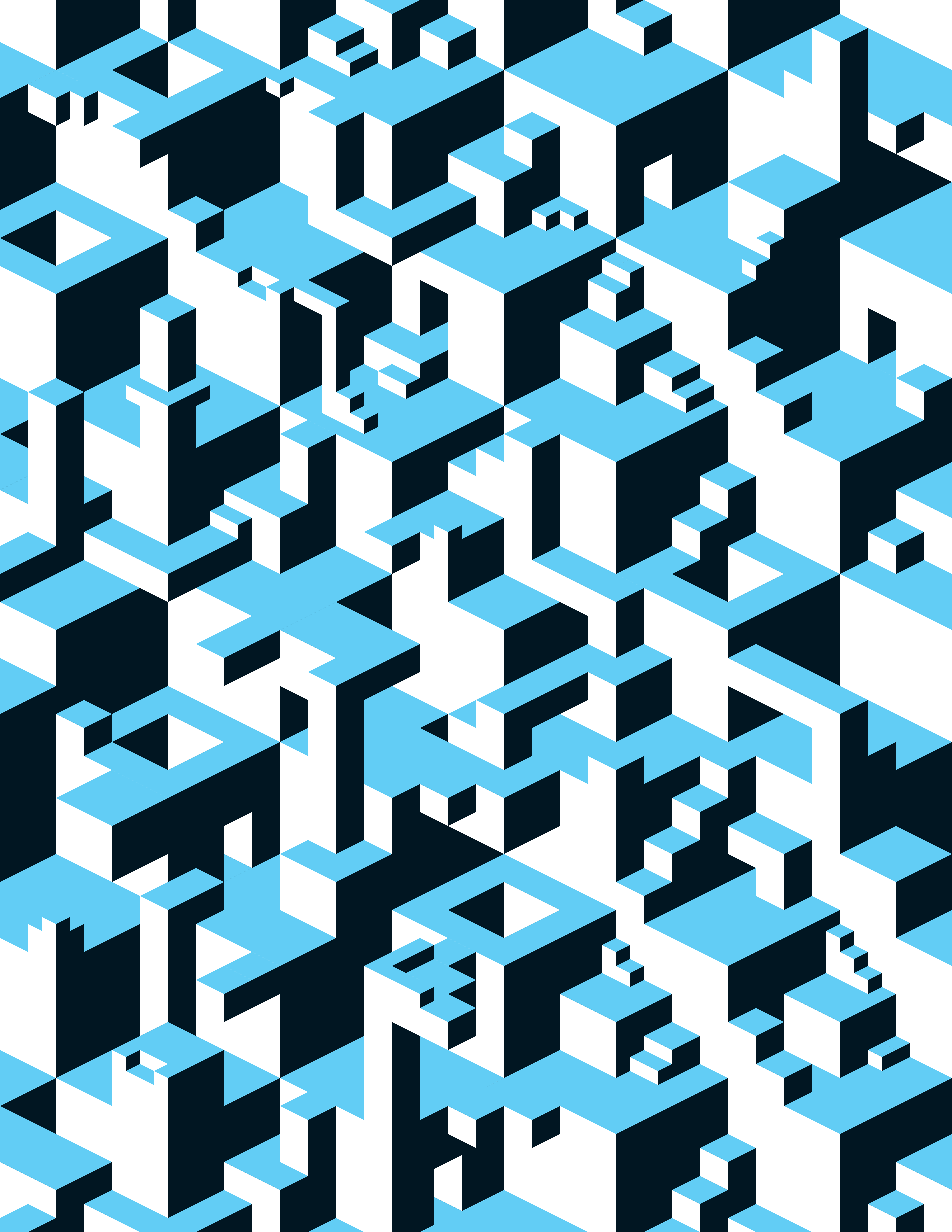
LONG STORY SHORT

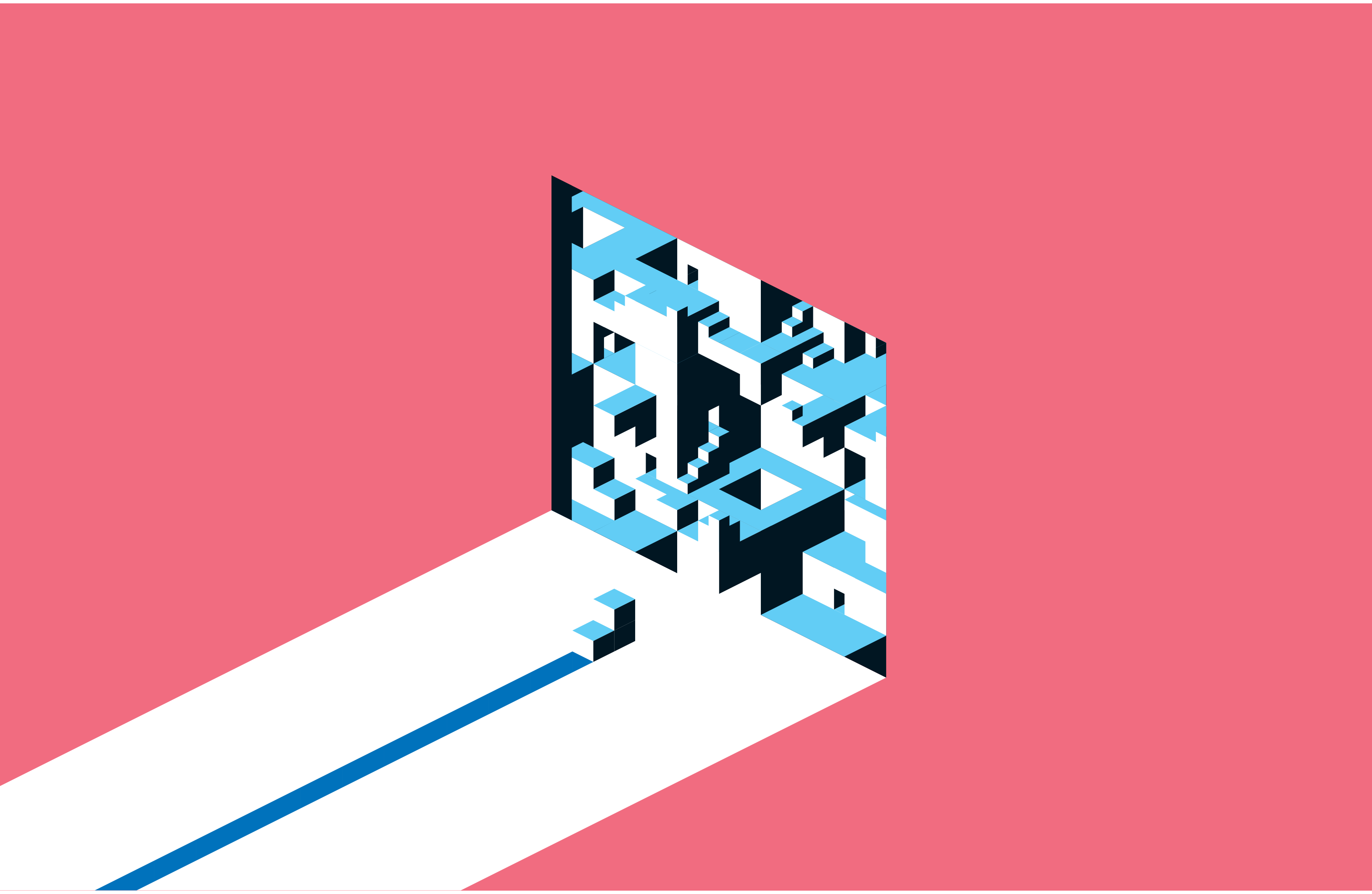
ATB Financial

2016 Annual Report



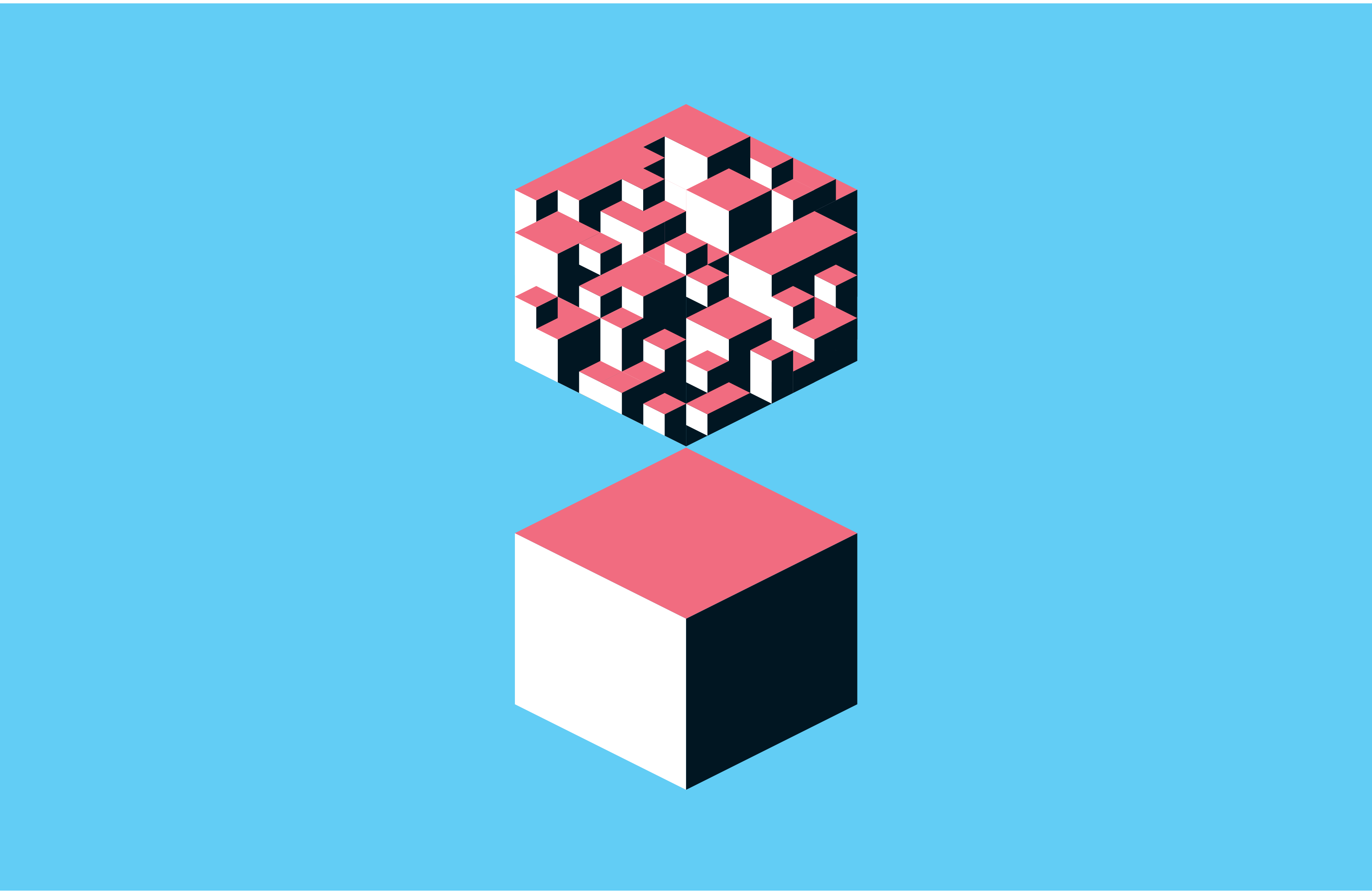
L O N G S T O R Y S H O R T

ATB Financial
2016 Annual Report



CONTENTS

Management's Discussion and Analysis, Consolidated Financial Statements, and Glossary can be found in the Long Story.



TWO WAYS TO TELL THE STORY

It's been a challenging year for Alberta and for many customers at ATB Financial. We're proud of the fact that, once again, ATB proved its commitment to Albertans by sticking with our customers and helping them manage through the worst of the current economic storm. That's because we believe banking can change people's lives for the better.

There are two ways to tell the story of the past year. The short story is that this was a trying year for Albertans, and that's reflected directly in ATB's results for this past fiscal year. While we did more business than ever, the fact that some of our customers are experiencing serious challenges overshadows our success and places a cloud over our financial results.

The long story is more complicated. It's a story of resilience. A story of an economy that's striving to adapt and change. A story of businesses, individuals, and families struggling through, looking for opportunities, and doing what they need to do to weather one of the most difficult times in Alberta's history.

This annual report gives both stories. Read the short story and you'll get the highlights of the year that was. Dig into the long story and you'll see all the details that accountants and financial analysts love!

At the end of the day, this is a story of hope—because that's just what Albertans do. And ATB is proud to be right there with you.

THE LONG-TERM VIEW

Times like these test the strength and perseverance of Albertans. Like so many of our customers, ATB has had to adjust to a new economic reality this year.

The good news for this year is that we actually did more business than we did in 2015, and 2015 was the best year in ATB's history. We did more loans to individuals and businesses, collected more deposits, and attracted close to 27,000 new customers. Our customers were more satisfied with ATB's services than ever and the engagement of team members reached record levels, putting us in an elite league with some of the best companies in North America. In spite of the relentless negative news about market conditions, our talented team of financial advisors was able to retain our investors' confidence and encourage them to take the long-term view.

Unfortunately, the good news is dampened by a dramatic increase in loan loss provisions—a direct result of the downturn in Alberta's economy. Those provisions, while not actual losses, certainly overshadow what would otherwise have been another very good year.

In spite of the headwinds we're facing, we're sticking with the long-term view and following through with the strategy we launched last year. Our Story, introduced in March 2015, challenges us to transform banking and make banking work *for* people. Ten statements that we call the "ATBs" set the tone for how we expect to deal with customers and each other and drive a culture that's second to none. Priority work is under way to streamline processes, introduce new payment channels, and

give our team members the tools they need to serve customers better than ever.

Looking ahead, we'll be even more intently focused on listening to our customers and delivering the kind of experience they want, including doing things other banks wouldn't do. Alberta is known for its entrepreneurial spirit, and we're determined to become the best in the business at meeting its unique needs. We'll grow and diversify our business to match and support a changing Alberta economy. And we'll take bold steps to reimagine banking in new and innovative ways that put the customer at the heart of everything we do.

To say it's been a challenging year in Alberta is an understatement. But even though our year-end results are certainly not what we'd like them to be, we're proud of the fact that ATB did what we always do when the province is tested—we stick by our customers, give them sound advice, and help them through the most difficult times. We'll continue to do just that, and we're confident that Alberta will weather this storm and build an even stronger future.

Dave Mowat
President and CEO

In spite of the headwinds we're facing, we're sticking with the long-term view.

THE BIG PICTURE

Deposits
($ in billions)

2016	$30.9
2015	$30.6
2014	$27.3
2013	$23.7
2012	$22.2

Net loans
($ in billions)

2016	$40.4
2015	$37.7
2014	$33.9
2013	$29.7
2012	$26.7

Income before loan loss provisions
($ in thousands)

2016	$453,449
2015	$414,784
2014	$323,372
2013	$267,331
2012	$207,646

Net income
($ in thousands)

2016	$108,130
2015	$328,681
2014	$276,409
2013	$241,300
2012	$195,108

Efficiency ratio

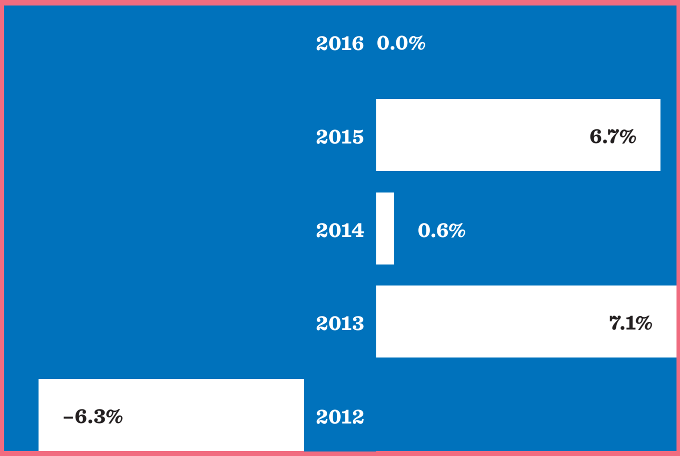
2016	65.6%
2015	65.6%
2014	70.3%
2013	70.7%
2012	75.3%

Net interest spread

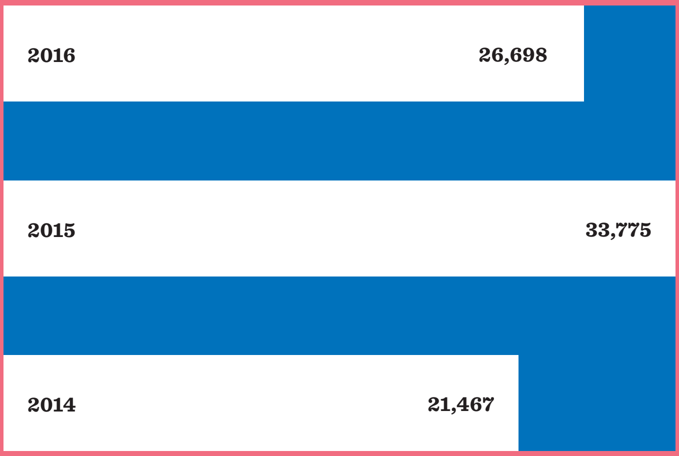
2016	2.54%
2015	2.67%
2014	2.85%
2013	2.85%
2012	2.80%

