure than facilities that have extended commitment terms.

Pledged Assets

In the ordinary course of business, ATB pledges securities and interest-bearing deposits with financial institutions 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. The total amount of securities so pledged at March 31, 2008 and 2007, is provided in Note 5.

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, 2008 and 2007, in respect of such indemnifications.

Contingent Liabilities

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

Contractual Obligations

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

(\$ in thousands)

2009	\$ 58,947
2010	44,180
2011	19,221
2012	14,446
2013	10,311
2014 and thereafter	25,715
	\$ 172,820

The total expense in respect of premises and equipment operating leases charged to the Consolidated Statement of Income for the year ended March 31, 2008, is \$25,088 (2007: \$22,231; 2006: \$19,953).

16. Disclosure of 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 ("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:

Salary and Benefits

(\$ in thousands)	2008							2007
	Base salary ⁽¹⁾	Variable pay		Other cash benefits ⁽⁴⁾	Retirement and other post-employment benefits	Other non-cash benefits ⁽⁵⁾	Total	Total
		Current ⁽²⁾	Deferred ⁽³⁾					
Chairman of the Board	\$ 83	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83	\$ 81
Board members ⁽⁶⁾	\$ 516	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 516	\$ 446
President and Chief Executive Officer ⁽⁷⁾	\$ 406	\$ 422	\$ 422	\$ 25	\$ 322	\$ 21	\$ 1,618	\$ -
President and Chief Executive Officer ⁽⁸⁾	\$ 100	\$ -	\$ -	\$ 40	\$ 71	\$ 4	\$ 215	\$ 1,381
Chief Operating Officer ⁽⁹⁾	\$ 105	\$ -	\$ -	\$ 37	\$ 72	\$ 4	\$ 218	\$ 903
Executive Vice-President Credit	\$ 211	\$ 71	\$ 88	\$ 15	\$ 81	\$ 16	\$ 482	\$ 485
Chief Financial Officer	\$ 221	\$ 87	\$ 105	\$ 12	\$ 64	\$ 16	\$ 505	\$ 467
Executive Vice-President Treasurer	\$ 192	\$ 65	\$ 16	\$ 12	\$ 83	\$ 16	\$ 384	\$ 442
Senior Vice-President Human Resources	\$ 188	\$ 63	\$ 79	\$ 16	\$ 71	\$ 14	\$ 431	\$ 419

(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 following the fiscal year-end.

(3) Deferred variable pay is earned in the year, though payment is deferred for up to 33 months and is dependent upon the employee's continued employment with ATB. The actual amount each employee will receive will appreciate or depreciate 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 any 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, dental coverage, vision coverage, medical benefits, 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 salary is disclosed separately.

(7) Two incumbents occupied this position during the fiscal 2007-08 year. Amounts presented relate to the current incumbent, who does not participate in either the registered pension plan or the supplemental pension plan, but does receive other post-employment benefits.

(8) Two incumbents occupied this position during the fiscal 2007-08 year. Amounts presented relate to the previous incumbent.

(9) This position was abolished effective August 10, 2007. Amounts presented do not include severance.

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 ("RPP") together with participation in our non-registered defined benefit supplemental retirement plan ("SRP"), or through other supplemental post-retirement benefit arrangements.

Refer to Note 13 for a detailed description of ATB's accounting for its retirement plans following the heading Accounting for Defined Benefit Plans – Registered, Supplemental, and Other Plans.