THE BIG PICTURE

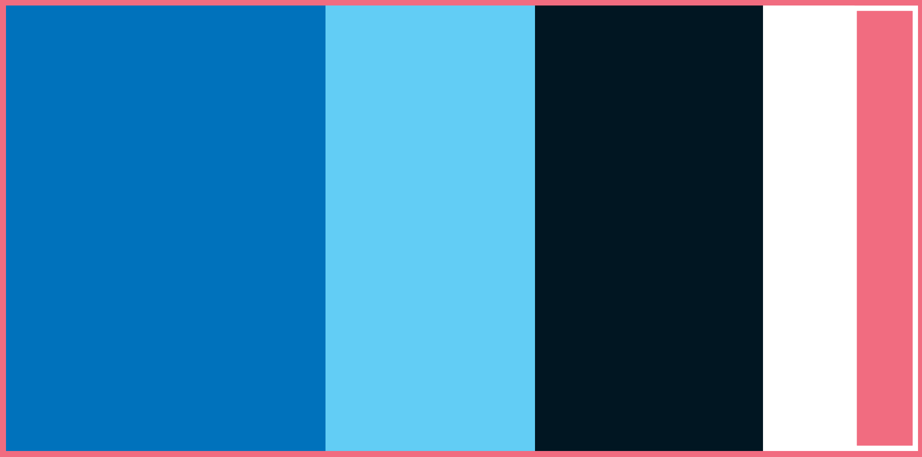
Operating leverage



New Alberta customers

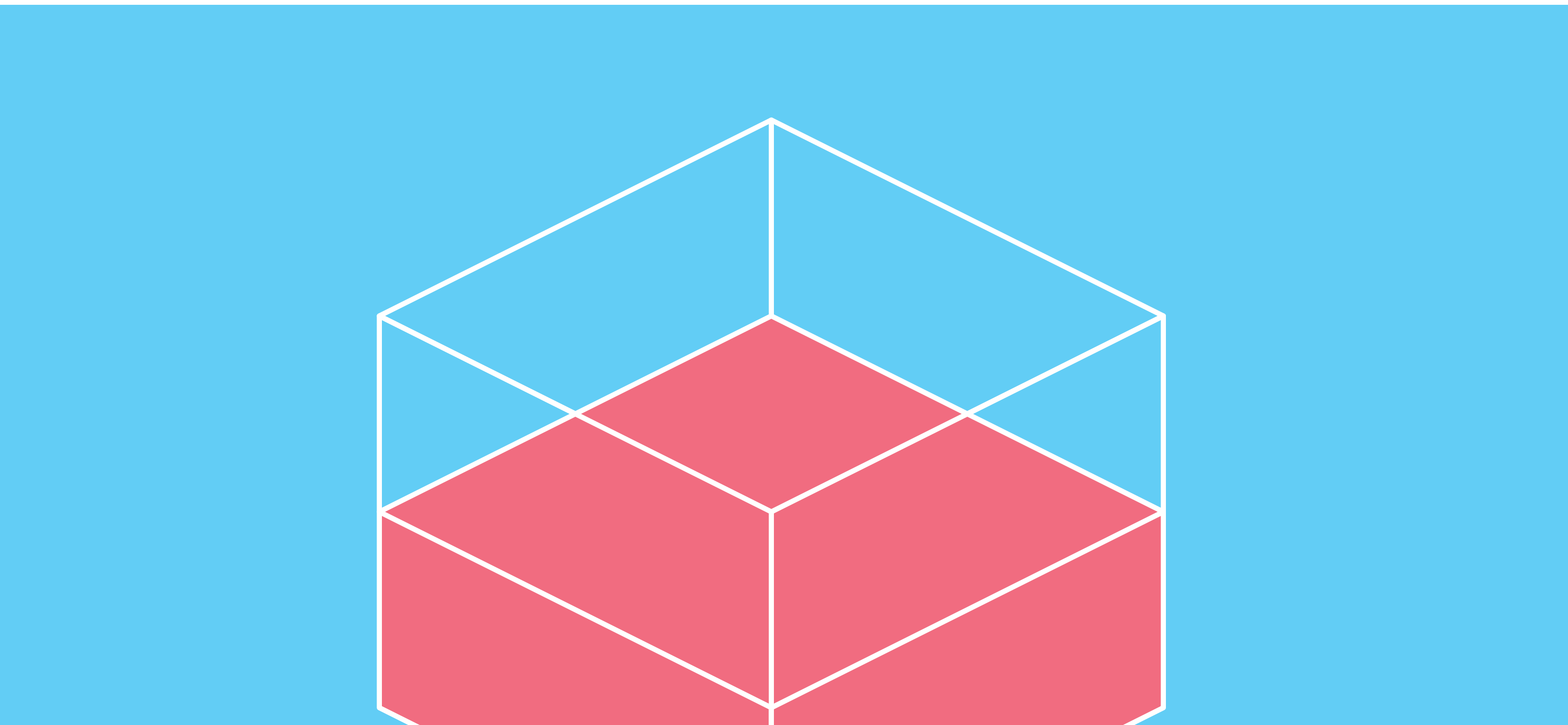


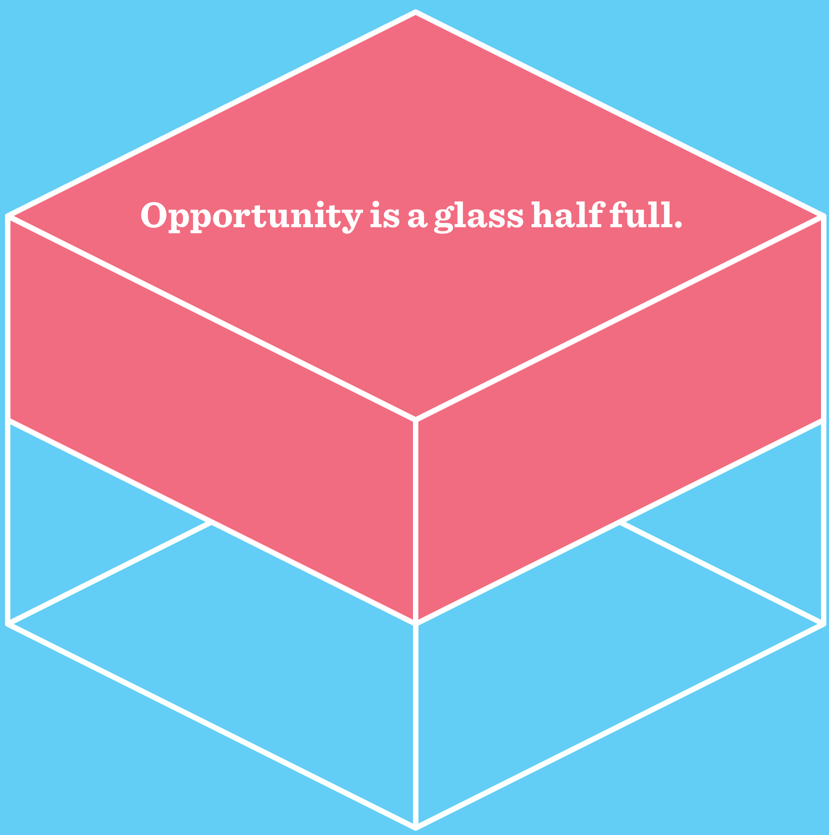
Revenue earned by area of expertise



- 35% Retail Financial Services
- 23% Business and Agriculture
- 25% Corporate Financial Services
- 10% Investor Services
- 7% Strategic service units

Strategic service units are business units of a corporate nature, such as investment, risk management, asset/liability management, and treasury operations.




Opportunity is a glass half full.

TO THE POINT

We know Alberta's economy is very volatile. Many of us have experienced the benefits of the good times and the hardships of the bad times. More often than not, we have learned more from the hardships than the successes.

ATB, as an Alberta financial institution, is in a much better position than our competitors to understand our customers' needs. We have worked hard to build your trust and we will work hard to retain it.

This year, the newly elected provincial government continued to support ATB and how it makes banking work *for* Albertans. The independent ATB board of directors continually focuses on adding value. We are committed to setting the bar high for meeting customer expectations.

Our new director, Todd Pruden, owns businesses in Fort McMurray and brings a fresh understanding of entrepreneurship. Garnet Altwasser, whose term expired last June, will be missed, but we know his expertise and insight will continue to positively influence our decisions.

On behalf of the board, thanks to our team members, our customers, and the Government of Alberta for their continued support.

Brian Hesje
Chair of the Board

LENGTHY CREDENTIALS

DIRECTORS

As at March 31, 2016, the board consists of 12 independent directors.

For detailed bios, visit atb.com/directors.

Left to right

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

Jim Carter
Director since 2010. Board Vice-Chair. Chair, ATB Investor Services subsidiaries. Human Resources Committee. Risk Committee.

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

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

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

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

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

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

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

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

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

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

LENGTHY CREDENTIALS

SENIOR EXECUTIVES AND OFFICERS

For detailed bios, visit atb.com/executive.

Left to right

Dave Mowat
President and
Chief Executive Officer

Rob Bennett
Executive Vice-President,
Retail Financial Services

Peggy Garritty
Senior Vice-President,
Reputation and Brand

Wellington Holbrook
Executive Vice-President,
Business and Agriculture

Bob Mann
Chief Risk Officer

Bob McGee
Chief Financial Officer

Stuart McKellar
General Counsel, Vice-President
Properties, and Corporate Secretary

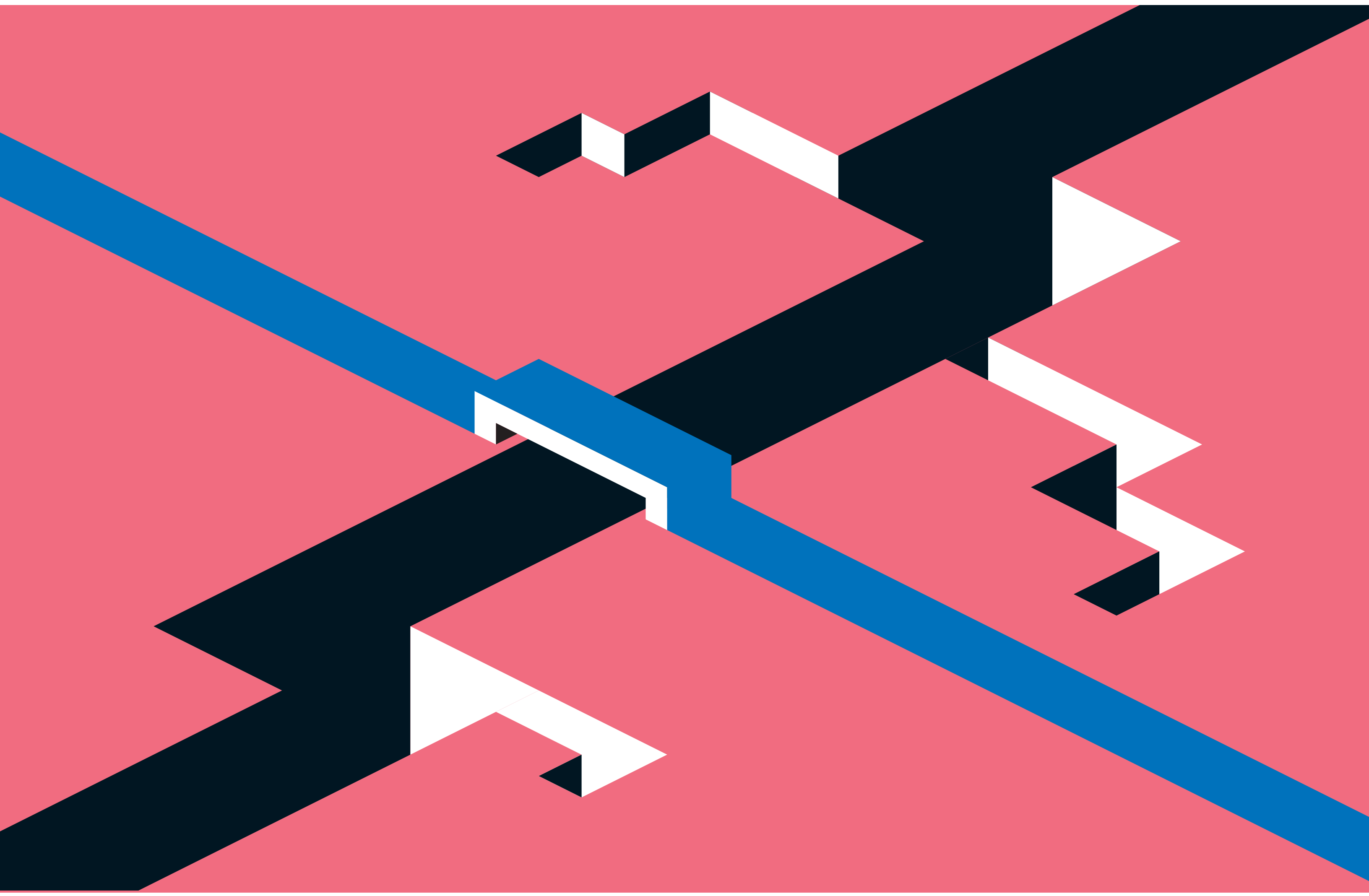
Omar Rehman
Vice-President,
Internal Audit

Lorne Rubis
Chief People Officer

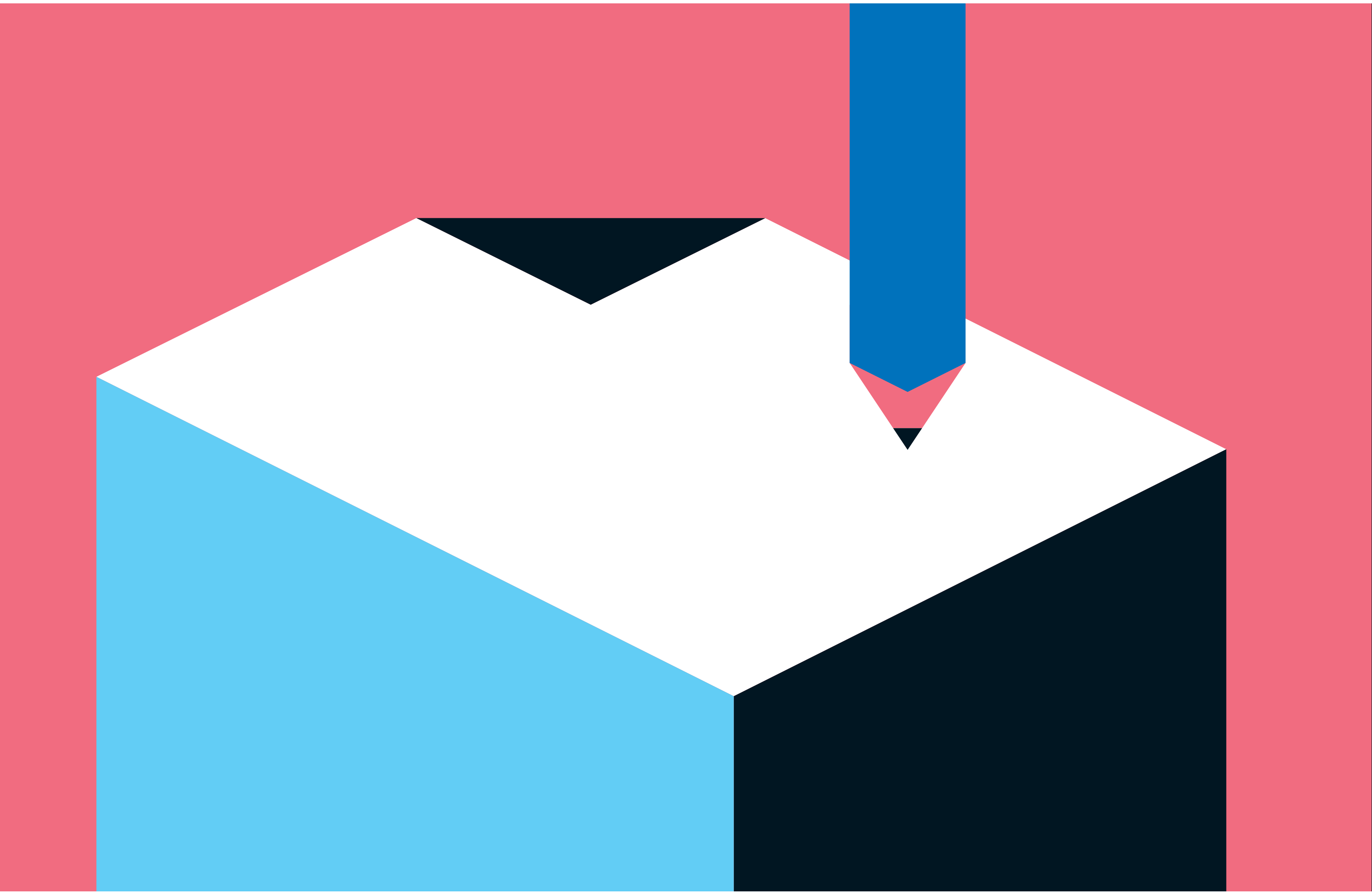
Curtis Stange
Chief Strategy and
Operations Officer

Chris Turchansky
President,
ATB Investor Services

Ian Wild
Executive Vice-President,
Corporate Financial Services



The short story is that this was a trying year for Albertans. The long story is more complicated. It's a story of resilience.



LEGAL EASE

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

CORPORATE GOVERNANCE

Board of Directors

ATB operates under a board of directors appointed by the Lieutenant Governor in Council. By setting the tone at the top, the board promotes strong governance that is entrenched in ATB's culture.

The board has overall stewardship of ATB, oversees ATB's strategic direction, monitors ATB's performance in executing its strategy and meeting its objectives, oversees implementation of an effective risk management culture, and actively monitors ATB's risk profile relative to its risk appetite. It employs governance practices and business policies broadly comparable to those of other Canadian financial institutions.

The board, with its diverse range of expertise and experience, acts independently of government and management.

Nomination and Selection of New Board Candidates

The board chair works with an independent consultant and the Governance and Conduct Review Committee to nominate and recommend board candidates based on required competencies; the board's size, composition, and director tenure; and factors such as geography, profession, industry representation, and ATB's diversity policy.

The Governance and Conduct Review Committee ensures that board selection complies with the *Alberta Public Agencies Governance Act* and the Mandate and Roles Document.

Board recruitment is publicly advertised. Appointment is for a fixed term of up to three years, with the potential for reappointment until a maximum of 10 years is served.

Orientation and Professional Development

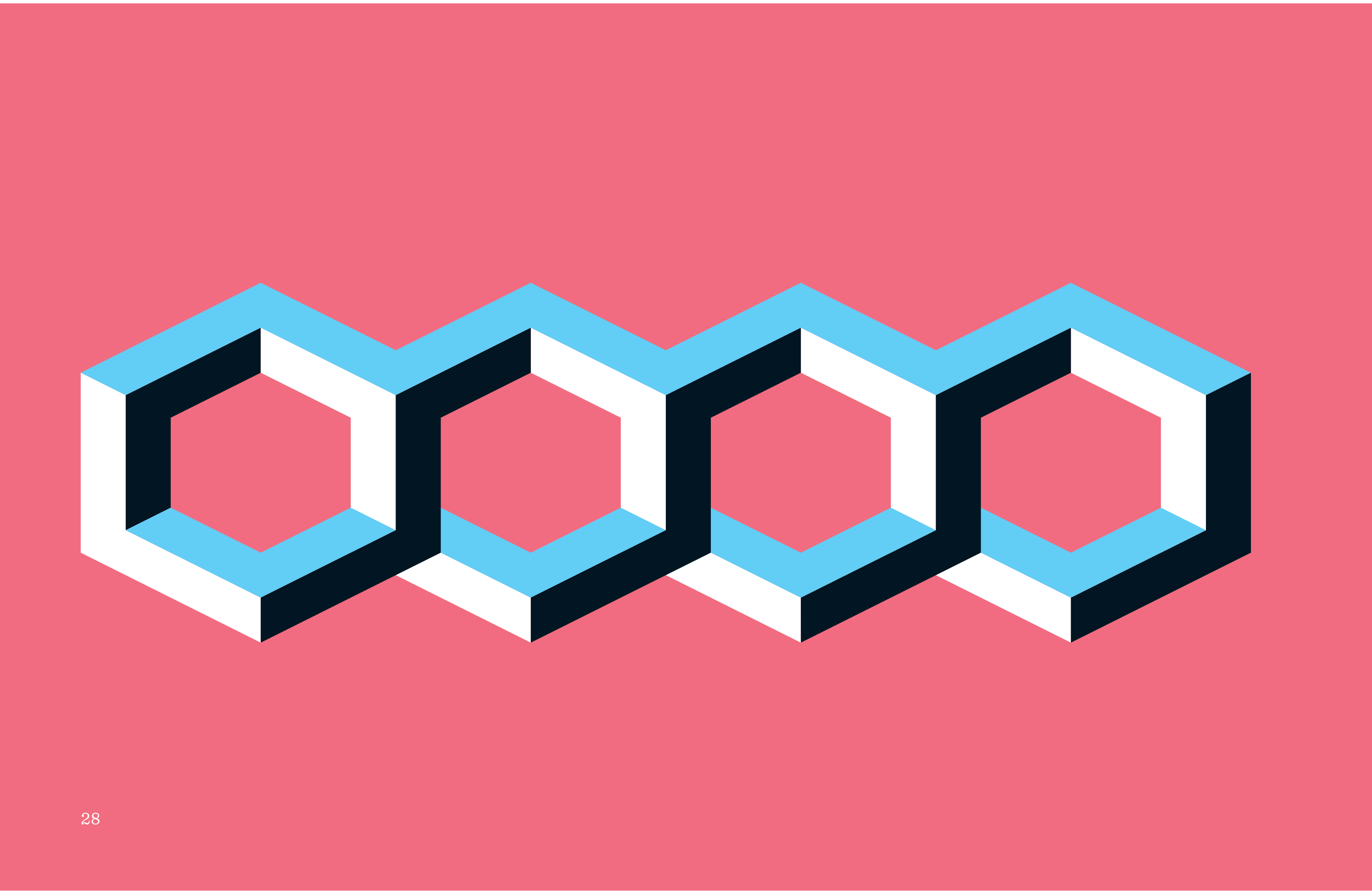
ATB provides new directors with a comprehensive orientation to our business, which includes an overview of the roles and responsibilities of the board and its committees and the contributions expected. Board members are also encouraged to participate in ongoing professional development activities, including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

Board Evaluations

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

Committees

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



OUR COMMITTEES

Audit Committee

Oversees the integrity of ATB's financial reporting and internal control systems, and its internal audit and finance functions, as well as serving as a main forum for communication between the board and its internal and external auditors.

Governance and Conduct Review Committee

Develops governance policies and procedures, including those related to team member conduct and ethics; oversees board and committee evaluation processes; and recommends board candidates.

Risk Committee

Establishes ATB's risk appetite, oversees management of key business risks, reviews key risk management policies, and oversees ATB's compliance with regulatory requirements.

Human Resources Committee

Oversees human resources policies, procedures, and compensation programs; along with executive succession, development, performance and compensation, and pension plan.

Looking ahead, we'll be even more intently focused on listening to our customers.

DISCLOSURE UNDER *PIDA*

ATB is subject to the *Public Interest Disclosure (Whistleblower Protection) Act (PIDA)*. To comply with this legislation, ATB has approved the Public Interest Disclosure Framework to enable team members to report wrongdoings, or allegations of wrongdoing, that fall under *PIDA*.

In relation to ATB, wrongdoing means contravention of an act or a regulation of Alberta or Canada; an act or omission that endangers the environment or the life, health, or safety of individuals; gross mismanagement of public funds or a public asset; or knowingly directing or counselling a person to commit a wrongdoing.