	2008				2007
	Registered plan service cost ⁽¹⁾	Supplemental and other post-employment-benefit service costs ⁽²⁾	Prior service and other costs	Total	Total
(\$ in thousands)					
President and Chief Executive Officer ⁽³⁾	\$ –	\$ 309	\$ 13	\$ 322	\$ –
President and Chief Executive Officer ⁽⁴⁾	\$ 4	\$ 18	\$ 49	\$ 71	\$ 108
Chief Operating Officer ⁽⁵⁾	\$ 10	\$ 21	\$ 41	\$ 72	\$ 85
Executive Vice-President Credit	\$ 12	\$ 41	\$ 28	\$ 81	\$ 53
Chief Financial Officer	\$ 12	\$ 40	\$ 12	\$ 64	\$ 36
Executive Vice-President Treasurer	\$ 17	\$ 39	\$ 27	\$ 83	\$ 47
Senior Vice-President Human Resources	\$ 12	\$ 35	\$ 24	\$ 71	\$ 42

(1) The RPP current-service cost for defined contribution members is equal to the cash contributions made by ATB for the year ended March 31. For defined benefit members, the RPP current-service cost is equal to 15.3% of pensionable earnings for the same period, the average cost of service for all members.

(2) As the SRP and 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. These benefit costs represent the total estimated cost incurred in the years ended March 31 to provide annual pension income over an actuarially determined post-retirement 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. Refer to the table following for further details regarding these benefits.

(3) Two incumbents occupied this position during the fiscal 2007–08 year. Amounts presented relate to the current incumbent, who does not participate in either the registered pension plan or the supplemental pension plan, but does receive other post-employment benefits.

(4) Two incumbents occupied this position during the fiscal 2007–08 year. Amounts presented relate to the previous incumbent.

(5) This position was abolished effective August 10, 2007. Amounts presented do not include severance.

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

	Accrued obligation March 31, 2007	Change in accrued obligation	Accrued obligation March 31, 2008
(\$ in thousands)			
President and Chief Executive Officer ⁽¹⁾	\$ –	\$ 310	\$ 310
President and Chief Executive Officer ⁽²⁾	\$ 573	\$ (32)	\$ 541
Chief Operating Officer ⁽³⁾	\$ 467	\$ (467)	\$ –
Executive Vice-President Credit	\$ 325	\$ 5	\$ 330
Chief Financial Officer	\$ 122	\$ 23	\$ 145
Executive Vice-President Treasurer	\$ 311	\$ (1)	\$ 310
Senior Vice-President Human Resources	\$ 277	\$ (14)	\$ 263

(1) Two incumbents occupied this position during the fiscal 2007–08 year. The current incumbent does not participate in either the registered pension plan or the supplemental pension plan, but does receive other post-employment benefits.

(2) Two incumbents occupied this position during the fiscal 2007–08 year. Disclosure relates to the previous incumbent.

(3) This position was abolished effective August 10, 2007. Amounts presented do not include severance.

17. 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 10). 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, 2008 the total of these payments was \$964 (2007: \$783). ATB also recognized a deposit-guarantee fee payable to the Crown in right of Alberta in return for a guarantee on all customer deposits (refer to Notes 10 and 12).

ATB entered into a wholesale borrowing agreement with the Minister of Finance on November 24, 2003 (amended November 9, 2007). Under this agreement, the Minister of Finance acts as fiscal agent of ATB Financial 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 as at March 31 are as follows:

<i>(\$ in thousands)</i>	2008	2007
Residential mortgage	\$ 201,334	\$ 173,608
Personal	87,974	69,097
Credit card	11,234	10,257
Business	5,578	5,701
	\$ 306,120	\$ 258,663

Third-party-sponsored asset-backed commercial paper totalling \$255.0 million was acquired through an exchange with our Investor Services subsidiaries as of August 24, 2007. These assets were acquired at par value in exchange for cash and ATB term-deposit certificates. (Refer to Note 5.)

18. Estimated Fair Value of Balance Sheet Financial Instruments

The following table presents management's best estimates of the fair value of its financial instruments. The fair values are determined as at the balance sheet date using the valuation methods and assumptions described below. These values may change in subsequent reporting periods due to market conditions or other factors.

Estimated Fair Value

Estimated fair value represents the amount at which ATB would 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 presented represent management's best estimates of the current value of the instruments, taking into account changes in market rates (principally interest rates) or credit risk that have occurred since their origination.