We believe banking can change people's lives for the better.

All disclosures under *PIDA* receive careful and thorough review to determine whether action is required, and must be disclosed in ATB's annual report. In fiscal 2015–16, no disclosures occurred.

Recognition and Management of Risk

Details on ATB's risk management governance are set out on page 97 of the MD&A.

Recognition of Legitimate Stakeholder Interests

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

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

LONG ON COMMITMENT

Do the right thing. It's the first thing that comes to mind when thinking about our work in communities across Alberta. We were founded over 75 years ago to look out for Albertans, and doing the right thing is still at the heart of our aspirations to change people's lives for the better.

Fundraising

Teddy for a Toonie:

$928,000

to support the Stollery and Alberta Children's Hospitals

United Way:

$760,000

Donations

$3.7M

Ducks Unlimited

2,831

acres of preserved wetlands providing

46,769

tonnes of carbon storage

Junior ATB

90 participating schools

Empower U

649 vulnerable women have graduated

Sponsorships

$6.1M

Helping Hands

25,000 volunteer hours

$135,460 in grants

ATB Cares

$2.8M in donations

CORPORATE SOCIAL RESPONSIBILITY

Happiness can mean a lot of things and it can come from a lot of places. We know that through our day-to-day work, like financing a business or granting a home loan, we can have a huge impact on the lives of our customers and bring a lot of happiness. But our community outreach also plays an increasingly vital role in the lives of many Albertans.

Our partnerships with organizations like Boyle Street Community Services, the Bissell Centre, and Momentum, among others, will directly benefit the most vulnerable Albertans by providing access to housing and financial services tailored to their specific needs. Programs like Empower U and Junior ATB strengthen Alberta through financial literacy and empowerment. We have committed 1% of our net profits to charitable giving, which includes ATB Cares donation matching and our Time to Think grants.

Team members log thousands of volunteer hours each year in applying for Helping Hands grants. Our Teddy for a Toonie and United Way campaigns have raised millions of dollars since starting over a decade ago. Our sponsorship portfolio has a strong focus on the cultural events and festivals that make Alberta such a wonderful place to live, including the National Music Centre, the Edmonton Fringe, the Calgary International

Do the right thing.

Film Festival, and the Tour of Alberta. We are the lead sponsor of Calgary Pride and also support the Edmonton and Jasper Pride festivals, in addition to our yearly support of Camp fYrefly retreats for LGBT youth. And our environmental and sustainability commitments have helped reintroduce the swift fox, a locally extinct species, and conserved thousands of acres of wetlands, while also cleaning up our own act.

There are far too many stories to share in our annual report, which is why we release an annual Corporate Social Responsibility report each September. You can read up on some of these amazing stories at *atb.com/community*.

In short,
we'll take the long view.

L O N G

S T O R Y

S H O R T

SUMMED UP

In 2015–16, ATB grew operating revenue and loans, achieved record customer advocacy and team member engagement, and invested in our future, all while dealing with Alberta's economic challenges and a low-interest-rate environment. These achievements were realized by the power of our team members, who listened and cared first and foremost about making banking work *for* our customers.

It might be tempting to be distracted by the decline in our net income this year, which was driven by a $315.0 million increase in our loan loss provisions to $387.6 million. This number may seem startling, but unfortunately it was a difficult year for Albertans, and the provisions we made for loan losses grew because of it. But it doesn't suggest we make bad loans or loans to bad customers. We made good loans to good customers, who ended up having tough times in an unprecedented economy, which created some short-term loan losses for us.

Our underlying business performance was actually quite strong, as evidenced by the 9.3% growth in our income before loan loss provisions to $453.4 million. Our loan book expanded 7.1% to $40.4 billion, which helped contribute to a 5.8% increase in operating revenues. These are the real successes. We are still growing and positioning ourselves to provide greater services to Albertans and Alberta companies.

As the drivers of our business, each area of expertise continued to contribute to ATB's overall growth: Retail Financial Services' efforts to transform banking have helped attract almost 27,000 new customers, increasing its operating revenues by 7.6% to $541.7 million, its loan book by 6.5%, and its deposits by 5.8%.

Business and Agriculture's commitment to bringing the best advice and solutions to our customers has increased its net income by 10.8% to $110.5 million, its biggest annual increase ever.

Corporate Financial Services restructured to become a stronger and more effective partner to our customers, while increasing its loan base by 8.4% to $11.9 billion.

Investor Services' best-in-class advisory team has grown assets under administration by nearly $1.0 billion and generated $153.6 million in operating revenues, despite the impact of current economic conditions.

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

For the long story of our financials and strategy, check out the MD&A.

Bob McGee
Chief Financial Officer

THE DEEPER DIVE
2015–16 HIGHLIGHTS

For the year ended March 31		2016		2015
Operating results *($ in thousands)*				
Net interest income	$	1,101,245	$	1,028,291
Other income		434,100		423,249
Operating revenue		1,535,345		1,451,540
Provision for loan losses		387,559		72,584
Non-interest expenses		1,007,358		952,098
Net income before payment in lieu of tax		140,428		426,858
Payment in lieu of tax		32,298		98,177
Net income	$	108,130	$	328,681
Financial position *($ in thousands)*				
Net loans	$	40,350,157	$	37,684,892
Total assets	$	46,757,278	$	43,074,923
Total risk-weighted assets	$	33,927,048	$	31,349,283
Total deposits	$	30,862,289	$	30,589,355
Equity	$	3,109,820	$	3,008,187
Key performance measures *(%)*				
Return on average assets		0.24		0.82
Operating revenue growth		5.8		8.8
Other income to operating revenue		28.3		29.2
Operating expense growth		5.8		2.1
Operating leverage		-		6.7
Efficiency ratio		65.6		65.6
Net interest spread		2.54		2.67
Loan losses to average loans		0.99		0.20
Net loan growth		7.1		11.2
Total asset growth		8.5		14.2
Total deposit growth		0.89		12.0
Return on average risk-weighted assets		0.33		1.1
Growth in assets under administration		7.0		24.1
Tier 1 capital ratio[1]		8.9		9.3
Total capital ratio[1]		13.7		10.9
Other information				
Investor Services' assets under administration *($ in thousands)*	$	14,650,720	$	13,690,837
Branches		173		172
Agencies		136		135
ABMs		285		279
New Alberta customers		26,698		33,775
Team members[2]		5,065		5,095

1 Calculated in accordance with the Alberta Superintendent of Financial Institutions (ASFI) capital requirements guidelines.
2 Number of team members includes casual and commissioned.

LONG STORY SHORT

By working together, ATB:

- Achieved a corporate-wide customer advocacy score[3] of 58, our highest ever
- Reached 87% team member engagement,[4] our best ever
- Welcomed 26,698 new Alberta customers
- Earned $453.4 million—our highest income ever—before loan loss provisions
- Grew our total assets by $3.7 billion to $46.8 billion
- Increased our operating revenue by 5.8% to $1.5 billion
- Maintained a 65.6% efficiency ratio[5]
- Opened the Calgary Eighth Avenue Place branch and a new agency in Penhold
- Was ranked fourth of Canada's Top 50 Best Workplaces by the Great Place to Work Institute
- Won a Canadian Society of Corporate Secretaries award for best board practices in strategic planning, oversight, and value creation
- Donated $3.7 million to charities, spent $6.1 million on community-focused sponsorships, and fundraised $1.6 million through corporate social responsibility initiatives

Retail Financial Services

- Improved our team member engagement score to 88%
- Reached a customer advocacy score of 52, our highest ever
- Scored 761 in J.D. Power's 2015 Canadian Retail Banking Customer Satisfaction Study,[6] ranking ATB third overall among mid-sized financial institutions in Canada
- Increased our Alberta consumer market share to 14.4%
- Achieved operating revenue of $541.7 million, an increase of 7.6% over last year
- Grew our deposit share significantly, to 9.2%
- Reached $1.6 billion in funds administered through Alberta Private Client

Business and Agriculture

- Recorded our highest team member engagement score ever: 92%
- Maintained a customer advocacy score of 57, our best ever
- Launched ATB Capital, our "blue-collar private-equity" offering for small and medium enterprises
- Launched Alberta BoostR, making ATB the only financial institution in Alberta to provide a crowdfunding platform for Alberta businesses
- Approved 14,742 loans—$698 million more than last year—to Alberta businesses, farmers, and ranchers, making this one of our best years ever for supporting entrepreneurs

3 The customer advocacy index is ATB's standard metric, based on surveys conducted by NRG Research Group on ATB's behalf, for measuring a customer's willingness to continue to bank with ATB and to recommend ATB to others, allowing us to benchmark ourselves against other financial institutions in Alberta. Possible scores range from –20 to 90.

4 Team member engagement scores are measured by Aon Hewitt.

5 Efficiency ratio is calculated by dividing non-interest expenses for the year by total operating revenue for the year. It measures how much it costs us to generate $1 of revenue. So for every $1 of revenue we earned in 2015–16, it cost us 65.6 cents to earn it.

6 The 2015 Canadian Retail Banking Customer Satisfaction Study is based on responses from more than 14,000 customers who use a primary financial institution for personal banking. The study includes the largest financial institutions in Canada and was fielded from April 2015 through May 2015.

LONG STORY SHORT

Corporate Financial Services

- Achieved a team member engagement score of 77%, a 5% increase over last year
- Reached a record score for customer advocacy, rating ATB number one compared to the Big 5 industry average for commercial and corporate banking
- Introduced the Engaged Client Model, to deepen relationships, make greater connections, and improve “need spotting” to consistently deliver a *wow* client experience
- Launched the Project Finance group to provide advice and financing on key Alberta projects including power, infrastructure, and renewable energy
- Re-established the Turnaround Assistance Group to work with clients who are having difficulties

Investor Services

- Held our team member engagement score at 90%
- Achieved a customer advocacy score that’s 11 points higher than the highest-scoring Big Five bank in Alberta for investment services
- Grew assets under administration by $1 billion, to $14.7 billion
- Reached over $10 billion in assets under administration via ATB Investor Services’ own Compass Portfolios
- Received FundGrade A+ awards from Fundata Canada Inc. for five Compass Portfolios[7] for the fourth consecutive year
- Launched Group Investment Services’ offering to Alberta businesses
- Launched a donor-advised fund with the ATB Investor Services Foundation and Cidel Trust Company

7 Funds recognized included Balanced Growth, Balanced, Conservative Balanced, Conservative, and Maximum Growth.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

This is Management's Discussion and Analysis (MD&A) of the consolidated results of operations and financial position of Alberta Treasury Branches (operating as ATB Financial or ATB) for the year ended March 31, 2016. The MD&A is current as at May 27, 2016. All amounts are reported in thousands of Canadian dollars, except when otherwise stated, and are derived from the consolidated financial statements prepared in accordance with International Financial Reporting Standards. The statements begin on page 120 of this report.

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

Caution Regarding Forward-Looking Statements

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

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

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

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

ABOUT ATB

History and Mandate

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

Legislative Mandate

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

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

ATB also operates within the legal framework established by provincial legislation generally applying to provincial Crown corporations, such as the *Financial Administration Act*, *Financial Planning and Transparency Act*, and *Alberta Public Agencies Governance Act*, as well as applicable legislation governing consumer protection, privacy, and money laundering.

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

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

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

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

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

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

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

Both senior management and the board review, challenge, and approve the ICAAP before its submission to ASFI.

ATB subsidiaries, which provide wealth management services, are also subject to regulatory oversight by the Investment Industry Regulatory Organization of Canada (ATB Securities Inc.) and the Alberta Securities Commission (both ATB Investment Management Inc. and ATB Securities Inc.).

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

2015–16 HIGHLIGHTS

ATB is organized into four customer-focused areas of expertise: Retail Financial Services (RFS), Business and Agriculture (B&Ag), Corporate Financial Services (CFS), and Investor Services (ATBIS). The following highlights the key aspects of how our areas of expertise are managed and reported:

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

The strategic service units consist of corporate or head-office business units that support our four areas of expertise.

Retail Financial Services (RFS)

Our goal is to be respected as one of the best-run retail financial groups on the planet, to transform banking, to reimagine it. RFS's role is to acquire low-cost deposits, connect customers with experts, and attract new customers. Our priorities include gaining market share and constantly emphasizing productivity with our team members. At the heart of our business, through the lens of the ATBs, and with our customers at the centre of everything we do, our retail experts will be committed to growth and to knowing their role within this digital environment in order to transform banking and make banking work *for* people.

Increasing Productivity

The challenging economic times within our province have affected Albertans. It hasn't been easy for some families, and it hasn't been easy for some businesses. Like any good financial institution, we've noticed and we've made changes to help Albertans during these times.

And like many businesses in Alberta, we've been affected too. Although we ended the year with growth that exceeded our goals, we had to find creative ways to build our business. We introduced the 15-month and 51-month GICs, and relaunched our three-year Springboard GIC. We also launched a new campaign called Friendship Pays that saw us open record levels of new accounts and bring in record numbers of primary-banked clients.

Like many Albertans, we had to be very prudent in our spending. We eliminated or minimized all non-crucial spending and asked our people to really think twice about any expenses. This was a message we repeated over and over. We also made our teams highly accountable for getting innovative while exceeding our clients' expectations, no matter the circumstance. Our efforts included ensuring our people understood risk and anti-money-laundering, working actively every day to spot and prevent incidents, which reduces risk and potential losses. We found other ways to save through multiple business improvements, including paper or electronic delivery of statements and bills. We also put enormous focus on our existing customers. Enhancements to our customer relationship management system mean we have better conversations with clients, know them and their stories better, and help them to achieve their goals. This focus will translate into customers who are better cared for and who have a better experience at ATB, no matter who they deal with, no matter where they are in the province.

We're also partnering with Business and Agriculture to become *the* bank for entrepreneurs. Opening two Entrepreneur Centres in Edmonton and Calgary will help Albertans get new businesses off the ground or improve their current operation. We'll work one-on-one with them, providing tools, advice, and networking opportunities that they need to build a successful business right now and in the better years to come.

Growing Market Share

Through strong focus in RFS on customer growth, we've increased our market share in several areas.

Officially launched in November 2013, Alberta Private Client continues to grow its business. With $1.6 billion in assets under administration, the team continues to expand its presence across Alberta through exceptional service and products tailored to the unique needs of each client. Likewise, the 136 agencies in the agency network opened more than 1,700 new accounts with more than $46.2 million in growth for the year. We also on-boarded 115 companies to Group Financial Services, making sure the employees of these companies received a comprehensive banking package with a solution tailor-made for them, backed by sound financial advice.

For a financial institution, building market share means we need to "fully bank" customers (i.e., we have all their business, not just one product). The Friendship Pays campaign exceeded its target this year and opened 31,000 new accounts. More than half of our new clients have two or more ATB products, and close to half are millennials who are more digitally engaged than our average customers. Thanks in large part to this very successful campaign, we increased our consumer deposit market share. We also connected more RFS customers to experts in Investor Services (ATBIS), resulting in over 6,000 RFS customers adding an ATBIS product.

ATB is building an organization that's as sophisticated as the big banks with a smart team that has the heart and courage to make things happen for our customers here in Alberta. It means we really need to listen to our customers and support them, no matter what's happening in their lives. We need to be smart, simple, and helpful. A record number of Albertans are now banking with ATB. That means we're building something special, but things move fast in Alberta, and that means ATB needs to help set the pace.

Rob Bennett
Executive Vice-President,
Retail Financial Services

Business and Agriculture (B&Ag)

Despite challenging economic conditions, ATB loaned more to entrepreneurs last year than ever in our history. This is a result of our commitment to helping entrepreneurs find a way forward through the challenges Alberta's economy is facing. We aim to have the best professional business bankers in the world to bring the best advice and solutions to our customers, no matter their challenge or opportunity. And this current environment has encouraged ATB to double down on our commitment to innovation as we reimagine and transform business banking to make it work for entrepreneurs, business owners, and farmers.

Innovating to Support Alberta Businesses

B&Ag launched the following new initiatives and solutions to help more entrepreneurs succeed.

- **Alberta BoostR** provides entrepreneurs with a rewards-based crowdfunding platform to test ideas and promote and grow their businesses.
- **The Entrepreneurship Strategy** and its dedicated team of professionals and experts on smaller businesses have already accelerated growth in this segment.
- **ATB Trade FX** continues to be tested by customers as we develop new approaches to help customers grow internationally through easy self-serve financial exchange and payment services.
- **ATB Capital**, a "blue-collar" private-equity-style solution for small and medium enterprises, supports established and profitable businesses with growth or transition opportunities.

Creating Better Banking Experiences for Entrepreneurs

One thing about entrepreneurs is that they speak in the language of their business (they don't speak "bank"!). Most do business uniquely, and they all have unique banking needs. At ATB, we get that—it's the driving motivation of our professional practice strategy. This strategy is about ensuring ATB has the best business professionals in Alberta, who "get it." Last year, ATB established the Business Banking Centre as an innovative channel to connect with entrepreneurs in a new way, and we continue to expand its capabilities to create *wow* customer experiences. We are also expanding our payment channels to ensure our customers can connect with us in the ways they want to, and new offers like Business Mobile and our online shopping experience allow our customers to do just that.

Leveraging Our Expertise and Data Science to Help Albertans Through This Economic Period

The professional practice philosophy is our core business banking strategy, and it is about bringing entrepreneurs the highest level of business expertise and professional advice. With the current economic backdrop, that professional expertise is more important than ever as we work to help both customers facing challenges and businesses with growth opportunities. The Business and Agriculture Centres of Expertise are working alongside our team members to find more ways to "think yes first" as they create unique business solutions and provide expert advice for customers through Alberta's current economic challenges.

Leveraging the power of our advanced banking system, our Data Science team is developing new approaches to bring better support to entrepreneurs than ever before. We are using data science to better understand the behaviours of our customers and to optimize the experiences we create and the strategies we deploy. We are translating these findings into world-class expertise and smart, simple, and helpful solutions for entrepreneurs.

We're facing challenges in one significant industry, but there are still a lot of great things happening in our province. We have a relatively younger population, an educated workforce, and the highest rate of entrepreneurship in Canada.

Wellington Holbrook
Executive Vice-President,
Business and Agriculture

Corporate Financial Services (CFS)

ATB's CFS team of finance professionals are focused on listening to and delivering on the needs of mid- and senior-market businesses with operations in the province of Alberta. We take a unique approach by using our deep understanding of Alberta businesses, the market, and the economy to earn trust, build long-term relationships, and ultimately make banking work *for* our clients. Offering a wide range of flexible business solutions, including credit, deposit, cash management, financial markets, leasing, syndications, and the recently launched M&A (i.e., Mergers and Acquisitions) Advisory Services, ATB uses a client-centric model to deliver on the needs of our clients through industry-expert relationship management teams. Focusing on the sectors that drive Alberta's economy, such as energy (including renewables), real estate, healthcare, construction, and forestry, ATB remains steadfastly genuine in pursuing the greater good of Albertans.

Restructuring to Meet Clients' Needs

Over the past year, we realigned our structure to help us become a stronger and more effective partner to our customers. The realignment generated three distinct groups: Client Relationships; Financial Services; and Risk, Capital, and Portfolio Optimization. The Client Relationships group capitalizes on our expert relationship leaders to identify and facilitate the delivery of solutions to meet the comprehensive needs of our clients. Financial Services provides a highly specialized suite of solutions to our clients, including Financial Markets, Syndications, and our recently launched Project Finance group. Finally we introduced Risk, Capital and Portfolio Optimization to evolve our business's capital management, risk practices, and oversight to ensure we keep in step with the ever-changing regulatory and market environment.

Building Deeper Relationships

Our enhanced client-centric model enables our team members to build deeper relationships in our markets while delivering *wow* through new and emerging customer solutions. Although this evolution will take time, we are already seeing its benefits. During the year, we connected over 230 Albertans with our experts and, despite the economic challenges, maintained a client advocacy score that makes ATB number one in the commercial and corporate banking market.

Supporting and Developing Team Members

We worked hard to support, develop, and grow the personal equity and extraordinary leadership of our team members. We launched our Sales Leadership Program to elevate our teams to the status of relationship experts. Through it, our teams improved their ability to listen and understand the true needs of our clients and generate quality connections that make sense for our customers and their businesses rather than our bottom line. We also launched a leader-focused communications strategy to provide enhanced support and resources to internal leaders, including leader town halls and the *Leaders' Digest* newsfeed.

Doing the Right Thing for Our Customers

It was a busy year, and despite all the challenges presented by the economic landscape, we remained focused on doing the right thing for our customers. Our new structure ensures that we are making banking work *for* our clients and using our resources to connect them with the experts they need, no matter their situation. Our Turnaround Assistance Group, which we recently reinstated, is dedicated to working with the management teams of our clients who are facing economic difficulties.

We are used to volatility in Alberta's economy. That means we'll always take a longer view than competitors in assessing a business's viability.

Ian Wild
Executive Vice-President,
Corporate Financial Services

Investor Services (ATBIS)

ATBIS has grown into a major competitor in the Alberta investment industry, with an ongoing commitment to transforming the wealth industry for the greater good of Albertans. We currently provide customized investment advice to over 70,000 clients ranging from early investors to those with more complex and specialized wealth needs. Our best-in-class advisory teams have amassed over $14.7 billion in assets under administration and, in conjunction with our award-winning Compass Portfolio Series, we have generated $153.6 million in annual operating revenue, attained top-employer status, and achieved record-high client advocacy scores.

Coaching Through Mastery Evolution

The scope and reach of mastery extended to all advisors this past year, either through foundational video-coaching or new program offerings, as a cost-effective way to share mastery content on a broader scale. We partnered with Carl Richards, author of *Behavior Gap*, who focuses on helping people become successful investors. His approach to financial advice and perception of our rapidly changing industry helped advisors confidently articulate our investment philosophy's value during recent economic and market uncertainty. To further enhance our delivery of world-class client experiences, our mass market advisors participated in workshops on creating an amazing client experience.

Growing Connections

We worked hard to strengthen our partner connections throughout ATB this past year. We launched Group Investment Services (GIS), which we're now well positioned to market proactively to Alberta businesses. GIS is perfect for providing connection opportunities to other ATB experts, as employers set up registered savings plans for employees through ATBIS. RFS's Alberta Private Client remains a principal partner of ours, and our collaboration resulted in the newly co-branded *Navigate* magazine to reach a larger high-net-worth audience. We also modified compensation to reward our advisors for expanding their partnerships.

Improving Our Tools and Processes

Over the past year, we redesigned ATB Investor Connect to provide a dynamic client experience, which will allow clients to seamlessly review their investment accounts, analyze their portfolio performance, and print their own reports. This new client portal will provide paperless statements and integrate with ATB TrackIt, allowing clients to see all of their banking and investment accounts and balances in one place. This reduces paper, streamlines processes, and increases cost savings in servicing our clients. The new portal is set to launch in the first quarter of fiscal 2016–17.

Enhancing the Online Advice Channel (Mass Market)

In our quest to make investing smart, simple, and helpful, we're evolving our current online advice offering to competitively serve the next generation of investors and position ourselves to compete with new online offerings that make investing easy and inexpensive. We've partnered with a world-renowned software developer to build a compelling new offering specifically tailored to the digital user. Clients can set goals, receive portfolio recommendations, open accounts, and track their progression when and where they want. The simplicity of the application, portfolio quality, lower fees, and on-demand ability to connect with experts makes investing truly work *for* people. This digital offering is set to launch in fiscal 2016–17. We also made structural changes to the mass market team by launching the Investor Support Centre. These specialists further support the administrative needs of mass market clients, increasing capacity for advisors to provide valued investment advice and solutions to more Albertans.

A “long position,” in industry-speak, highlights the belief that a stock or industry will appreciate. A “short position” means you expect it to decline. We’ve been through these situations before, and Alberta has proven to be the most resilient, innovative, and entrepreneurial province in Canada. ATB Investor Services is bullish on taking a long position—knowing that there will be difficult or turbulent times in the short term.

Chris Turchansky
President,
Investor Services

OUTLOOK

Corporate Strategy

After coming off the most successful year in ATB's history, who would have imagined how different the world would look today? We have made tremendous progress in the past year with living the ATB Story, bringing to life the ATBs (10 statements that guide our culture in how we treat our customers and each other), and the Stadium (all the behind-the-scenes tools, processes, and technology). Each area of expertise and strategic service unit has stuck by our customers to guide them through the uncertainty that the change in Alberta's economy has caused.

Listening to the Customer

Our fundamental strategy remains unchanged, but we are putting the voice of the customer at the heart of everything we do. We are:

- **Smart—**Make it personalized and relevant to customers, make it meaningful for their situation, understand what they need before they even know they need it, and customize what we deliver to meet their needs, not just ours.
- **Simple—**Banking is too complicated. Make it easy, consistent, and "bite-sized" so customers can understand. Focus on what's important and leave out the rest. And make that experience consistent, no matter whether customers are in a branch, online, on the phone, or using a mobile device.
- **Helpful—**Create value for customers, have their back, and remove unnecessary hoops and barriers to delivering what they need. Make it convenient and easy to access what they need, when they need it. And make it quick.

Becoming *the* Bank for Entrepreneurs

Alberta is known for its entrepreneurial spirit. And with the downturn in the economy and uncertainty around the energy industry, there's a renewed emphasis on entrepreneurs and the critical role they play. Entrepreneurs are the idea people, the bold thinkers, the risk takers, the opportunists, and the optimists. Taking a big idea and transforming that into a successful business venture is not easy, and banks have not always been the best partners when it comes to understanding what makes entrepreneurs tick.

We will take steps to become true partners with Alberta's entrepreneurs. In addition to traditional sponsorships of industry-related events, we'll use social media, launch two targeted Entrepreneur Centres, align with like-minded organizations, and continue to provide information targeted specifically for entrepreneurs to stand out as a leading organization that "gets" entrepreneurship.

Focusing on Where We Grow and Diversify

ATB's business focus has always mirrored the various sectors of Alberta's economy, and that has led us to develop the best expertise in the business when it comes not only to more traditional sectors like energy and energy-related industries, agriculture, agribusiness, and food, but also forestry, real estate, equipment financing, manufacturing, wholesale, transportation and logistics, retail and franchise businesses, professional service firms, and exporters.

Looking ahead, ATB will use that same expertise to grow and diversify our business, support the growth and diversity of Alberta's economy, and shift ATB's focus to reflect and build a changing Alberta economy.

Reimagining Banking

A fresh and innovative perspective on what we do is at the heart of making banking work *for* people. It's about delivering personalized and meaningful banking experiences for customers, no matter how they connect with us. It also means integrating digital, telephone, and in-person channels to create a seamlessly connected and engaged customer experience.

ATB has created exciting deliverables to make banking work *for* people. We've delivered online shopping and expanded the opportunity for customers to bank when, where, and how they want (we're now serving Alberta residents in 44 countries). We've enhanced the capability of our Customer Contact Centre to provide more products and services via one phone call. We now have 120,000 customers on TrackIt—our personal financial management tool—and the uptake has swept across all demographics.

Curtis Stange
Chief Strategy and Operations Officer

Customer behaviour is changing. Expectations are shifting. Technology is accelerating this shift as it alters traditional relationships with our customers as well as the banking industry's historical sources of revenue, growth, retention, and customer loyalty. Customers are increasingly using digital offerings to stay connected and better manage all aspects of their busy personal and business lives. Engaged banking is an experience they completely control that enhances their lives.

We're competing against players that are better at leveraging proximity, preference, and the proliferation of engaging experiences. Achieving stronger engagement and making banking work *for* people will be key to remaining relevant in the mid to long term.

Economic Outlook

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

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

Alberta Economy at a Glance

	Reference period	**Current year**	Previous year
Unemployment *(seasonally adjusted)*	Apr 2016	**7.2%**	5.6%
Housing starts urban areas *(seasonally adjusted, annualized rate)*	Apr 2016	**29,408**	31,702
Building permits *($ in billions, seasonally adjusted)*	Mar 2016	**0.93**	1.4
Manufacturing sales *($ in billions, seasonally adjusted)*	Mar 2016	**4.9**	5.8
New motor vehicle sales *(# vehicles)*	Mar 2016	**19,606**	21,224
Consumer Price Index	Apr 2016	**135.1**	133.1
Retail trade *($ in billions, seasonally adjusted)*	Mar 2016	**6.1**	6.3
Wholesale trade *($ in billions, seasonally adjusted)*	Mar 2016	**6.2**	6.9

Our outlook for the upcoming fiscal year and beyond, prepared as at May 24, 2016, is as follows.

Excess global oil supply, instability in securities markets, and tensions in Europe and the Middle East knocked the price of oil down to 12-year lows. The price of West Texas Intermediate fell to about US$27 per barrel to start the year, but has since recovered somewhat. Despite the slight improvement, prices remain unstable and oil is not expected to recover substantially for some time. This low-price environment has discouraged investment and spending and negatively affected Alberta's employment picture and numerous economic sectors.

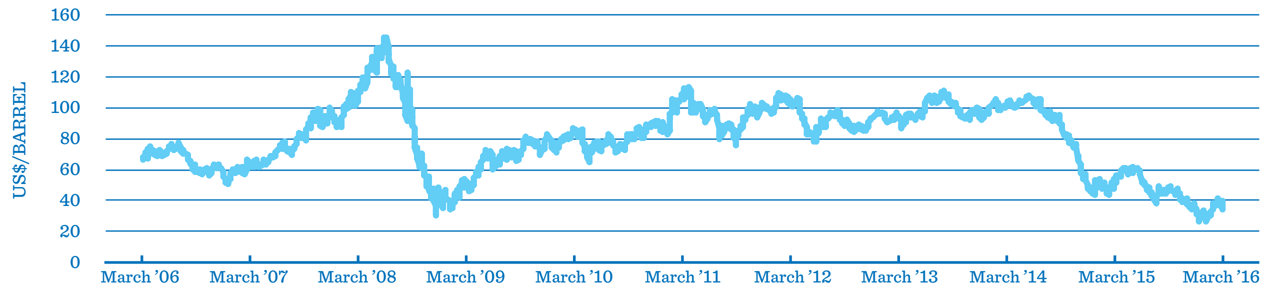
ATB's Economics and Research team projects that real GDP will contract by 1.3% in 2016, with gradual recovery in the second half of the year and in 2017.

Economic Challenges

This year, Alberta's greatest challenge will again be its battle with oil prices and the adverse effect on our economy. Even in the face of falling rig counts in the United States and at home, and with numerous rounds of spending cuts from energy companies, the oil market is still far from a balanced state. Additionally, even if a production freeze is agreed upon by members of the Organization of Petroleum Exporting Countries (OPEC), an oil production glut may still keep oil's price down.

Uncertainty in the eurozone—due to the possible exit of Great Britain or Germany—could reappear in the summer and may lead to more political instability and negative movements in financial and commodity markets. This is potentially bad news for Alberta, as a commodity exporter.

Daily Crude Oil Price, West Texas Intermediate



Source: U.S. Energy Information Administration

Energy transportation remains another challenge and a contentious issue facing all Canadians. However, recent developments show that progress is taking place on the matter. In May, the National Energy Board recommended that Ottawa approve the TransMountain extension project, subject to a significant number of conditions. Additionally, despite being blocked by the U.S. government back in November, Keystone XL has entered the conversation again. Other major pipeline projects, such as the Northern Gateway and Energy East, have stalled and are still a long way off.

One of the few bright trends this year will be an increase in economic diversity. Some of this will be a statistical apparition, as a shrinking petroleum sector will automatically increase other sectors' share of the province's GDP. But real diversification may also start to happen organically as new sectors find opportunities that were unattainable before the downturn. With plenty of available labour, attractive office leases, educated graduates, and industrial space now on the market, non-energy sectors will have a chance to get into the Alberta market. The oil sector is struggling, but many other industries—such as tourism, arts and culture, forestry, and agriculture—are thriving.

Implications for ATB

Positive migration into Alberta will continue, but it's set to slow over the year. Most migrants will be from other countries as opposed to other provinces. A sputtering job market in Alberta, along with better economic prospects in other provinces (British Columbia and Ontario), will dampen migration from other parts of Canada. As a result, housing construction is expected to shrink considerably. This could further reduce homebuilders' and developers' need for financing and cause the retail mortgage market to continue to soften. That said, subdued prices coupled with low interest rates may start to attract more new homebuyers and could keep mortgage volumes steady throughout 2016.

As oil prices battle the supply glut, investment in both conventional and non-conventional crude oil production is expected to fall again. This will continue to weigh on employment in Alberta and run through other sectors in our province as well. The unpredictability of markets and decisions made by OPEC will continue to affect the price of oil and remain a key concern for our province's oil producers and peripheral sectors.

Although Canada's bruised loonie had little impact last year, the benefits of a weaker loonie should kick into effect in 2016. A low Canadian dollar should start to benefit Alberta's exporters, especially our farmers, ranchers, and forestry operators. And not only will a low dollar attract more international visitors to our province, but more Albertans will explore their backyard instead of travelling abroad. All this means that tourism is set for another good year.

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

Retail Financial Services (RFS)

Future Priorities

Maximizing the Customer Experience

RFS is working quickly to create the core competencies in our team members, our processes, and our products to fully leverage the strong technology investments that ATB is making in customer relationship management (CRM) systems. Our goal is to maximize the CRM environment to create the best banking experience possible for our customers and to deepen our relationships with them.

Offering Products, Solutions, and Rules That Let Customers Choose

RFS will leverage our strong marketplace knowledge to build and evolve compelling signature products and solutions that truly resonate in the marketplace. In parallel, we will make things smart, simple, and helpful for customers, encouraging them to choose what works best for them. When it comes to building the right products and the right rules that let clients choose, RFS will constantly challenge the status quo.

Building Sales Power

We will continue to scale and diversify our sales and advice capability across Alberta with emphasis on Edmonton, Calgary, and high-density markets. Strong sales power in key markets is a critical strategy for building and maintaining strong client relationships.

Expanding Alberta Private Client (APC)

APC has been an important addition to our organization. Over the next three years, we'll focus on scaling the offer further into the high-net-worth marketplace. The Alberta population makes up more than 17% of the wealthiest families in Canada, and we'll continue to expand our relevance and influence to support these Albertans. In addition, APC is expanding into the important mass-affluent markets across Alberta.

Business and Agriculture (B&Ag)

Future Priorities

Providing Entrepreneur Centres

We will differentiate ATB in the marketplace by standing out as the only financial institution that "gets" entrepreneurs in all aspects of their lives. We will show our expertise by supporting entrepreneurs not only in their business banking but in their personal and wealth management needs as well.

To become *the* bank for entrepreneurs, we are redeploying a small number of branches (starting in Edmonton and Calgary) where entrepreneurs can connect, ask questions, receive support from professionals, and access all of the financial services they need (business and retail). All entrepreneurs—whether ATB clients or not—will get to use common space or meeting space and attend ATB-hosted seminars and events. In due course, this Entrepreneur Centre experience will be extended to other channels and mediums.

Introducing Banking for Indigenous People and Social Enterprises

In keeping with our commitment to having professional expertise tied to the unique needs of entrepreneurs, we will introduce a whole new kind of business banker dedicated to helping social enterprises. B&Ag provides both business and banking expertise to those businesses so they can focus on their passion for making a difference in their communities. We will also develop expertise in banking for Indigenous businesses in order to provide a specialized, unique experience to differentiate ATB as a strong partner for Indigenous entrepreneurs.

Innovating Through the B&Ag Product and Experience Lab

We are deploying leading-edge "non-bank" thinking to change the way we make banking work for entrepreneurs, business owners, farmers, and ranchers. One initiative is RM Unleashed, which will give our relationship managers and entrepreneurship managers the use of new processes and mobile technology, allowing them to complete everything for their customers away from their desk. This not only creates a more exciting professional role for our team members but unleashes capacity, enables them to work with customers in a way that best suits their business, and frees up time for customers.

Corporate Financial Services (CFS)

Future Priorities

Growing and Diversifying

From launching new groups such as Project Finance, which provides advice and financing to stand-alone infrastructure, power, and construction projects, to developing our in-house experts in key Alberta industries such as renewable energy, healthcare, and technology, we are excited about the opportunities to grow and diversify along with our clients and the province.

Transforming the Stadium

The next three years will provide a clear runway for us to invest in the transformation of our "stadium." This includes introducing key cash-management solutions such as notional and cash pooling, redesigning ATB Online Business with improved controls and better Business MasterCard functionality, and enhancing our existing payments services. These new and improved capabilities, in conjunction with internal lean management initiatives, will ensure we provide our clients with a truly engaged banking system that consistently delivers smart, simple, and helpful solutions.

Being *the* Bank for Entrepreneurs

To support our customers and be *the* bank for entrepreneurs, we will continue to bring together expertise to help our clients face challenges head-on and find opportunities and solutions. Whether through our Turnaround Assistance Group or our recently launched M&A (i.e., Mergers and Acquisitions) Advisory Services, which advises Alberta entrepreneurs as they transition through any stage of the business life cycle, we remain steadfastly genuine in our pursuit of Albertans' greater good.

Creating the All-In Team Member Experience

We remain committed to making ATB *the* place to work. We have identified three main pillars for the foundation of our team member action plan. In partnership with People and Culture, we will focus on "enabling work" to provide the tools necessary to accelerate our engaged banking initiatives, career planning and development to broaden team member experiences and expand potential career paths, and compensation and recognition that acknowledge the *wow* experiences that our team members deliver every day.

We want to demonstrate our remarkable ability to understand and listen to you. We want to make banking work *for* you. We want to make a personal connection with you so you never feel like we're simply a chequing account, a business loan, a HELOC, or a mortgage. We want to care so much that you want to advocate for us because of how we advocate for you.

Lorne Rubis
Chief People Officer

Investor Services (ATBIS)

Future Priorities

ATBIS sees steady growth in key performance areas and continues to focus on being *the* place to work, loved and respected by Albertans, and number one in every market we're in. To continue this performance, we must confront the increasingly complex environment in which our investors live, and guide them with the smartest, simplest, and most helpful advice in the industry. This will require us to evolve the level of advice we offer as leaders and advisors. The following initiatives and new priorities will enable us to deliver on our commitments, including acquiring new customers and generating more non-margin-fee income to maximize dividend payments to our shareholder.

Focusing Where We Grow and Diversify

Our biggest opportunity still lies with ATB Financial, but we have to continue to diversify the source of our clients so we depend less on the enterprise. Despite the economic slowdown in Alberta, which has limited the growth of wealth, the wealth market in the province is still over $400 billion. We will reclassify our segments and develop a service model that matches existing and emerging client needs with advice that best guides them. We will also offer tailored advice to sub-segments of the market, such as institutions, women, and entrepreneurs.

Deepening Relationships

To help Albertans stay the course with their long-term investments, we're committed to being "the voice of good" in the wealth industry and putting investors' interests first. We will continue to leverage *ATB Investor Beat* to better understand Albertans, challenge industry norms, and be proactive and transparent in ways our competitors aren't. We will broaden the relationship services we provide by surrounding clients with the right experts for tax planning, business succession planning, charitable giving, and transition planning. We will become behavioural finance experts to guide positive change in investor behaviour.

Reimagining Banking

We will step up how we serve a new age of investors, regardless of their segment, with smart digital options backed by operational excellence. We will focus on core platforms and leverage the new ATB Investor Connect solution, which will enable clients to access their account information and statements online. With a vendor now selected, we will advance the current mass market offering of online advice and evolve how we serve a new generation of investors. We will do this by developing and launching a new digital client proposition that will attract new investors and better position us to compete with "robo-advisor" firms.

Transforming the Stadium

ATBIS will remain focused on optimizing tools and processes behind the scenes that are superior for team members and clients. We will remove barriers between ATBIS's and ATB Financial's client relationship management systems to enable efficiencies for team members and service excellence for clients. We will also close the gap on foundational applications and tools that are outdated. Information management will be harnessed in new ways to improve our ability to provide quality marketing opportunities for advisor segments, based on attrition and growth analysis.

Living the Team Member All-In Experience

To continue momentum as *the* place to work, we remain committed to mastery development, the ATB Story, the ATBs, and the ATB leaders' "all-in" pledge for the further development, inspiration, and engagement of our team members and overall success of the organization. We will implement leadership growth opportunities and practices, support succession planning, and continuously evolve mastery development to increase client retention and build advisor capacity.

In times like these, we have a real opportunity to differentiate ATB from competitors and demonstrate to Albertans why they should want to do business with us.

Peggy Garritty
Senior Vice-President,
Reputation and Brand

FINANCIAL PERFORMANCE OVERVIEW

2015–16 Performance and 2016–17 Objectives

Detailed analysis of our 2015–16 consolidated operating results and our financial position as at March 31, 2016, can be found on pages 70 and 85, respectively.