Premises and equipment and accrued pension-benefit assets and liabilities are not considered financial instruments and have been excluded from the estimates of fair value. The net carrying value of such amounts excluded as at March 31, 2008, is \$224,922 (2007: \$193,838).

Financial Instruments Whose Book Value Approximates Fair Value

For items that are short term in nature, the estimated fair value is considered to be equal to their carrying value. These include cash, other assets, and other liabilities, except for derivative financial instruments.

Securities

The fair value of securities is based on quoted market prices if available. Where an active market does not exist, the fair value is determined using a valuation technique that makes maximum use of observable market data.

Derivative Instruments

Refer to Note 14 for methods used to determine the fair value of derivative instruments.

Loans and Deposits

For floating-rate financial instruments, fair value is equal to carrying value as the interest rates automatically reprice to market. For fixed-rate loans, fair value is determined by discounting the expected future cash flows at market rates. For fixed-rate deposits, fair value is determined 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 uncertainties, the fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

Subordinated Debentures

The fair value of subordinated debentures is determined by discounting contractual cash flows using market reference rates currently offered for debt instruments with similar terms and risk ratings.

Estimated Fair Value

The estimated fair value of balance sheet financial instruments as at March 31 is as follows:

(\$ in thousands)	2008			2007		
	Carrying value	Fair value	Fair value over carrying value	Carrying value	Fair value	Fair value over carrying value
Assets						
Cash resources	\$ 2,019,797	\$ 2,019,797	\$ -	\$ 1,095,614	\$ 1,095,614	\$ -
Securities ⁽¹⁾	\$ 1,253,518	\$ 1,253,547	\$ 29	\$ 1,684,821	\$ 1,684,534	\$ (287)
Loans	\$19,443,517	\$19,878,910	\$ 435,393	\$ 16,994,329	\$ 17,127,398	\$ 133,069
Derivative financial instruments ⁽²⁾	\$ 109,250	\$ 109,250	\$ -	\$ 28,200	\$ 26,397	\$ (1,803)
Other	\$ 287,370	\$ 287,370	\$ -	\$ 294,029	\$ 295,832	\$ 1,803
Liabilities						
Deposits	\$21,175,716	\$21,240,537	\$ 64,821	\$ 18,252,838	\$ 18,185,488	\$ (67,350)
Derivative financial instruments ⁽²⁾	\$ 82,390	\$ 82,390	\$ -	\$ 8,629	\$ 3,758	\$ (4,871)
Other	\$ 338,818	\$ 338,818	\$ -	\$ 333,739	\$ 338,610	\$ 4,871
Subordinated debentures	\$ 72,998	\$ 74,865	\$ 1,867	\$ 72,242	\$ 72,028	\$ (214)

(1) Securities were not carried at fair value on the balance sheet prior to the current fiscal year.

(2) Only the ineffective portion of the fair value of derivative financial instruments was carried on the balance sheet prior to the current fiscal year. (Refer to Note 14 for additional information.)

19. Interest Rate Risk

ATB is subject to interest rate risk in that it earns interest income on interest-bearing assets, pays interest expense on interest-bearing liabilities, and has certain off-balance-sheet derivative instruments with values that are interest-rate-sensitive. To the extent either that these assets, liabilities, and financial instruments mature or reprice at different times or that the financial instruments do not effectively address any interest rate mismatch between the assets and liabilities, ATB is exposed to interest rate risk.

Interest rate risk is the risk that ATB's net income will decrease because of an adverse movement in interest rates. The following table details the gap between on- and off-balance-sheet interest-sensitive assets and interest-sensitive liabilities, based on the earlier of the repricing or maturity date of both. Note that the gap position presented in the following table is determined as of the close of business on March 31, 2008. It represents the position of ATB as at that point in time only and may change significantly from day to day due to customer preferences and risk management policies.