(%)	2015–16 target	**2015–16 results**	2016–17 target
Return on average assets	0.50–0.60	**0.24**	0.10–0.20
Operating revenue growth	6.0–8.0	**5.8**	4.0–6.0
Efficiency ratio	63.0–67.0	**65.6**	65.0–70.0
Performing loan growth	6.0–9.0	**7.0**	4.0–7.0
Total deposit growth	5.0–7.0	**0.89**	3.0–6.0
Return on average risk-weighted assets	0.8–1.0	**0.33**	0.1–0.3
Growth in assets under administration	10.0–20.0	**7.0**	10.0–20.0

REVIEW OF 2015–16 CONSOLIDATED OPERATING RESULTS

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

Net Income

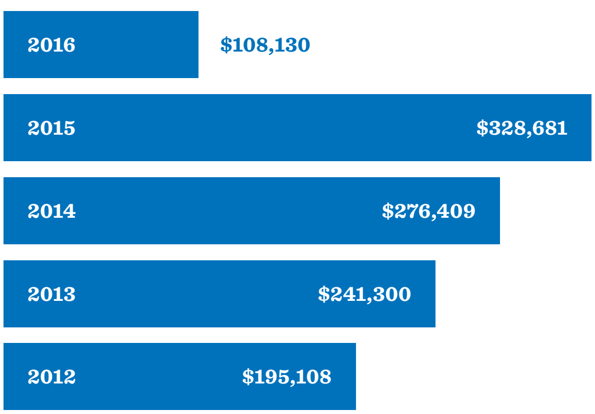
For the year ended March 31, 2016, ATB earned $108.1 million, down 67.1% or $220.6 million from the $328.7 million earned in fiscal 2014–15. The decrease from the prior year was driven by a $315.0 million increase in the provision for loan losses and a $55.3 million increase in non-interest expenses. These negative year-over-year variances were partially offset by a $73.0 million increase in net interest income and a $10.9 million increase in other income.

ATB's income before provision for loan losses improved by $38.7 million (9.3%) to end the year at $453.5 million. This improvement demonstrates our ability to perform well during these tough economic times. Income before provision for loan losses, a non-GAAP[1] measure, is defined as follows:

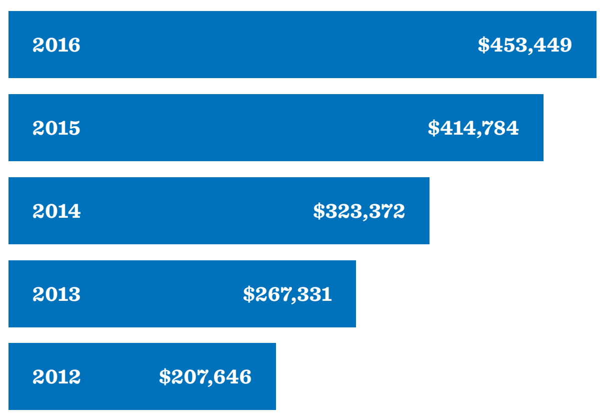
($ in thousands)	2016	2016 vs 2015 increase (decrease)		2015
Operating revenue	$ 1,535,345	$ 83,805	5.8%	$ 1,451,540
Less: income from asset-backed commercial paper	(74,538)	(10,120)	(12.0)%	(84,658)
Less: non-interest expense	(1,007,358)	55,260	5.8%	(952,098)
Income before provision for loan losses	$ 453,449	$ 38,665	9.3%	$ 414,784

[1] Generally accepted accounting principles.

Net income
($ in thousands)



Income before provisions for loan losses
($ in thousands)



Fiscal 2016–17 Outlook for Net Income

Overall, we expect net income for fiscal 2016–17 to be between $10 million and $62 million, a decrease from fiscal 2015–16. Loan and deposit growth are expected to continue at a slightly slower rate than historical trends. Operating revenues will show small growth, with an increased focus on non-interest sources of income. Non-interest expenses will also continue to be managed prudently in fiscal 2016–17, with a slight increase over fiscal 2015–16, but at a rate in line with growth projections for the rest of Alberta. Loan loss provisions are expected to remain higher than normal in the first half of the year and begin to trend downwards with economic conditions slowly starting to improve in the second half of the year.

Return on Average Assets

The return on average assets for fiscal 2015–16 was 0.24%, a decrease of 0.58% from last year. This was driven by a 67.1% decrease in net income combined with an 11.1% increase in average total assets, primarily driven by loan growth.

($ in thousands)		**2016**		2016 vs 2015 increase (decrease)			2015
Net income	$	108,130	$	(220,551)	(67.1)%	$	328,681
Average total assets	$	44,777,839	$	4,475,934	11.1%	$	40,301,905
Return on average assets		0.24%		(0.58)%	(71.6)%		0.82%

Fiscal 2016–17 Outlook for Return on Average Assets

We are targeting a return on average assets between 0.02% and 0.16% for fiscal 2016–17. This target is based on anticipated net income of $10 million to $62 million and average total assets exceeding $48 billion.

Total Operating Revenue

Total operating revenue consists of net interest income and other income. ATB experienced an increase of $73.0 million (7.1%) in net interest income and $10.9 million (2.6%) in other income during the year. The increase in interest income was primarily driven by volume growth in our balance sheet. The increase in other income was driven by an increase in ATBIS revenue of $19.0 million and an increase in net gains on derivative financial instruments revenue of $17.1 million, partially offset by a $21.2 million reduction in net gains on financial instruments at fair value through net income.

($ in thousands)		**2016**		2016 vs 2015 increase (decrease)			2015
Net interest income	$	1,101,245	$	72,954	7.1%	$	1,028,291
Other income		434,100		10,851	2.6%		423,249
Operating revenue	$	1,535,345	$	83,805	5.8%	$	1,451,540

Fiscal 2016–17 Outlook for Operating Revenue

We expect operating revenue to decrease by 1.0% to 4.5% in fiscal 2016–17 primarily due to a decrease in other income that will be driven primarily by revenue related to our asset-backed commercial paper recovery, partially offset by continued growth in ATBIS and fees from our business and corporate product offerings. We do expect net interest income to increase through continued growth in our loan portfolio but to be offset by a decrease in net interest spread due to higher funding costs.

Net Interest Income

Net interest income represents the difference between interest earned on assets, such as loans and securities, and interest paid on liabilities, such as deposits. Net interest income increased by $73.0 million over last year, with $92.3 million of the increase coming from growth in the balance sheet, but was offset by a $19.3 million impact from the decline in interest rates. In other words, we were able to offset the low-interest-rate environment through solid balance-sheet performance.

Changes in Net Interest Income

	2016 vs 2015			2015 vs 2014		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
($ in thousands)	volume	rate	Net change	volume	rate	Net change
Assets						
Interest-bearing deposits with financial institutions, and securities	$ 8,558	$ (11,191)	$ (2,633)	$ 9,133	$ (2,921)	$ 6,212
Loans						
Business	93,088	(45,002)	48,086	90,592	(22,041)	68,551
Residential mortgages	36,532	(36,614)	(82)	34,467	(34,648)	(181)
Personal	6,969	(5,760)	1,209	22,595	7,780	30,375
Other	(12,193)	38,017	25,824	7,046	9,976	17,022
Total loans	124,396	(49,359)	75,037	154,700	(38,933)	115,767
Change in interest income	$ 132,954	$ (60,550)	$ 72,404	$ 163,833	$ (41,854)	$ 121,979
Liabilities						
Deposits						
Demand	$ 14,010	$ (34,046)	$ (20,036)	$ 9,878	$ 8,586	$ 18,464
Fixed-term	(11,326)	20,465	9,139	40,030	1,019	41,049
Total deposits	2,684	(13,581)	(10,897)	49,908	9,605	59,513
Wholesale borrowings	10,689	(6,205)	4,484	(3,132)	413	(2,719)
Collateralized borrowings	20,962	(12,544)	8,418	12,739	(6,207)	6,532
Securities sold under repurchase agreements	269	(2)	267	-	-	-
Subordinated debentures	-	(4,565)	(4,565)	(5,308)	(652)	(5,960)
Capital investment deposits	1,998	(255)	1,743	2,633	(299)	2,334
Change in interest expense	$ 36,602	$ (37,152)	$ (550)	$ 56,840	$ 2,860	$ 59,700
Change in net interest income	$ 96,352	$ (23,298)	$ 72,954	$ 106,993	$ (44,714)	$ 62,279

Net Interest Margin and Spread Earned

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

As a result of the low-interest-rate environment and competitive marketplace, both our net interest margin of 2.46% and net interest spread of 2.54% are lower than last year's net interest margin and spread of 2.55% and 2.67%, respectively. The decrease was primarily driven by lower spreads on our business, mortgage, and personal loans, which resulted from the low-interest-rate environment unfavourably impacting our interest income. This was partially offset by a combination of lower interest spreads on demand deposits, wholesale and collateralized borrowing agreements, and a shift toward lower-cost demand deposits.

Net Interest Income, Margin, and Spread Earned

($ in thousands)	Average balances 2016	Average balances 2015	Interest 2016	Interest 2015	Average rate (%) 2016	Average rate (%) 2015
Assets						
Interest-bearing deposits with financial institutions, and securities	$ 4,160,016	$ 3,035,059	$ 31,646	$ 34,279	0.8	1.1
Loans						
Business	18,206,828	15,896,756	733,675	685,589	4.0	4.3
Residential mortgages	13,727,584	12,500,183	408,576	408,658	3.0	3.3
Personal	6,684,600	6,514,838	274,414	273,205	4.1	4.2
Other	497,315	543,955	130,011	104,187	26.1	19.2
Total loans	39,116,327	35,455,732	1,546,676	1,471,639	4.0	4.2
Total interest-earning assets	43,276,343	38,490,791	1,578,322	1,505,918	3.6	3.9
Non-interest-earning assets	1,501,497	1,811,114	-	-	-	-
Total assets	$ 44,777,840	$ 40,301,905	$ 1,578,322	$ 1,505,918	3.5	3.7
Liabilities and equity						
Deposits						
Demand	$ 19,433,721	$ 16,480,931	$ 92,206	$ 112,242	0.5	0.7
Fixed-term	12,204,319	12,821,231	224,042	214,903	1.8	1.7
Total deposits	31,638,040	29,302,162	316,248	327,145	1.0	1.1
Wholesale borrowings	3,423,689	2,707,313	51,083	46,599	1.5	1.7
Collateralized borrowings	4,725,133	3,715,653	98,120	89,702	2.1	2.4
Non-interest-bearing liabilities	1,378,694	1,394,489	-	-	-	-
Securities sold under repurchase agreements	43,047	630	273	6	0.6	1.0
Subordinated debentures	356,973	294,147	11,353	9,610	3.2	3.3
Capital investment notes	-	114,505	-	4,565	-	4.0
Equity	3,212,264	2,773,006	-	-	-	-
Total liabilities and equity	$ 44,777,840	$ 40,301,905	$ 477,077	$ 477,627	1.1	1.2
Net interest margin			$ 1,101,245	$ 1,028,291	2.46	2.55
Net interest spread					2.54	2.67

Other Income

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

($ in thousands)	2016	2016 vs 2015 increase (decrease)		2015
Investor Services	$ 144,938	$ 18,968	15.1%	$ 125,970
Service charges	67,723	8	0.0%	67,715
Card fees	52,995	(137)	(0.3)%	53,132
Credit fees	44,824	(314)	(0.7)%	45,138
Insurance	20,404	2,456	13.7%	17,948
Foreign exchange	8,927	(6,038)	(40.3)%	14,965
Net gains on derivative financial instruments	32,047	17,058	113.8%	14,989
Net gains on financial instruments at fair value through net income	58,421	(21,175)	(26.6)%	79,596
Sundry	3,821	25	0.7%	3,796
Total other income	$ 434,100	$ 10,851	2.6%	$ 423,249

Other income was $434.1 million for fiscal 2015–16, an increase of $10.9 million (2.6%) over last year's income of $423.2 million. This increase was largely driven by a $19.0 million increase in ATBIS revenue and a $17.1 million increase in net gains on derivative financial instruments, partially offset by a reduction of $21.2 million in net gains on financial instruments at fair value through net income.

ATBIS revenue grew to $144.9 million, a 15.1% increase over the $126.0 million earned in fiscal 2014–15. This increase was driven by a $1.0 billion (7.0%) increase in assets under administration primarily from the Compass Portfolio Series, ATB's proprietary fund.

Net gains on derivative financial instruments increased by $17.1 million (113.8%) over last year, ending the year at $32.0 million. The increase can be attributed to a combination of a decline in long-term rates and a larger portfolio of corporate receive fixed swaps, partially offset by unrealized and realized losses from futures contracts.

These positive year-over-year variances were partially offset by a reduction in the net gains on financial instruments at fair value through net income, which decreased by $21.2 million from the $79.6 million net gain in fiscal 2014–15. The decrease is due to unfavourable market conditions and volatility, resulting in unrealized losses on our floating-rate notes. We expect to recover these unrealized losses as the notes near maturity. In addition, this year saw lower unrealized and realized gains on our asset-backed commercial paper.

The ratio of other income to operating revenue was 28.3%, slightly lower than the 29.2% achieved last year. This ratio is significantly lower than that of the major Canadian banks, as ATB does not generate revenue from trading, investment banking, or major brokerage activities.

Provision for Loan Losses

ATB's results for fiscal 2015–16 include a $387.6 million provision for loan losses compared to $72.6 million for the prior year. The $315.0 million increase was driven by a $190.0 million increase in the individual provision, with the collective provision increasing by $125.0 million.

($ in thousands)		**2016**		2016 vs 2015 increase (decrease)			2015
Individual provision before recoveries	$	**264,869**	$	192,223	264.6%	$	72,646
Recoveries		**(6,617)**		(2,191)	(49.5)%		(4,426)
Individual provision		**258,252**		190,032	278.6%		68,220
Collective provision		**129,307**		124,943	2,863.0%		4,364
Total provision for loan losses	$	**387,559**	$	314,975	433.9%	$	72,584
Loan losses to average loans		**0.99%**		0.79%	392.7%		0.20%

At the beginning of fiscal 2014–15, oil was trading slightly above US$100 per barrel and closed the year at US$50 per barrel. By March 31, 2016, it was trading under US$40 per barrel. The continued sharp decline in oil prices over the last couple of years has had a detrimental effect on the Alberta economy, resulting in several high-value provisions and writeoffs in our commercial portfolio, predominantly within the energy sector. By the end of this year, the weak economic conditions had impacted the whole loan portfolio, resulting in additional provisions on our independent business and consumer loans. This scenario is unfavourable compared to last year, which had two quarters of still relatively strong oil prices. The economic downturn has negatively impacted our portfolio, as the ratio of provision for loan losses to average loans increased from 0.20% to 0.99%.

The collective provision represents management's best estimate of loan losses expected but not yet incurred. Four drivers are included in this assessment, with credit migration being the main driver this year. The credit quality of the entire portfolio declined during the year, resulting in loans moving to higher risk-ratings and a $65.6 million increase in the provision. The probability of default and likelihood of losses increased the provision by $44.3 million, as customers began to lag on payments and default on their loans. In addition, a high number of writeoffs contributed to an increase in loss rates that added another $16.7 million. Lastly, loan growth of $3.0 billion resulted in an increase of $2.7 million to the provision. Given the persistent weakness in the economy, we expect further provisions and losses over fiscal 2016–17.

Management remains confident in the overall quality of the portfolio, supported by our strong credit- and loss-limitation practices. (Refer to the Risk Management section of this report for further details.) As at March 31, 2016, gross impaired loans of $592.4 million make up 1.5% of the total loan portfolio compared to 0.66% at March 31, 2015.

Non-Interest Expenses

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

($ in thousands)		**2016**		2016 vs 2015 increase (decrease)			2015
Salaries and employee benefits	$	**515,878**	$	20,998	4.2%	$	494,880
Data processing		**92,230**		(2,713)	(2.9)%		94,943
Premises and occupancy, including depreciation		**92,895**		5,870	6.7%		87,025
Professional and consulting costs		**54,441**		5,167	10.5%		49,274
Deposit guarantee fee		**47,653**		4,869	11.4%		42,784
Equipment and software and other intangibles, including depreciation and amortization		**73,456**		10,790	17.2%		62,666
General and administrative		**71,137**		(868)	(1.2)%		72,005
ATB agencies		**10,863**		891	8.9%		9,972
Other		**48,805**		10,256	26.6%		38,549
Total non-interest expenses	$	**1,007,358**	$	55,260	5.8%	$	952,098
Efficiency ratio		**65.6%**		-	-		65.6%

ATB remains committed to managing expenses in order to bring our efficiency ratio (see page 76) more in line with industry peers. Non-interest expenses rose to $1.0 billion, an increase of $55.3 million (5.8%) over last year.

The biggest component of the year-over-year increase is the $21.0 million (4.2%) increase in salaries and employee benefits. Expanding into new markets and growing Alberta Private Client led to higher staffing costs, which were partially offset by workforce optimization and increased productivity. The increase was also offset by lower incentive pay, which is driven by the performance of the business.

Premises and occupancy costs increased to $92.9 million, $5.9 million (6.7%) over last year. The increase was mainly due to the continued growth of ATB and our new corporate office space and branch at Calgary Eighth Avenue Place.

Equipment and software and other intangibles, including depreciation and amortization expenses, increased by $10.8 million (17.2%) over last year. Most of this increase was due to continued system enhancements.

Other expenses increased to $48.8 million this year, a $10.3 million (26.6%) increase over the $38.5 million incurred last year. This was primarily driven by increased disbursements to holders of our Achievement Notes and one-time costs relating to our credit card portfolio.

These cost increases were partially offset by a $2.7 million (2.9%) decrease in data processing costs, which resulted from deferring some projects that will not impact operations.

Efficiency Ratio

The efficiency ratio was 65.6% in fiscal 2015–16, which is consistent with the prior year's ratio of 65.6%, as our operating revenue grew at the same rate as our non-interest expenses. This is within our target ratio of 63.0% to 67.0%. Despite increasing costs to remain competitive in the tough environment, we were able to grow our operating revenue to maintain our efficiency ratio.

Fiscal 2016–17 Outlook for Efficiency Ratio

We have set the target efficiency ratio for fiscal 2016–17 at 65.0% to 70.0%. We are committed to driving our efficiency ratio down to a level that is competitive with financial institutions of comparable size, but we expect the ratio to remain just under 70.0% as a result of challenging economic conditions. Lower loan growth and operating revenue will be offset by diligently managing expenses.

REVIEW OF OPERATING RESULTS BY AREA OF EXPERTISE

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

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

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

The costs associated with the day-to-day operations of our areas of expertise are as follows:

- Direct allocations include expenses that areas of expertise have influence over, which benefit the area's operations.
- Other costs that are not directly attributable to the area of expertise, including indirect expenses, follow specific methodologies based on best-suited cost drivers.