(\$ in thousands)	Term to maturity/repricing							Total
	Within 3 months	3 to 6 months	6 to 12 months	Total within 1 year	1 to 5 years	Over 5 years	Non-interest-rate-sensitive	
2008								
Assets								
Cash	\$ 91,567	\$ -	\$ -	\$ 91,567	\$ -	\$ -	\$ -	\$ 91,567
Effective interest rate	3.61%	-	-	3.61%	-	-	-	3.61%
Securities and interest-bearing deposits with financial institutions	3,068,292	107,534	5,922	3,181,748	-	-	-	3,181,748
Effective interest rate	3.92%	3.33%	3.65%	3.90%	-	-	-	3.90%
Loans	11,755,131	521,799	779,005	13,055,935	6,456,365	77,505	(146,288)	19,443,517
Effective interest rate	5.72%	5.47%	5.71%	5.71%	5.67%	6.22%	-	5.74%
Other	-	-	-	-	-	-	626,321	626,321
	14,914,990	629,333	784,927	16,329,250	6,456,365	77,505	480,033	23,343,153
Liabilities and equity								
Deposits	14,404,815	866,853	1,502,663	16,774,331	4,401,385	-	-	21,175,716
Effective interest rate	2.37%	3.99%	3.93%	2.59%	4.16%	-	-	2.92%
Other liabilities and equity	-	-	-	-	-	-	2,094,439	2,094,439
Subordinated debentures	-	-	-	-	-	-	72,998	72,998
Effective interest rate	-	-	-	-	-	-	4.29%	4.29%
	14,404,815	866,853	1,502,663	16,774,331	4,401,385	-	2,167,437	23,343,153
On-balance-sheet gap	510,175	(237,520)	(717,736)	(445,081)	2,054,980	77,505	(1,687,404)	-
Derivatives used for asset/liability gap management (notional amounts)								
Pay side swaps	(2,250,000)	-	-	(2,250,000)	(400,000)	-	-	(2,650,000)
Effective interest rate	4.09%	-	-	4.09%	3.82%	-	-	-
Receive side swaps	750,000	50,000	250,000	1,050,000	1,600,000	-	-	2,650,000
Effective interest rate	4.22%	5.00%	4.25%	4.26%	4.23%	-	-	-
Off-balance-sheet gap	(1,500,000)	50,000	250,000	(1,200,000)	1,200,000	-	-	-
Net gap	\$ (989,825)	\$ (187,520)	\$ (467,736)	\$ (1,645,081)	\$ 3,254,980	\$ 77,505	\$ (1,687,404)	\$ -
As percentage of assets	(4.24)%	(0.80)%	(2.00)%	(7.05)%	13.94%	0.33%	(7.23)%	-
2007								
Assets	\$ 12,736,293	\$ 423,209	\$ 811,232	\$ 13,970,734	\$ 5,839,139	\$ 65,231	\$ 419,614	\$ 20,294,718
Liabilities and equity	12,293,647	707,446	1,264,363	14,265,456	3,987,382	-	2,041,880	20,294,718
On-balance-sheet gap	442,646	(284,237)	(453,131)	(294,722)	1,851,757	65,231	(1,622,266)	-
Off-balance-sheet gap	(1,900,000)	100,000	1,450,000	(350,000)	350,000	-	-	-
Net gap	\$ (1,457,354)	\$ (184,237)	\$ 996,869	\$ (644,722)	\$ 2,201,757	\$ 65,231	\$ (1,622,266)	\$ -
As percentage of assets	(7.18)%	(0.91)%	4.91%	(3.18)%	10.85%	0.32%	(7.99)%	-

20. Segmented Information

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

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

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 these groupings are consistent with those followed in the preparation of the consolidated financial statements as disclosed in the other Notes to the statements, with the exception of Financial Instruments and Accounting Guideline 4-related adjustments, which are recorded at the other business unit (corporate) level only. As these lines of business are based on ATB's internal management structure, they may not be comparable to those of other financial institutions.