Year-Over-Year Segmented Results

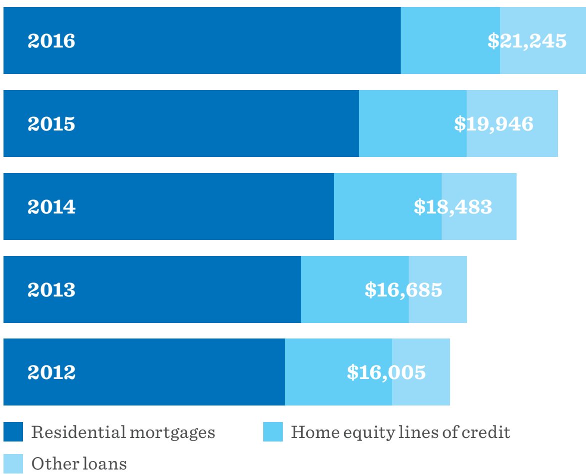
($ in thousands)	Retail Financial Services	Business and Agriculture	Corporate Financial Services	Investor Services	Strategic service units	Total
For the year ended March 31, 2016						
Net interest income	**$ 455,192**	**$ 295,884**	**$ 325,742**	**$ 434**	**$ 23,993**	**$ 1,101,245**
Other income	**86,498**	**60,667**	**62,058**	**153,155**	**71,722**	**434,100**
Total operating revenue	**541,690**	**356,551**	**387,800**	**153,589**	**95,715**	**1,535,345**
Provision for loan losses	**87,661**	**41,020**	**258,878**	**-**	**-**	**387,559**
Non-interest expenses	**442,026**	**205,023**	**99,821**	**112,811**	**147,677**	**1,007,358**
Payment in lieu of tax	**-**	**-**	**-**	**9,379**	**22,919**	**32,298**
Net income (loss)	**$ 12,003**	**$ 110,508**	**$ 29,101**	**$ 31,399**	**$ (74,881)**	**$ 108,130**
Increase (decrease) from 2015						
Net interest income	$ 38,382	$ 38,401	$ 46,639	$ (7)	$ (50,461)	$ 72,954
Other income	24	3,176	255	19,422	(12,026)	10,851
Total operating revenue	38,406	41,577	46,894	19,415	(62,487)	83,805
Provision for loan losses	62,532	24,536	226,957	-	950	314,975
Non-interest expenses	16,252	6,250	5,158	8,419	19,181	55,260
Payment in lieu of tax	-	-	-	2,529	(68,408)	(65,879)
Net (loss) income	$ (40,378)	$ 10,791	$ (185,221)	$ 8,467	$ (14,210)	$ (220,551)
For the year ended March 31, 2015						
Net interest income	$ 416,810	$ 257,483	$ 279,103	$ 441	$ 74,454	$ 1,028,291
Other income	86,474	57,491	61,803	133,733	83,748	423,249
Total operating revenue	503,284	314,974	340,906	134,174	158,202	1,451,540
Provision for (recovery of) loan losses	25,129	16,484	31,921	-	(950)	72,584
Non-interest expenses	425,774	198,773	94,663	104,392	128,496	952,098
Payment in lieu of tax	-	-	-	6,850	91,327	98,177
Net income (loss)	$ 52,381	$ 99,717	$ 214,322	$ 22,932	$ (60,671)	$ 328,681

Retail Financial Services (RFS)

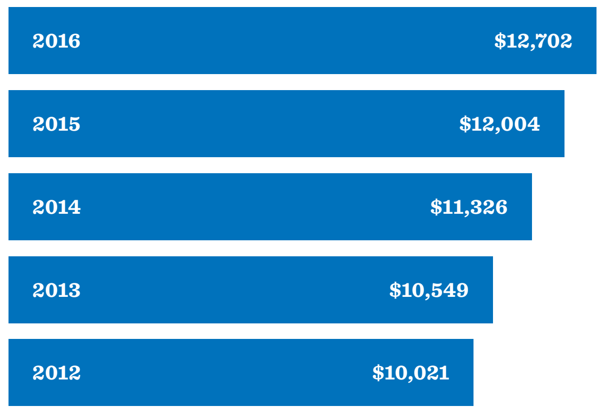
Financial Performance

($ in thousands)		2016		2015
Net interest income	$	455,192	$	416,810
Other income		86,498		86,474
Operating revenue		541,690		503,284
Provision for loan losses		87,661		25,129
Non-interest expenses		442,026		425,774
Net income	$	12,003	$	52,381
Total assets	$	21,244,658	$	19,946,326
Total liabilities	$	12,701,875	$	12,004,052

Loans
($ in millions)



Deposits
($ in millions)



In fiscal 2015–16, RFS saw net income decrease by $40.4 million (77.1%) to end the year at $12.0 million. While operating revenue increased by $38.4 million (7.6%), it was not enough to offset an increase in the provision for loan losses of $62.5 million (248.8%).

The increase in operating revenue was due to an increase in net interest income. Strong balance sheet growth continues to be an important factor, particularly for residential mortgage loans, which grew by $1.4 billion over last year. The Friendship Pays new customer campaign led to higher volumes, which, combined with improved pricing, resulted in higher income. These favourable factors were partially offset by a volume-driven decline in income earned on home equity lines of credit.

The provision for loan losses for the year is $87.7 million, $62.5 million more than for fiscal 2014–15. The increase was driven by a combination of loan portfolio growth and a weak Alberta economy.

Non-interest expenses for fiscal 2015–16 were $442.0 million, an increase of $16.3 million (3.8%), which was the result of higher costs associated with Friendship Pays, higher employee expenses, and operating losses.

Loans ended the year at $21.2 billion, $1.3 billion (6.5%) higher than last year. The growth is primarily attributed to a $1.4 billion (10.6%) increase in residential mortgages. This increase was slightly offset by a $172 million (4.6%) decline in our home equity lines of credit.

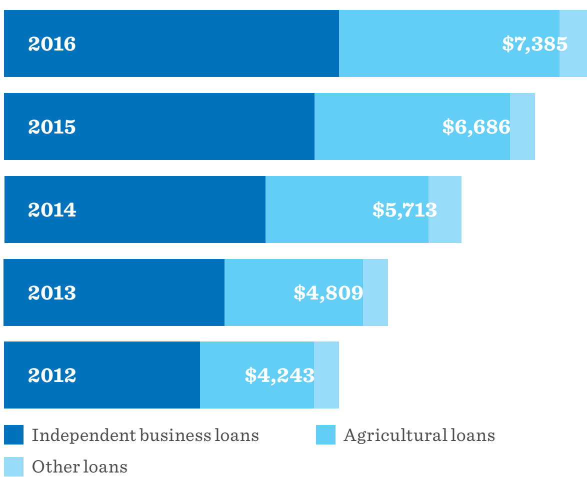
Deposits grew by $698 million (5.8%) this fiscal year to end the year at $12.7 billion. This increase was primarily due to growth in personal retail deposits of $283 million (4.4%), which were aided by our Friendship Pays campaign, along with an increase of $152 million in high-interest savings account balances.

Business and Agriculture (B&Ag)

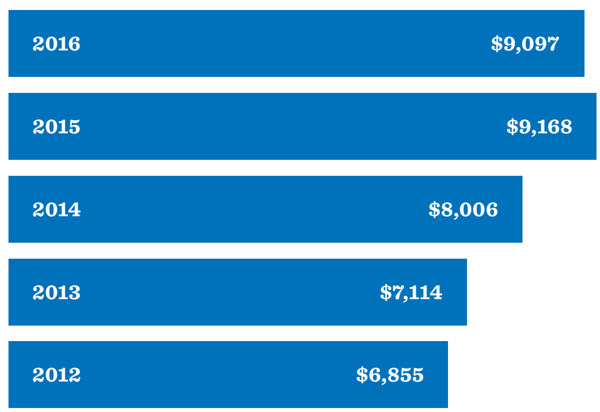
Financial Performance

($ in thousands)		2016		2015
Net interest income	$	295,884	$	257,483
Other income		60,667		57,491
Operating revenue		356,551		314,974
Provision for loan losses		41,020		16,484
Non-interest expenses		205,023		198,773
Net income	$	110,508	$	99,717
Total assets	$	7,384,520	$	6,686,117
Total liabilities	$	9,097,122	$	9,167,956

Loans
($ in millions)



Deposits
($ in millions)



Net income for fiscal 2015–16 was $110.5 million, a $10.8 million improvement over last year, resulting from the strong growth in net interest income outpacing the increases in both the provision for loan losses and non-interest expenses.

Operating revenue in fiscal 2015–16 was primarily driven by net interest income, which increased by $38.4 million (14.9%). This is attributable to sustained balance sheet growth, combined with an increased yield of 11 basis points on loan products, and 2 basis points in deposit spread, an improvement from the decline in deposit spread last year.

The provision for loan losses this year was $41.0 million, which is higher than the $16.5 million recorded in fiscal 2014–15. This increase is largely due to increased loan balances, delinquency, and impairments as well as several account writeoffs required as a consequence of the current downturn in the Alberta economy.

Non-interest expenses increased by $6.3 million (3.1%) over last year's $198.8 million expense. The increase is due to a combination of higher employee expenses; volume-related expenses including agency costs and deposit guarantee fees; higher amortization, mainly due to the merchant equipment project; and higher occupancy costs.

Loans as at March 31, 2016, stood at $7.4 billion, an increase of $698 million (10.5%) over last year. This was the result of a $343 million (8.8%) increase in independent business loans with the real estate rental, hotel and restaurant, and manufacturing sectors leading the growth by contributing $165 million, $69 million, and $47 million, respectively. Additionally, a $317 million (13.0%) increase in agriculture loans was driven by farmland financing growing by $179 million, term loans by $70 million, and revolving loans by $23 million.

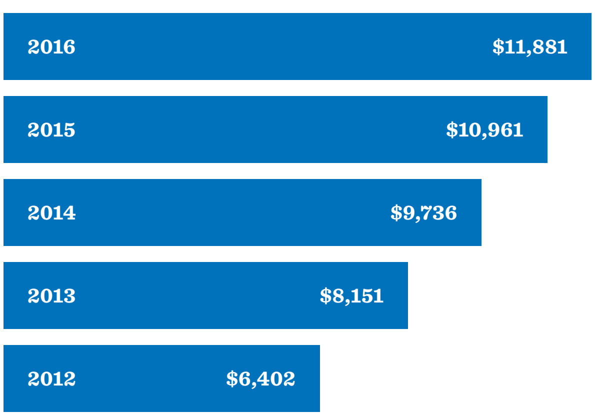
Deposits ended the year at $9.1 billion. This is $71 million (0.77%) lower than the same time last year. The decrease was driven by a drop in fixed-date deposits of $439 million (23.6%), offset by an increase in business retail deposits, which grew by $364 million (5.6%). From an industry perspective, several sectors experienced large declines: oil and gas, wholesale, professional, and manufacturing decreased by $112 million, $99 million, $83 million, and $45 million, respectively. The institutional sector was the largest growth contributor, with $234 million in total, followed by $99 million in agriculture.

Corporate Financial Services (CFS)

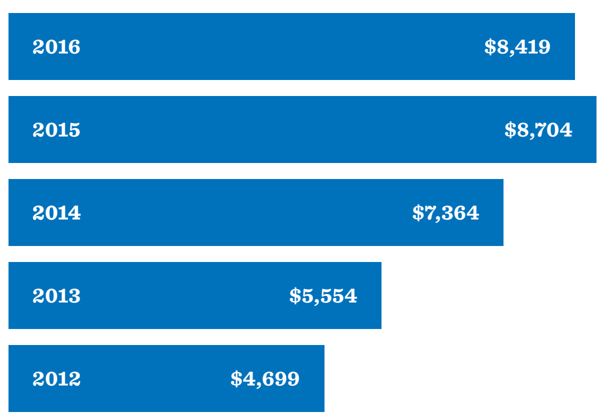
Financial Performance

($ in thousands)		2016		2015
Net interest income	$	325,742	$	279,103
Other income		62,058		61,803
Operating revenue		387,800		340,906
Provision for loan losses		258,878		31,921
Non-interest expenses		99,821		94,663
Net income	$	29,101	$	214,322
Total assets	$	11,881,375	$	10,961,281
Total liabilities	$	8,418,943	$	8,704,341

Loans
($ in millions)



Deposits
($ in millions)



Net income before provisions for loan losses was $288.0 million for the year, an increase of $41.7 million (16.9%) over the prior year. This increase was driven by higher operating revenue, specifically interest income, coming from increased average loan balances and improved loan spread. As a result, even though non-interest expenses increased by $5.2 million (5.4%), due to higher premises- and salary-related expenses, CFS improved its efficiency ratio from 27.8% to 25.7% over the year.

The weakening economic environment and continued low commodity prices negatively impacted the loan portfolio, and resulted in loan loss provisions of $258.9 million being expensed in the year. This is significantly higher than the $31.9 million recorded last year and includes actual writeoffs of $21.7 million (compared to none last year). We expect to record additional provisions next year if the current economic environment in Alberta does not improve.

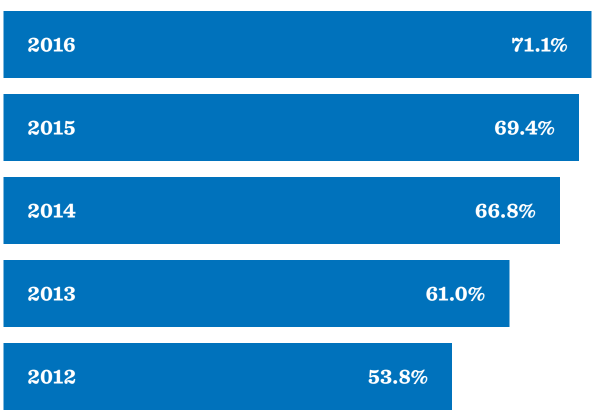
Loan balances ended the year at $11.9 billion, an increase of $920 million (8.4%) over the prior year. This growth has come from the real estate and diversified portfolios, partially offset by reductions in the energy portfolio. Deposit balances ended the year at $8.4 billion, $285 million (3.3%) lower than the prior year. On an average-balance basis, loans and deposits both increased by $1.3 billion, significantly higher than the prior year.

Investor Services (ATBIS)

Financial Performance

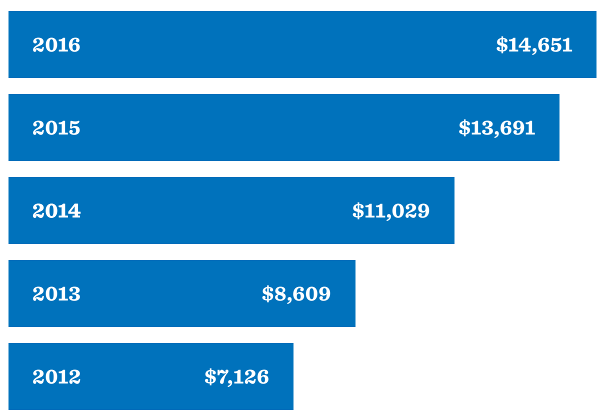
($ in thousands)		**2016**		2015
Net interest income	$	434	$	441
Other income		153,155		133,733
Operating revenue		153,589		134,174
Non-interest expenses		112,811		104,392
Net income before payment in lieu of tax		40,778		29,782
Payment in lieu of tax		9,379		6,850
Net income	$	31,399	$	22,932
Total assets	$	131,093	$	149,115
Total liabilities	$	94,612	$	118,033

Compass penetration as a percentage of total assets under administration



Assets under administration

($ in millions)



ATBIS earnings before payment in lieu of tax for fiscal 2015–16 were $40.8 million, an increase of $11.0 million (36.9%) over the prior year. Despite the economic downturn, controlled spending led to a sizable spread of 6.4% year over year between revenue and expense growth.

It was certainly a challenging year for Albertans. A combination of falling oil prices, global markets reacting differently to economic situations across the United States, Canada, and Europe, and muted bond and stock returns left investors with modest returns. These realities weakened the confidence of investors, many of whom reassessed their risk tolerance and became increasingly hesitant with their money. In some cases, clients withdrew their savings as a means of meeting financial demands.

Despite these challenges, ATBIS performed well overall, finishing the year with $14.7 billion in assets under administration. In the absence of market growth, assets still increased by $1.0 billion (7.0%) from the $13.7 billion held at the same time last fiscal year.

Compass Portfolio penetration reached an all-time high of 71.1% of our overall assets, an improvement of 1.7% over 69.4% in fiscal 2014–15. Compass Portfolio balances increased 10% to $10.5 billion, despite unfavourable economic and market conditions. Our proprietary Compass Portfolio generates more revenue for ATBIS compared to external investments.

QUARTERLY OPERATING RESULTS AND TREND ANALYSIS

Review of 2015–16 Fourth-Quarter Operating Results

Summarized Consolidated Statement of Income

For the three months ended ($ in thousands)	**2016** Q4 Mar 31/16	Q3 Dec 31/15	Q2 Sep 30/15	Q1 Jun 30/15	**2015** Q4 Mar 31/15	Q3 Dec 31/14	Q2 Sep 30/14	Q1 Jun 30/14
Interest income	**$ 400,699**	**$ 396,529**	**$ 392,381**	**$ 388,713**	$ 384,375	$ 385,959	$ 371,573	$ 364,011
Interest expense	**118,472**	**120,004**	**120,422**	**118,179**	117,915	121,691	122,525	115,496
Net interest income	**282,227**	**276,525**	**271,959**	**270,534**	266,460	264,268	249,048	248,515
Other income	**108,087**	**104,678**	**97,988**	**123,347**	111,607	110,646	99,036	101,960
Operating revenue	**390,314**	**381,203**	**369,947**	**393,881**	378,067	374,914	348,084	350,475
Provision for loan losses	**190,759**	**91,260**	**48,084**	**57,456**	33,127	18,780	10,272	10,405
Non-interest expenses	**261,018**	**247,768**	**247,641**	**250,931**	251,909	237,335	231,696	231,158
Net (loss) income before payment in lieu of tax	**(61,463)**	**42,175**	**74,222**	**85,494**	93,031	118,799	106,116	108,912
Payment in lieu of tax	**(14,137)**	**9,700**	**17,071**	**19,664**	21,396	27,324	24,407	25,050
Net (loss) income	**$ (47,326)**	**$ 32,475**	**$ 57,151**	**$ 65,830**	$ 71,635	$ 91,475	$ 81,709	$ 83,862

Net Income

For the quarter ended March 31, 2016, ATB had a net loss of $47.3 million, a decrease from the $71.6 million earned in the same quarter last year. This was driven by a $157.6 million increase in the provision for loan losses and a $9.1 million increase in non-interest expenses, partially offset by a $12.2 million increase in operating revenue. Compared to the third quarter of fiscal 2015–16, net income decreased by $79.8 million (245.7%), again due to a higher provision for loan losses of $99.5 million.

Operating Revenue

Operating revenue was $390.3 million in the fourth quarter of fiscal 2015–16, an increase of $12.2 million (3.2%) over the same quarter last year. This improvement was driven by a number of factors, but was primarily due to a $15.8 million (5.9%) increase in net interest income, driven by a $2.7 billion (7.1%) year-over-year growth in loans.

Operating revenue increased by $9.1 million (2.4%) from the third quarter of this year. This increase was driven by a $5.7 million (2.1%) increase in net interest income and a $3.4 million increase in other income. The increase in net interest income can be attributed to movement in loan balances as well as an increase in net interest spread from 2.49% in the third quarter to 2.52%. The increase in other income was due to increases in net gains on derivative financial instruments, insurance, and foreign exchange ($4.2 million, $3.7 million, and $3.2 million, respectively), offset by a $6.2 million decline in net gains on financial instruments at fair value through net income.

Provision for Loan Losses

The quarter saw a $190.8 million provision for loan losses, an increase of $157.6 million (475.8%) over the same quarter last year. Compared to the third quarter of this year, the provision increased by $99.5 million (109.0%). The significant increase in the fourth-quarter provision was caused by the combination of several high-value loans becoming impaired, credit migration, particularly in the energy portfolio, and a higher number of writeoffs throughout the areas of expertise.

Non-Interest Expenses and Efficiency Ratio

Non-interest expenses for the quarter were $261.0 million, an increase of $9.1 million (3.7%) over the same quarter last year. The primary drivers for the increase were an $8.0 million (66.6%) increase in other expenses due to our credit card portfolio, along with a $2.8 million (27.0%) increase in amortization of software and intangibles due to continual improvements to current systems. The increase was offset by a $5.9 million (23.0%) decrease in general and administrative costs, primarily due to cost-containment measures.

Quarter over quarter, non-interest expenses increased by $13.2 million (5.4%). Again, this was mostly driven by an increase of $9.2 million (83.5%) in other expenses relating to increased costs for our credit card portfolio, along with an increase of $4.0 million (25.3%) in general and administrative expenses due to current-quarter costs, including rollout of our We do campaign, mobile wallet application, and online shopping strategy. This was offset with a decrease of $2.6 million (2.0%) in salaries and employee benefits due to workforce optimization strategies.

ATB's efficiency ratio, measured as total non-interest expenses divided by total operating revenue, increased (worsened) from 65.0% in the third quarter of fiscal 2015–16 to 66.9% this quarter. This is also slightly worse than the 66.6% at the same time last year with non-interest expenses growing faster than operating revenue.

Trend Analysis

Net interest income trended upward each quarter due to the growth of our loan portfolio, which more than offset the decrease in net interest spread stemming from the current market conditions. Net interest spread continued to be unfavourably impacted by the low-interest-rate environment, but was partially offset by a shift in portfolio mix toward lower-priced demand deposits. Other income has increased each quarter, with Investor Services revenue continually improving as the Compass Portfolio and assets under administration grow. We have seen some volatility in other income due to unrealized gains and losses on our held securities, but overall operating revenue has been consistent.

The provision for loan losses rose steadily each quarter. Fiscal 2015–16 continued to be tough for our exploration and production customers, as the prolonged weak energy prices fell to 12-year lows. The continued downturn in the economy also impacted the entire loan portfolio unfavourably, increasing the provision. However, our loan portfolio diversification has helped to mitigate the impact on the provision as other industries are benefiting during these times.

Although we continue to manage our expenses, our growth and commitment to Albertans during tough economic times was the primary driver in the increase in non-interest expenses. As a result, our efficiency ratio has remained the same as last year's, at 65.6%, and has improved slightly over the years.