(\$ in thousands)	Personal and Business Financial Services	Corporate Financial Services	Investor Services	Other business units ⁽¹⁾	Total
2008					
Net interest income	\$ 466,865	\$ 78,218	\$ 6,814	\$ 107,513	\$ 659,410
Other income	126,823	19,940	39,023	209	185,995
Provision for loss on asset-backed commercial paper	-	-	-	(253,133)	(253,133)
Total operating revenue	593,688	98,158	45,837	(145,411)	592,272
Provision for (recovery of) credit losses	18,235	(339)	-	(4,990)	12,906
Non-interest expenses	431,047	26,956	43,462	47,916	549,381
Net income (loss)	\$ 144,406	\$ 71,541	\$ 2,375	\$ (188,337)	\$ 29,985
Total assets	\$15,698,335	\$ 4,060,638	\$ 4,078	\$ 3,580,102	\$23,343,153
Total liabilities	\$14,776,994	\$ 2,153,106	\$ 548,877	\$ 4,195,724	\$21,674,701
2007					
Net interest income	\$ 423,176	\$ 62,515	\$ 5,127	\$ 80,987	\$ 571,805
Other income	119,462	14,901	28,969	16,329	179,661
Total operating revenue	542,638	77,416	34,096	97,316	751,466
(Recovery of) provision for credit losses	(8,699)	12,003	-	(8,515)	(5,211)
Non-interest expenses	385,403	19,279	36,069	41,538	482,289
Net income (loss)	\$ 165,934	\$ 46,134	\$ (1,973)	\$ 64,293	\$ 274,388
Total assets ⁽²⁾	\$ 13,645,926	\$ 3,454,594	\$ 2,800	\$ 3,191,398	\$20,294,718
Total liabilities	\$ 13,974,317	\$ 1,875,709	\$ 436,294	\$ 2,385,015	\$18,671,335
2006					
Net interest income	\$ 360,061	\$ 47,948	\$ 3,152	\$ 51,090	\$ 462,251
Other income	109,364	12,342	18,296	15,619	155,621
Total operating revenue	469,425	60,290	21,448	66,709	617,872
Provision for (recovery of) credit losses	14,313	5,168	-	(18,793)	688
Non-interest expenses	336,882	16,601	30,797	34,183	418,463
Net income (loss)	\$ 118,230	\$ 38,521	\$ (9,349)	\$ 51,319	\$ 198,721
Total assets	\$ 12,312,888	\$ 2,470,280	\$ 1,590	\$ 2,863,057	\$17,647,815
Total liabilities	\$ 12,742,483	\$ 1,535,113	\$ 229,939	\$ 1,791,285	\$16,298,820

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

(2) During the prior year, assets with a carrying value of \$252.1 million were transferred to Corporate Financial Services from Personal and Business Financial Services.

Customer-related assets and liabilities (and the directly related revenues and expenses) are allocated between 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 ("NII") is attributed to each line of business according to ATB's internal funds transfer pricing ("FTP") system, whereby assets "earn" NII to the extent that external revenues exceed internal FTP expense, and liabilities "earn" NII 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 (excepting 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 inter-line service agreements. Certain other costs are allocated between the reporting segments using refined methods of allocating certain costs between the reporting segments, 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.

21. Future Changes in Accounting Policies

The following changes are expected to impact reporting for the year ending March 31, 2009:

Capital Disclosures

In December 2006, the Canadian Institute of Chartered Accountants ("CICA") issued a new accounting standard that takes effect for ATB beginning April 1, 2008: CICA Handbook Section 1535, Capital Disclosures. This standard will require ATB to disclose certain qualitative and quantitative information regarding our objectives, policies, and processes for management of capital, as well as our compliance with externally imposed capital requirements. The impact of this new standard will be reflected in our financial statements for the quarter ending June 30, 2008.

Financial Instruments—Disclosures and Presentation

In December 2006, the CICA issued other new accounting standards that will take effect for ATB beginning April 1, 2008: CICA Handbook Section 3862, Financial Instruments – Disclosures; and CICA Handbook Section 3863, Financial Instruments – Presentation. These standards will complement the new standards on financial instruments issued in January 2005 and will expand on the disclosure requirements of Section 3861, placing an increased emphasis on disclosures about the risks associated with recognized and unrecognized financial instruments and how those risks are managed. The impact of these new standards will also be reflected in our financial statements for the quarter ending June 30, 2008.

Goodwill and Intangible Assets

In February 2008, the CICA issued another new accounting standard that will take effect for ATB beginning April 1, 2009: CICA Handbook Section 3064, Goodwill and Intangible Assets. This standard will replace Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This standard will establish the standard for the recognition, measurement, and disclosure of goodwill and intangible assets. The impact of this new standard will be reflected in our financial statements for the quarter ending June 30, 2009.

22. Subsequent Events

Subsequent to year-end, ATB obtained the necessary approvals from the Government of Alberta allowing ATB to participate in MAV1 of the Montreal Accord. On April 25, 2008, investors in the Montreal Accord voted in favour of the restructuring under the Companies Creditors Arrangement Act (Canada). The next step in the restructuring process is the court judgment on the fairness of the restructuring plan.

Fulfilling Our Corporate Social Responsibility

For more than 69 years, ATB Financial and its associates have proudly supported worthy causes across hundreds of Alberta communities. In 2007–2008, ATB gave approximately \$3.5 million to community organizations and not-for-profit groups in Alberta, through corporate and branch charitable donations, corporate sponsorships, community fundraising programs, and employee volunteerism.

For those efforts, ATB received the **Outstanding Corporation Award at the 2007 National Philanthropy Day “Heart and Soul Awards”** sponsored by the Association of Fundraising Professionals. The award is presented to a corporation or corporate function that has demonstrated an outstanding commitment to the community through leadership or direct gift support, and that has encouraged employees to support their own community. Thanks to the Stollery Children’s Hospital and the United Way of the Alberta Capital Region for nominating us!

ATB touches almost every community in Alberta to some degree. By leveraging partner programs, such as Junior Achievement and the children’s hospital fundraisers, our corporate investments are fully supported locally by our branch associates and our customers.

Here’s where we specifically gave of our time and money over the last year:

Corporate Charitable Donations: \$674, 413

Corporate donations are made with the intent that the entire province receives benefit from ATB’s generosity. While in 2007–08 no money was specifically designated to rural Alberta, proposals received from outside the major urban areas were given additional consideration and several community-based projects were supported. Many were initiated from within the branch network.

During the year, ATB made major donations to **Edmonton Ronald MacDonal House, Habitat for Humanity** (Calgary and Edmonton) and **Junior Achievement** (Calgary and Edmonton). ATB also offered a 50% matching program to all associates who pledged funds to any of Alberta’s 10 United Way campaigns. The year’s corporate match was a record \$197,620.

As part of our sponsorship commitment through the **ATB Financial Classic**, ATB donated \$22,500 to the **Alberta Children’s Hospital Foundation** for every birdie and eagle attained by Canadian tour professionals.

The **Community Stars program** recognizes ATB associates who volunteer in their communities. Last year, 174 associates won a \$200 corporate donation for their respective community group. In addition, quarterly draws generated another \$1000 for Community Stars not-for-profit beneficiaries. In total, \$38,800 was given to community groups across rural and urban Alberta through ATB’s Community Stars.

Corporate Sponsorships: Corporate – \$940,000; Rural – \$129,662

ATB’s Marketing department undertakes corporate sponsorships on behalf of ATB. While sponsorships support various business objectives related to awareness and market share, they are also visible expressions of investment that benefit the community and ATB. Many larger ATB-sponsored events in Edmonton and Calgary draw heavily from rural Alberta.