REVIEW OF CONSOLIDATED FINANCIAL POSITION

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

Total Assets

Our total assets at March 31, 2016, were $46.8 billion, an increase of $3.7 billion (8.6%) over last year, driven by a $2.7 billion (7.1%) increase in loans and a $1.6 billion (75.6%) increase in securities measured at fair value through net income. ATB continues to experience strong growth despite challenging economic conditions in the province.

Cash and Liquid Securities

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

($ in thousands)		**2016**	2016 vs 2015 increase (decrease)			2015
Cash	$	**310,844**	$ (72,947)	(19.0)%	$	383,791
Interest-bearing deposits with financial institutions		**704,317**	(107,936)	(13.3)%		812,253
Liquid securities		**3,306,420**	1,411,328	74.5%		1,895,092
Cash and liquid securities	$	**4,321,581**	$ 1,230,259	39.8%	$	3,091,136
As a percentage of total assets		**9.2%**	2.0%	27.4%		7.2%

Cash varies due to changes in customer product preferences and the timing of certain interbank activities such as foreign-currency clearing, cheque clearing, and other transit items. Securities and interest-bearing deposits with financial institutions increased over last year due to increased bond activity. These increases are largely due to the management of ATB's liquidity position. (Refer to the Risk Management section of this report for further details.)

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

Asset-Backed Commercial Paper (ABCP)

($ in thousands)		**2016**	2016 vs 2015 increase (decrease)			2015
Asset-backed commercial paper	$	**441,271**	$ (298,903)	(40.4)%	$	740,174
As a percentage of total assets		**0.94%**	(0.78%)	(45.7)%		1.7%

ATB holds ABCP, which consists of third-party restructured notes under the Montreal Accord (Master Asset Vehicle notes, or MAV notes) and outside the Montreal Accord, and bank-sponsored ABCP restructured under separate agreements. As at March 31, 2016, the face value of the restructured notes of the MAV conduits and the other restructured notes was $442 million (2015: $815 million). The current fair value of these notes was $441 million (2015: $740 million). The decrease in holdings from the prior year was a result of a significant repayment this year. ATB is not purchasing any new ABCP, but is holding on to its existing investment until it matures. (Refer to note 7 to the statements for further details.)

Loans

($ in thousands)		2016		2016 vs 2015 increase (decrease)			2015
Gross loans	$	**40,823,013**	$	2,969,724	7.8%	$	37,853,289
Less: individual allowances		**(265,720)**		(175,152)	(193.4)%		(90,568)
Loans, net of individual allowances		**40,557,293**		2,794,572	7.4%		37,762,721
Less: collective allowance		**(207,136)**		(129,307)	(166.1)%		(77,829)
Net loans	$	**40,350,157**	$	2,665,265	7.1%	$	37,684,892

Net loans grew by 7.1% during the year, a $2.7 billion increase over the $37.7 billion balance at the same time last year. The growth in net loans was driven primarily by a $1.4 billion increase in residential mortgages in RFS, an $848 million increase in commercial loans in CFS from the real estate and diversified portfolio, and, in B&Ag, a $343 million increase in business loans, primarily due to the real estate rental, hotel and restaurant, and manufacturing sectors ($165 million, $69 million, and $47 million, respectively), and a $317 million increase in agriculture loans resulting from a $179 million increase in farmland financing and a $70 million increase in term loans.

The allowances increased by $304 million, with the collective allowance increasing by $129 million while individual allowances increased by $175 million. Both increases were driven primarily by the increase in the risk profile of the portfolio, higher delinquency, impairments and writeoffs caused by the decline in oil prices, and subsequent weakness in the Alberta economy. Our loan portfolio and the related allowances for loan losses are discussed in greater detail in the Risk Management section.

ATB's performing loan growth of 7.0% in fiscal 2015–16 met our targeted growth range of 6.0% to 9.0%.

Fiscal 2016–17 Outlook for Performing Loan Growth

We are targeting overall growth in our performing loan balance of 4.0% to 7.0% in fiscal 2016–17, based primarily on our expectation of continued loan growth in our business loan portfolio and residential mortgages.

Remaining Assets

($ in thousands)		2016		2016 vs 2015 increase (decrease)			2015
Derivative financial instruments	$	**765,653**	$	80,959	11.8%	$	684,694
Property and equipment		**378,332**		8,981	2.4%		369,351
Software and other intangibles		**270,972**		(9,452)	(3.4)%		280,424
Prepaid expenses and other receivables		**150,750**		15,474	11.4%		135,276
Accrued interest receivable		**57,400**		(14,566)	(20.2)%		71,966
Other		**21,348**		4,338	25.5%		17,010
Total remaining assets	$	**1,644,455**	$	85,734	5.5%	$	1,558,721

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

Derivative financial instruments increased by $81 million, largely due to a combined $67 million increase in the fair value of our corporate and client interest rate swaps and a $36 million increase in our corporate hedge swap portfolios. This change was driven by an increase in the number of trades throughout the year due to increasing demand as well as a decrease in swap rates, which had a positive impact on the receive fixed swaps that make up most of the asset balance. These increases were offset by a $22 million decrease due to the maturity of the remaining market-linked deposits.

Prepaid expenses and other receivables increased by $15 million compared to fiscal 2014–15. This increase is due to a combination of amounts owed by customers for investment transactions, insurance paid on loans, and CMHC prepayments. Property and equipment increased by $9 million compared to last year, mainly due to the acquisition of computer equipment and the Eighth Avenue Place corporate and branch space in Calgary.

Accrued interest receivable has decreased as a result of lower interest rates on loans and an increased number of impaired loans resulting from the slowdown in the economy.

Fiscal 2016–17 Outlook for Capital Expenditures

Our major capital expenditure for 2016–17 is our investment of $41 million in application development and upgrades, including projects related to channels and payments strategies, customer relationship management, product development, and information management.

We also expect to invest $9 million in facilities construction and renovations, which will allow expansion and renewal of the retail network. This includes renovation to Lakeland Ridge in Sherwood Park, relocation to Stephen Avenue Centre in downtown Calgary, the start of construction on Mahogany in southeast Calgary, and the construction of our Entrepreneur Centres in Edmonton and Calgary.

Other investments include $30 million in IT infrastructure and $13 million in projects related to Investor Services and regulatory requirements.

Total Liabilities

Total liabilities ended the year at $43.6 billion. This $3.6 billion (8.9%) increase over last year was driven by increases in both wholesale and collateralized borrowings.

Deposits

($ in thousands)		Payable on demand		Payable on fixed date		Total	Percentage of total
2016							
Personal	$	8,078,398	$	5,009,747	$	13,088,145	42.4%
Business and other		12,777,102		4,997,042		17,774,144	57.6%
Total deposits	$	20,855,500	$	10,006,789	$	30,862,289	100.0%
Percentage of total		67.6%		32.4%		100.0%	
2015							
Personal	$	7,718,957	$	4,926,354	$	12,645,311	41.3%
Business and other		10,781,754		7,162,290		17,944,044	58.7%
Total deposits	$	18,500,711	$	12,088,644	$	30,589,355	100.0%
Percentage of total		60.5%		39.5%		100.0%	

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

Deposits grew from $30.6 billion last year to $30.9 billion, a $273 million (0.89%) increase due to the competitive environment facing financial institutions. This marginal growth resulted from an increase of $1.9 billion in business retail deposits, $224 million in personal retail deposits, and $152 million in personal high-interest savings accounts throughout the areas of expertise, offset by a $2.0 billion decrease in amortizing deposit notes in CFS and the decrease of fixed-term deposits in B&Ag.

ATB did not meet its targeted deposit growth of 5.0% to 7.0%.

Fiscal 2016–17 Outlook for Deposit Growth

We are targeting a deposit growth rate of 3.0% to 6.0% in fiscal 2016–17. Competition for available deposits continues to be significant. Strategic initiatives that focus on business deposit growth, such as cash management solutions, are expected to attract new business. Although our ongoing efforts to bring in new customers will continue to grow the deposit base, our existing deposit base will face pressure as individuals and businesses continue to feel the impact of lower oil prices.

Remaining Liabilities

($ in thousands)		2016		2016 vs 2015 increase (decrease)			2015
Collateralized borrowings	$	5,497,768	$	1,223,588	28.6%	$	4,274,180
Wholesale borrowings		5,047,744		2,003,614	65.8%		3,044,130
Accounts payable and accrued liabilities		907,278		(42,639)	(4.5)%		949,917
Derivative financial instruments		573,084		84,217	17.2%		488,867
Subordinated debentures		371,441		60,102	19.3%		311,339
Accrued interest payable		97,514		(2,418)	(2.4)%		99,932
Accrued pension-benefit liability		92,834		5,903	6.8%		86,931
Achievement Notes		59,222		12,194	25.9%		47,028
Due to clients, brokers, and dealers		58,333		24,237	71.1%		34,096
Deposit guarantee fee payable		47,653		4,869	11.4%		42,784
Payment in lieu of tax payable		32,298		(65,879)	(67.1)%		98,177
Total remaining liabilities	$	12,785,169	$	3,307,788	34.9%	$	9,477,381

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

Wholesale borrowings are used as a source of funds to supplement customer deposits in supporting our lending activities. These consist primarily of bearer deposit notes, floating-rate notes, and mid-term notes issued on ATB's behalf by the Government of Alberta. The balance outstanding can swing significantly over each year to compensate for fluctuations in our customer deposit balances. Wholesale borrowings increased by $2.0 billion over the prior fiscal year due to a $2.0 billion issuance of Canadian and U.S. bearer deposit notes and a five-year $295 million mid-term note. These issuances were offset by the maturity of $250 million in Canadian bearer deposit notes. The agreement with the Government of Alberta currently limits the total volume of such borrowings to $7.0 billion, a $1.5 billion increase from last year's limit.

Collateralized borrowings increased by $1.2 billion due to additional bond issuances that did not replace maturing bonds during the year.

Derivative financial instruments increased by $84 million over last year primarily due to a combination of a $63 million increase in the fair value of our pay fixed client and corporate interest rate swap portfolio, which was unfavourably impacted by a decrease in swap rates; a $24 million increase in the fair value of corporate hedge swaps; and a $19 million increase in foreign-exchange forwards. These increases were partially offset by a $22 million decrease in the fair value of market-linked products.

Accounts payable and accrued liabilities decreased by $43 million, mainly due to a $40 million decrease in collateral owing for our derivative contracts. The $24 million increase in the amount due to clients is the result of increased trading activity toward the end of the year. Higher loan loss provisions led to a lower income before payment in lieu of tax this year, resulting in a decrease of $66 million in the payment in lieu of tax payable.

Subordinated debentures increased by $60 million as we converted last year's liability for payment in lieu of tax to a five-year subordinated debenture with the Province.

Regulatory Capital

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

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

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

Regulatory Capital and Capital Ratios

($ in thousands)	**2016**	2016 vs 2015 increase (decrease)		2015
Tier 1 capital				
Retained earnings	$ **3,028,505**	$ 108,130	3.7%	$ 2,920,375
Tier 2 capital				
Eligible portions of:				
Subordinated debentures	**168,985**	23,889	16.5%	145,096
Wholesale borrowings	**980,000**	980,000	100.0%	-
Collective allowance for loan losses	**207,136**	129,307	166.1%	77,829
Notional capital	**255,312**	(27,032)	(9.6)%	282,344
Total Tier 2 capital	**1,611,433**	1,106,164	218.9%	505,269
Total capital	$ **4,639,938**	$ 1,214,294	35.4%	$ 3,425,644
Total risk-weighted assets	$ **33,927,048**	$ 2,577,765	8.2%	$ 31,349,283
Risk-weighted capital ratios				
Tier 1 capital ratio	**8.9%**	(0.4)%	(4.2)%	9.3%
Total capital ratio	**13.7%**	2.8%	25.2%	10.9%
Assets-to-capital multiple	**10.1**	(2.5)	(19.9)%	12.6

Our Tier 1 capital ratio was 8.9%, and our total regulatory capital ratio was 13.7% of risk-weighted assets as at March 31, 2016.

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

Risk-Weighted Assets

		2016		2016 vs 2015		2015	
($ in thousands)	Risk-weighted percentage	**On- or off-balance-sheet value**	**Risk-weighted value**	Risk-weighted value increase (decrease)		On- or off-balance-sheet value	Risk-weighted value
Balance sheet amounts							
Cash resources	0–20	$ **1,015,161**	$ **144,971**	$ (17,480)	(10.8)%	$ 1,196,044	$ 162,451
Securities	0–100	**3,747,505**	**445,070**	(795,198)	(64.1)%	2,635,266	1,240,268
Residential mortgages	0–100	**14,308,272**	**3,575,187**	117,519	3.4%	12,939,260	3,457,668
Other loans	0–100	**26,041,885**	**24,452,841**	1,274,319	5.5%	24,745,632	23,178,522
Other assets	20–100	**1,644,455**	**1,627,081**	94,113	6.1%	1,558,721	1,532,968
Total balance sheet amounts		$ **46,757,278**	$ **30,245,150**	$ 673,273	2.3%	$ 43,074,923	$ 29,571,877
Off-balance-sheet amounts							
Guarantees and letters of credit	0–100	**19,294,280**	**3,337,614**	1,909,473	133.7%	18,378,119	1,428,141
Derivative financial instruments	0–50	**25,837,061**	**344,284**	(4,981)	(1.4)%	25,197,927	349,265
Total off-balance-sheet amounts		$ **45,131,341**	$ **3,681,898**	$ 1,904,492	107.2%	$ 43,576,046	$ 1,777,406
Total risk-weighted assets		$ **91,888,619**	$ **33,927,048**	$ 2,577,765	8.2%	$ 86,650,969	$ 31,349,283

Return on Risk-Weighted Assets

ATB achieved a 0.33% return on risk-weighted assets during the year, a decrease from last year due to the impact of our loan loss provisions on net income.

Fiscal 2016–17 Outlook for Return on Average Risk-Weighted Assets

We are targeting a return on average risk-weighted assets in fiscal 2016–17 between 0.1% and 0.3%.

Fiscal 2016–17 Outlook for Regulatory Capital

Over fiscal 2016–17, we expect our capital levels to continue to exceed both our regulatory and economic capital requirements for prudent and responsible management of our business as a financial institution.

Off-Balance-Sheet Arrangements

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

Assets Under Administration

Assets under administration consist of client investments managed and administered by ATB's subsidiary entities, commonly known as ATB Investor Services. Client accounts under administration and management increased from $13.7 billion to $14.7 billion during the year. (Refer to the Investor Services (ATBIS) section of this MD&A on page 81.)

Derivative Financial Instruments

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

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

Credit Instruments

In the normal course of lending activities, ATB enters into various commitments to provide customers with sources of credit. These typically include credit commitments for loans and related credit facilities, including revolving facilities, lines of credit, overdrafts, and credit card authorized limits. To the extent that a customer's authorized limit on a facility exceeds the outstanding balance drawn as at March 31, 2016, we consider the undrawn portion to represent a credit commitment.

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

Contractual Obligations

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

Guarantees

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

MAV Margin-Funding Facility

MAV 1 note holders are required to provide a margin-funding facility (MFF) to cover possible collateral calls on the leveraged super-senior trades underlying the individual notes. (Refer to note 7 to the statements for further details.) Advances under this facility are expected to bear interest at a rate based on the bankers' acceptance rate. If ATB fails to fund any collateral under this facility, the notes held by ATB could be terminated or exchanged for subordinated notes. ATB's share of the MFF credit commitment, expiring December 2016, is $551.5 million, for which ATB will not receive a fee. To recognize the fair value of this commitment, $3.2 million has been recorded in other liabilities. As at March 31, 2016, no amount has been funded under the MFF.

Securitization

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Significant Accounting Policies

ATB's significant accounting policies are outlined in note 2 to the consolidated financial statements. These policies are essential to understanding and interpreting the financial results presented in this MD&A and in the statements. (Refer to the notes to the statements, beginning on page 128 of this report, for specific accounting policies.)

Critical Accounting Estimates

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

Allowance for Loan Losses

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

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

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

Depreciation of Premises and Equipment and Amortization of Software

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

Assumptions Underlying the Accounting for Employee Future Benefits

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

Fair Value of Financial Instruments

The fair value of a financial instrument is the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between market participants at the measurement date. For those instruments with an available market price, fair value is established by reference to the last traded price before the balance sheet date. Many of ATB's financial instruments lack such an available trading market, and the associated fair values represent management's best estimates of the current value of the instruments, taking into account changes in market rates or credit risk that have occurred since their origination. The most significant fair-value estimate this year relates to ATB's holding of asset-backed commercial paper and derivative financial instruments. (Refer to notes 7 and 10 to the statements for further details.)

Future Changes in Accounting Policies

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

RISK MANAGEMENT

The shaded areas presented on pages 100–107 represent a discussion of risk management policies and procedures relating to credit, market, and liquidity risks as required by IFRS 7 *Financial Instruments: Disclosures*, which permits these specific disclosures to be included in the MD&A. They therefore form an integral part of the audited financial statements for the year ended March 31, 2016.

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

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

As part of ATB's enterprise risk management program, management is required to regularly review and assess its operating environment and identify top and emerging risks. Top risks, if they materialize, may significantly impact achievement of our objectives. Their effects may be difficult to predict and could cause our financial results to differ significantly from our plans and objectives. An emerging risk has not fully materialized but is being monitored for its potential impact on our ability to achieve our objectives. More discussion of significant top and emerging risks follows.

Low Energy Prices

The energy industry has experienced a severe downturn stemming from sustained low energy prices. As Alberta is Canada's largest oil-producing province, the Alberta economy contracted in 2015 and economists project that this contraction will continue through 2016. As a result, delinquency and impairment levels on loans have risen significantly over the last year. Management has performed stress tests, which have focused on the impact of sustained lower oil prices on Alberta's economy and, consequently, on ATB's loan book. ATB remains committed to supporting Albertans during this tumultuous time.

Cyber Security

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

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

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

Innovation Risk

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

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

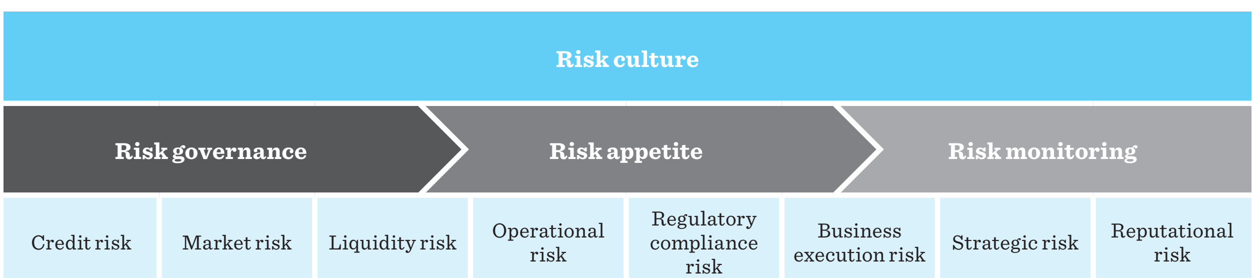
Management is focusing on providing innovative solutions that provide a superior customer experience in all our channels, including emphasis on access to anywhere/anytime banking and building strong relationships with our customers. We are working with selected potential new entrants to provide value to our customers.

ATB continues its strong commitment to managing risk strategically in order to protect and manage owner value. Effective governance mitigates risk and provides opportunities to create value, supporting ATB's goals while ensuring that it remains a safe and sound financial institution.

Risk Culture

ATB develops and fosters a risk-aware culture by doing the following:

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



Every team member is an integral part of our risk culture and therefore is responsible for managing risk prudently and appropriately. Risk management activity is built into strategic plans and decision making and is operationalized more through our enterprise risk appetite statement.