This year, ATB sponsored the following:

- **ATB Financial Classic**
- **Calgary Stampede Chuckwagon** (Chad Harden)
- **Edmonton Oil Kings**
- **Grand Prix**
- **International Street Performers Festivals** (Edmonton, Red Deer, Grande Prairie)
- **Lethbridge Dragonboat Festival**
- **Medicine Hat Esplanade**
- **Telus Open**

ATB’s **rural sponsorship program** contributed \$50,000 each to our north, central, and south regions to sponsor events specific to those areas.

Corporate Fundraising Dollars Raised: \$1,140,552

Every year, ATB organizes corporate fundraising programs involving ATB associates and customers across the province. Last year, ATB's major fundraising programs included:

- **Teddy for a Toonie** (benefits the Alberta Children's Hospital in Calgary and the Stollery Children's Hospital in Edmonton) – \$440,000
- **United Way** (associate contributions, corporate matching, and silent auction proceeds from all 10 Alberta United Way campaigns) – \$592,861
- **STARS Air Ambulance** (Calgary and Edmonton) – \$60,628
- **The Edmonton Christmas Bureau** – \$47,063

ATB-Supported Employee Volunteerism: Value of Hours Given: \$255,200

ATB Financial associates continue to demonstrate compassion and generosity in communities all across the province. Our associates are Albertans who work and live here, and they understand and reflect the same values as our customers. These strong Alberta roots allow us to care with a difference, and our four key values of integrity, customer focus, teamwork, and ownership guide all of ATB's decision-making and actions—at work and in our communities.

In 2007–08, 158 ATB associates in Calgary and Edmonton participated in the **Financial Day of Caring** to support United Way agencies in both cities. Associates volunteered their services during the regular workday, and ATB gave them the day off with pay.

ATB strongly supports **Habitat for Humanity** in both Edmonton and Calgary. In 2007–08, we supported the **Edmonton Women Build** project and Calgary's **Leo and Goldie Sheffel Court** project. Edmonton Women Build had 30 ATB associates assisting every day for a week. In Calgary, each line of business assisted in the build for one day per month. Those hours translated into 140 days of ATB time.

For every associate who gives at least 40 hours of personal time for a not-for-profit group through the **ATB Community Stars** program, ATB donates \$200 to the group and a golf shirt to the associate. In fiscal 2007–08, 174 associates received Community Stars awards, which means at least 6,960 associate volunteer hours were given in communities across Alberta.

All of ATB's major corporate fundraising programs require its committees and many associates to contribute their time, over and above their regular duties. Some of this time is given as work-sponsored employee volunteerism and extends to other ATB-sponsored programs, like Junior Achievement and 4-H, whereby associates leave their normal place of business to present on behalf of both ATB and our community agency partner.

ATB Branch Community Contributions: \$330,000

Each ATB region and branch manages a business development budget, a portion of which supports local community initiatives and fundraisers. Contributions can take the form of small donations to local community programs and agencies, to minor sponsorships of local teams, 4-H clubs, school groups, Crime Stoppers, local recreation centres, fundraisers, and so on.

ATB Recognition: Outstanding Corporation

In November 2007, ATB received the Outstanding Corporation Award at the National Philanthropy Day "Heart and Soul Awards" sponsored by the Association of Fundraising Professionals. The award is presented to a corporation or corporate function that has demonstrated an outstanding commitment to the community through leadership or direct gift support, and that has encouraged employees to support their own community. ATB was nominated by the Stollery Children's Hospital and the United Way of the Alberta Capital Region.

Glossary

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.

Average Assets

The simple average of the daily total asset balances during the year.

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.

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.

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 Index-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 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 (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 Financial will make that payment under specified conditions. ATB Financial 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 predetermined dates.

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.

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 the 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.

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

Credit and Financial Risk Committee
Audit Committee

Bob Brawn

Chair, Investor Services Committee
Governance and Conduct
Review Committee

Bob Clark

Chair, Governance and
Conduct Review Committee
Investor Services Committee

Art Froehlich

Audit Committee
Credit and Financial Risk Committee
Investor Services Committee

Jack Halpin

Audit Committee
Credit and Financial Risk Committee
Investor Services Committee

Brian Hesje

Chair, Human Resources Committee
Audit Committee
Governance and Conduct
Review Committee

Linda Hohol

Chair, Credit and Financial Risk Committee
Human Resources Committee
Investor Services Committee
Governance and Conduct
Review Committee

Bern Kotelko

Credit and Financial Risk Committee
Investor Services Committee

Brian McCook

Chair, Audit Committee
Governance and Conduct
Review Committee
Human Resources Committee

Norman McDonald

Audit Committee
Human Resources Committee

Al O'Brien

Vice-Chairman of the Board
Human Resources Committee
Governance and Conduct
Review Committee

Bob Splane

Chairman of the Board
Credit and Financial Risk Committee
Governance and Conduct
Review Committee
Investor Services Committee
Ex officio all committees

Wayne Wagner

Credit and Financial Risk Committee
Human Resources Committee

Officers

Michael Baker

Senior Vice-President, Personal and
Business Financial Services

Ken Casey

Senior Vice-President, Major Initiatives

Sandy Chipchar

Senior Vice-President, Human Resources

Kerry Day

Vice-President, Legal and
Corporate Secretary,
and Chief Compliance Officer

Sheldon Dyck

Senior Vice-President, Investor Services

Bill Fanous

Vice-President, Internal Audit

Lukasz Forys

Vice-President, Global Financial Markets

Jay Hamblin

Vice-President, Asset Management

Bob Mann

Executive Vice-President, Credit

Jim McKillop

Chief Financial Officer

Dave Mowat

President and Chief Executive Officer

Craig Warnock

Executive Vice-President and Treasurer
Resigned, effective May 16, 2008

Ian Wild

Senior Vice-President, Corporate
Financial Services

ATB Financial Branches and Agencies

Branches

Airdrie	Castor	Fort Macleod	Lethbridge (2)	Raymond	Thorsby
Andrew	Claresholm	Fort McMurray (2)	Linden	Red Deer (3)	Three Hills
Athabasca	Coaldale	Fort Saskatchewan	Lloydminster	Redwater	Tofield
Banff	Cochrane	Fort Vermilion	Magrath	Rimbey	Trochu
Barrhead	Cold Lake	Grande Prairie (2)	Manning	Rocky Mountain House	Two Hills
Beaverlodge	Consort	Granum	Mayerthorpe	Rycroft	Valleyview
Black Diamond	Coronation	Grimshaw	McLennan	Ryley	Vegreville
Bonnyville	Crossfield	Hanna	Medicine Hat (2)	Sherwood Park (2)	Vermilion
Bow Island	Daysland	High Level	Milk River	Slave Lake	Viking
Boyle	Didsbury	High Prairie	Nanton	Smoky Lake	Vulcan
Breton	Drayton Valley	Hinton	Okotoks	Spirit River	Wainwright
Brooks	Drumheller	Hythe	Olds	Spruce Grove	Westlock
Bruderheim	Edmonton (19)	Innisfail	Oneway	St. Albert (2)	Wetaskiwin
Calgary (23)*	Edson	Killam	Oyen	St. Paul	Whitcourt
Camrose	Elk Point	La Crete	Peace River	Stettler	Wildwood
Canmore	Fairview	Lac La Biche	Picture Butte	Stony Plain	
Cardston	Falher	Lacombe	Pincher Creek	Strathmore	
Caroline	Foremost	Lamont	Ponoka	Sundre	
Carstairs	Forestburg	Leduc	Provost	Taber	

*Includes the Business Financial Service Centre

Agencies

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

ATB Financial[®]
Where there's a way

9888 Jasper Avenue NW, Edmonton, Alberta, T5J 1P1
Telephone 780-408-7300 Fax 780-422-4178 Toll-Free 1-800-332-8383

www.atb.com