Enterprise Risk Management (ERM) Framework

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

ATB's ERM framework:

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

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

Risk Management Governance and Structure

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

Risk governance and strategic direction	**Board of directors**				
	Risk Committee		Audit Committee		
Risk oversight and control	**Chief executive officer and Corporate Management Committee**				
	Asset Liability Committee	Credit Committee	Operational Risk Committee	Executive Risk Management Committee	Compliance Committee
Risk management and reporting	**Three lines of defence**				
	First line: Business Operations • Areas of expertise • Strategic service units • Treasury • Information technology	Second line: Risk Management • Credit risk • Market risk • Enterprise risk management • Stress-testing • Operational risk and business continuity • Legal • Compliance	Third line: Assurance • Internal Audit • External auditors		

Risk Governance and Strategic Direction

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

Risk Oversight and Control

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

Board Committees and Management Committees

Board committees and management committees have the following risk governance responsibilities:

Board committees	
Risk Committee	Responsible for overseeing risk management throughout ATB. Reviews and recommends for the board's approval all major risk policies, approves ATB's enterprise risk appetite statement, and regularly reviews ATB's performance in relation to approved risk tolerance levels.
Audit Committee	Principally responsible for overseeing financial reporting, but also responsible for monitoring and overseeing the adequacy and effectiveness of internal controls.
Management committees	
Asset and Liability Committee	Oversees the direction and management of market risk and liquidity risk, as well as ATB's funding and capital positions. Chaired by the chief financial officer.
Credit Committee	Adjudicates credit within prescribed limits, and establishes operating guidelines, business rules, and internal policies to support the management of credit risk throughout ATB. Chaired by the senior vice-president, Credit.
Operational Risk Committee	Provides oversight and direction on operational risks from an enterprise-wide perspective. Chaired by the chief risk officer.
Executive Risk Management Committee	Sets overall direction and makes key decisions relating to enterprise risk management activities across ATB and guides the design, execution, and assessment of results from ATB's enterprise risk management program. Chaired by the chief risk officer.
Compliance Committee	Oversees ATB's compliance with applicable legal and regulatory requirements and its internal compliance management program. Chaired by the chief risk officer.

Risk Management

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

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

Risk Appetite Statement and Risk Appetite Framework

ATB's governance structure, ERM framework, and board-approved risk policies reflect a risk philosophy and a risk profile appropriate to our structure, size, and regional nature. Our overall enterprise risk appetite is conservative and balanced. We will:

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

ATB's geographical restrictions and business activities expose the institution to a wide variety of risks, and while the incurring of risk is a fundamental aspect of a financial services corporation, the level of risk taken must be understood, assessed, and monitored against a predefined level of risk appetite. Our risk appetite statement, which has been approved by the board, reflects the nature and extent of risks that we are willing to accept in pursuing our business objectives.

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

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

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

Stress-Testing

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

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

Credit Risk

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

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

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

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

($ in thousands)		**2016**		2015
Financial assets[1]	$	**45,665,911**	$	42,106,105
Other commitments and off-balance-sheet items		**19,294,279**		18,378,119
Total credit risk	$	**64,960,190**	$	60,484,224

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

Credit Risk Appetite

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

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

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

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

2016 Industry Concentration Risk

ATB is inherently exposed to significant concentrations of credit risk, as its customers all participate in the Alberta economy, which in the past has shown strong growth and occasional sharp declines. ATB manages its credit through diversification of its credit portfolio by limiting concentrations to single borrowers, industries, and geographic regions of Alberta. As at March 31, 2016, commercial real estate is the largest single industry segment at $4.7 billion (2015: commercial real estate $4.1 billion). This represents no more than 24.7% (2015: 23.1%) of total gross business loans. The outstanding principal for the single largest borrower is $88 million (2015: $82 million), which represents no more than 0.21% (2015: 0.22%) of the total gross loan portfolio.

Real Estate Secured Lending

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

($ in thousands)				2016			2015
Residential mortgages	Insured	$	6,728,099	47.0%	$	6,294,149	48.6%
	Uninsured		7,590,557	53.0%		6,653,475	51.4%
Total residential mortgages			14,318,656	100.0%		12,947,624	100.0%
Home equity lines of credit	Uninsured		3,566,365	100.0%		3,734,331	100.0%
Total home equity lines of credit			3,566,365	100.0%		3,734,331	100.0%
Total	**Insured**	**$**	**6,728,099**	**37.6%**	$	6,294,149	37.7%
	Uninsured	**$**	**11,156,922**	**62.4%**	$	10,387,806	62.3%

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

	2016	2015
< 25 years	71.6%	67.4%
25–30 years	23.6%	22.2%
30–35 years	4.8%	10.4%
Total	**100.0%**	100.0%

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

	2016	2015
Residential mortgages	0.65	0.68
Home equity lines of credit	0.49	0.56

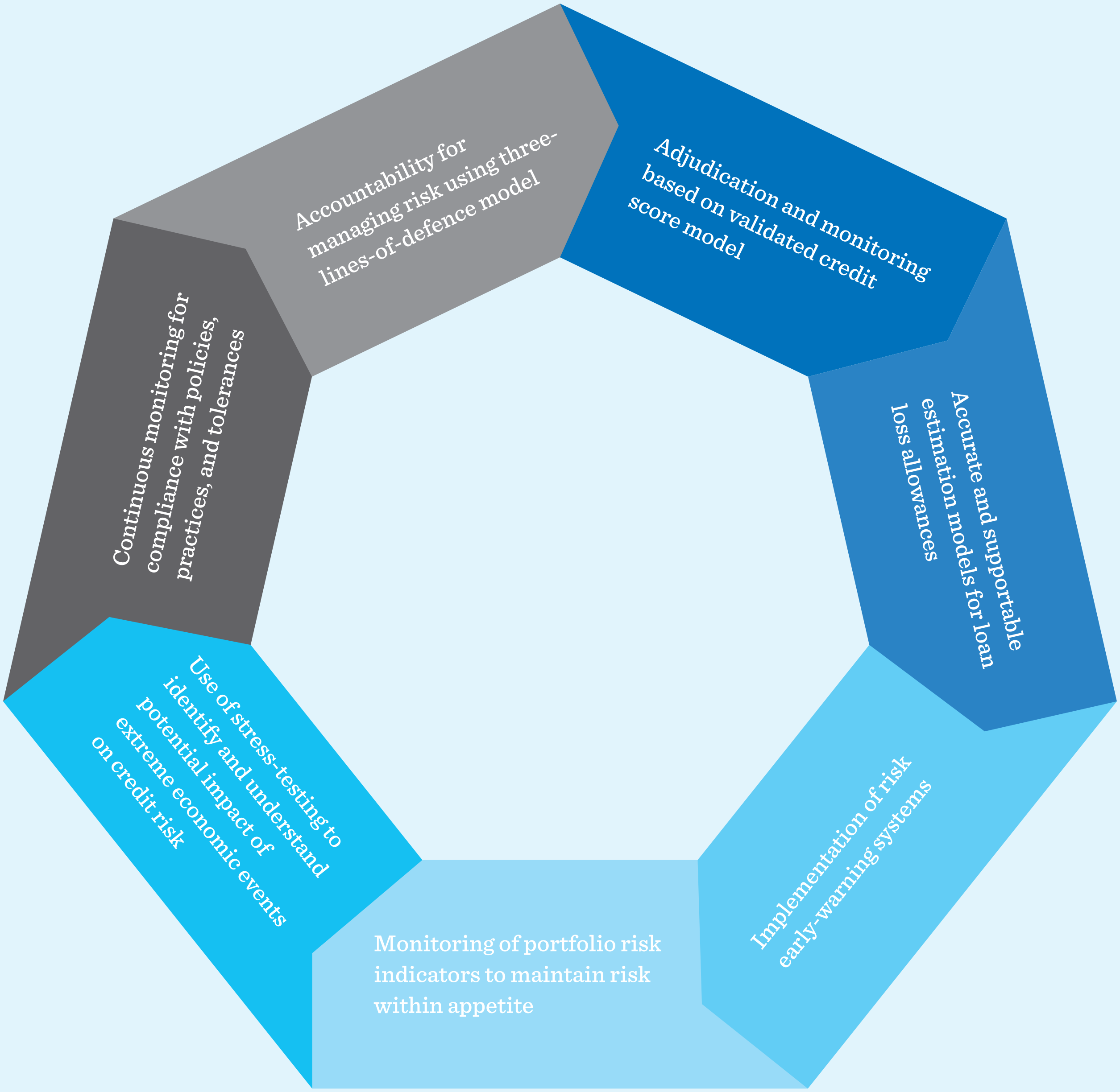
ATB performs stress-testing on its residential mortgage portfolio as part of its overall stress-testing program to assess the impact of an economic downturn. Severe changes in house prices, interest rates, and unemployment levels are among the factors considered in our testing. ATB considers potential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

Credit Risk Management Strategy

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

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

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



Counterparty Credit Risk

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

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

Market Risk

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

Interest Rate Risk

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

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

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

Asset/liability management encompasses the following:

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

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

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

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

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

Foreign-Exchange Risk

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

Commodity Price Risks

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

Use of Derivatives

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

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

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

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

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

Liquidity Risk

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

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

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

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

On March 31, 2016, the LCR was 105% (2015: 56%), versus a current-year board-approved minimum of 60%, and the ITAF minimum coverage ratio was 125% (2015: 90%), versus a board-approved minimum of 80%.

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

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

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

($ in thousands)	**2016**	2015
Wholesale borrowings	**$ 5,047,744**	$ 3,044,130
Collateralized borrowings	**5,497,768**	4,274,180
Subordinated debentures	**371,441**	311,339
Total long-term funding	**$ 10,916,953**	$ 7,629,649

LONG-TERM DEBT – FUNDING MIX BY PRODUCT

46% Wholesale borrowings **51%** Collateralized borrowings **3%** Subordinated debentures

Contractual Maturities

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

($ in thousands)	Term						
On-balance-sheet financial instruments	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	Total
March 31, 2016							
Deposits	**$ 28,954,114**	**$ 1,235,398**	**$ 370,794**	**$ 161,682**	**$ 70,053**	**$ 70,248**	**$ 30,862,289**
Wholesale borrowings	**2,856,048**	**999,064**	**498,574**	**199,428**	**199,390**	**295,240**	**5,047,744**
Collateralized borrowings	**954,937**	**-**	**725,061**	**1,186,274**	**1,104,889**	**1,526,607**	**5,497,768**
Subordinated debentures	**59,298**	**58,280**	**73,122**	**82,564**	**98,177**	**-**	**371,441**
March 31, 2015							
Deposits	$ 27,498,011	$ 2,536,538	$ 213,069	$ 193,971	$ 147,766	$ -	$ 30,589,355
Wholesale borrowings	249,872	899,153	998,639	497,954	199,261	199,251	3,044,130
Collateralized borrowings	792,587	470,002	-	724,981	1,186,191	1,100,419	4,274,180
Subordinated debentures	38,075	59,298	58,280	73,122	82,564	-	311,339

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

($ in thousands)	Term						
Off-balance-sheet financial instruments	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	Total
March 31, 2016							
Guarantees and letters of credit[1]	**$ 493,231**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 493,231**
Commitments to extend credit[2]	**18,801,048**	**-**	**-**	**-**	**-**	**-**	**18,801,048**
Purchase obligations	**73,432**	**43,245**	**30,228**	**18,255**	**15,089**	**91,153**	**271,402**
March 31, 2015 (restated)							
Guarantees and letters of credit[1]	$ 523,742	$ -	$ -	$ -	$ -	$ -	$ 523,742
Commitments to extend credit[2]	17,854,377	-	-	-	-	-	17,854,377
Purchase obligations	87,691	75,327	53,857	27,079	17,220	102,245	363,419

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

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

Operational Risk

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

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

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

Operational Risk Management (ORM) Policy and Framework

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

Governance

The Operational Risk Committee, a subcommittee of the Corporate Management Committee, is the governance committee for ORM matters and has responsibility for oversight of operational risk strategy, management, and governance, consistent with our operational risk appetite. The Operational Risk Committee also oversees the development of policies and framework that provide the governing principles and processes for effective management of operational risk. The committee includes senior leaders representing all business units and is chaired by the chief risk officer.

Risk and Control Assessment (RCA)

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

New Initiative Risk Assessment Process (NIRAP)

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

Loss Data Collection and Analysis

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

Business Continuity Management (BCM)

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

Insurance

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

Reporting

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

Regulatory Compliance Risk

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

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

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

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

Board of directors		
Code of Conduct and Ethics Sets the "tone at the top" for a culture of integrity within ATB	**Compliance and Legal Services**	
	Compliance Identifies, assesses, and manages legal and regulatory requirements, using a risk-based approach	**Areas of expertise and strategic service units** Manage legal and regulatory compliance risks
The chair of the board Monitors compliance with the Code of Conduct and Ethics by members of the board	**Legal Services** Provides legal strategies and advice on the performance of legal obligations and manages litigation that involves or impacts ATB or its subsidiaries	

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

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

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

Strategic and Business Execution Risks

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

Innovation Risk

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

Key Talent Risk

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

Reputational Risk

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

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

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

Because everything goes in cycles, the key to long-term success—for ATB and for our customers—is to have the foresight and the discipline to see both the risks and the opportunities in where you are today and what you're doing for the future to take advantage of those opportunities.

Bob Mann
Chief Risk Officer

COMPENSATION DISCUSSION AND ANALYSIS

ATB's compensation programs are designed to attract, retain, and motivate the high-calibre talent needed in this competitive marketplace. They are based on the following key principles:

- Align with strategic goals of the enterprise
- Align with the expectations of its owner by being relevant to Albertans and creating ongoing financial value and sustainability
- Compensate team members in a fully transparent fashion for demonstrated performance within acceptable risk practices and tolerances
- Provide total rewards programs that are internally equitable and externally competitive

ATB has both unionized and non-unionized team members. Unionized team member compensation is outlined in our collective agreement with the Alberta Union of Provincial Employees. Non-unionized team member compensation is based on ATB's overall compensation philosophy.

Role of the Human Resources Committee

The board's Human Resources Committee governs and oversees any significant change to ATB's total rewards programs and acts as the approval body for the appointment, performance evaluation, and compensation of the CEO and other designated executive officers.

The Human Resources Committee is also responsible for:

- Executive succession and development
- Philosophy and principles for enterprise-wide compensation programs
- Pension plan funding, administration, governance, and major design changes

Components of Total Rewards

ATB's compensation program has several key components.

Base Salary

Base salary forms the foundation of ATB's compensation framework. For non-unionized roles, salary ranges for all pay grades consist of a minimum, market reference, and maximum rate. The market reference point for each salary grade is set at a competitive rate based on median annual survey data from comparable markets.

The annual salary review has two elements: reviewing the ATB salary range (pay grade) structure and determining an overall budget for the aggregate of base salary increases for team members.

Pension

Pension benefits are also an important part of ATB's total rewards programs. Last year, ATB introduced a new, innovative, and highly competitive flexible pension plan for management team members. A small group of team members remain in the defined benefit plan, while all others participate in the Public Service Pension Plan.

Benefits

Health, wellness, and benefit programs provide security and contribute to the quality of life of ATB's team members and their families. Group insurance plans, as well as illness and special leave provisions, give team members income protection in the event of illness or unexpected absences from the workforce. Vacation is also an important component of health and wellness, allowing time to re-energize and to balance work and family. All of these benefits are measured and benchmarked in line with the total rewards programs to ensure that ATB remains competitive with comparable organizations.

Discounted Banking Products

As a financial institution, we encourage team members to use ATB products by offering special interest rates and lower fees for various deposit and loan accounts. Using our products and services makes team members more knowledgeable about our offerings, which helps promote them to existing and prospective customers.

Short-Term Incentive Pay

The objective of the short-term incentive plan (STIP) is to recognize the achievement of objectives over the fiscal year by all team members. Corporate net income is the metric for STIP plans. This vital metric acts as a circuit breaker in that at least 50% of the target corporate net income must be achieved for any payout to occur, but in extraordinary circumstances board approval may be granted to award payouts when this target is not reached.

STIP is based on achieving target financial measures (revenue generation and operational effectiveness), customer measures, and employee engagement scores. It uses quantitative performance measures in three payout categories:

- Achievement of the threshold measures results in minimal payouts.
- Achievement of the target measures pays out at 100%.
- Achievement at the highest level pays out at 150% in most non-executive plans.

Payouts between these points are generally based on a sliding scale.

Certain front-line sales roles, such as branch managers and sales staff, and ATBIS team members, participate in other sales incentive programs. These plans are structured to mitigate risk and to reinforce sustainable performance.

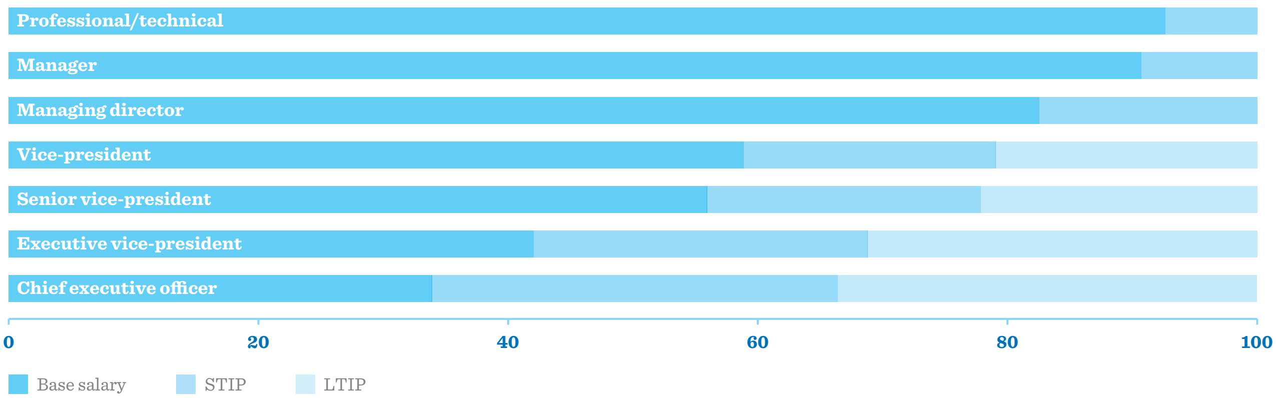
The executive team's STIP has a maximum payout of 200%, which is based on quantitative performance measures similar to non-executive plans and an individual performance multiplier within the context of results.

Long-Term Incentive Pay

The objective of the long-term incentive plan (LTIP) is to recognize contributions to achieving longer-term goals. Participants in the plan are primarily executives. The LTIP grant is based on pay grade and expressed as a percentage of salary set at 75% to 100% for senior executives and 20% to 55% for other executives. A separate discretionary non-executive pool of LTIP funds is allocated annually for executives to use to retain and reward senior team members. The discretionary LTIP portion granted to senior team members follows a suggested guideline of 10% of base salary.

The LTIP grants vest over a three-year term and appreciate or depreciate based on actual return on equity (ROE) performance, after payment in lieu of tax, measured against an ROE target determined by the board in advance.

The combination of base pay plus incentive pay varies depending on the level of accountability. The following graph represents the targeted combination for various levels of accountability. Base salary for senior executives is a much smaller percentage of overall compensation than for front-line team members and non-executive leaders. As a result, overall compensation for senior executives includes more pay at risk due to heavier weighting on incentive pay that depends on ATB's results. Overall compensation for non-executives is more stable due to the heavier weighting on base salary.



Salary Freeze

In fiscal 2015–16, we implemented a base salary freeze for all non-unionized team members, to recognize the challenges in Alberta's economy and as part of our deliberate efforts to reduce expenses.

SUPPLEMENTARY FINANCIAL INFORMATION

Five-Year Statistical Review

Summarized Consolidated Statement of Financial Position

($ in thousands)	**2016**	2015	2014	2013	2012
Assets					
Cash resources and securities	**$ 4,762,666**	$ 3,831,310	$ 2,504,374	$ 2,341,992	$ 3,132,359
Loans, net of allowances for loan losses:					
Business	**19,199,157**	17,530,954	15,167,687	12,732,228	10,426,401
Residential mortgages	**14,318,656**	12,947,624	12,012,454	10,705,908	10,228,030
Personal	**6,614,996**	6,700,854	6,184,463	5,744,958	5,562,053
Credit card	**690,204**	673,857	651,931	598,256	599,431
Allowance for loan losses	**(472,856)**	(168,397)	(131,391)	(122,889)	(107,102)
	40,350,157	37,684,892	33,885,144	29,658,461	26,708,813
Other assets	**1,644,455**	1,558,721	1,314,957	1,140,345	1,178,568
Total assets	**$ 46,757,278**	$ 43,074,923	$ 37,704,475	$ 33,140,798	$ 31,019,740
Liabilities and equity					
Deposits					
Personal	**$ 13,088,145**	$ 12,645,311	$ 11,840,449	$ 11,100,357	$ 10,785,376
Business and other	**17,774,144**	17,944,044	15,475,989	12,631,014	11,435,656
	30,862,289	30,589,355	27,316,438	23,731,371	22,221,032
Other liabilities	**12,413,728**	9,166,042	7,324,820	6,753,696	6,386,082
Subordinated debentures	**371,441**	311,339	228,775	155,653	113,362
Capital investment notes	**-**	-	250,508	244,617	237,701
Equity	**3,109,820**	3,008,187	2,583,934	2,255,461	2,061,563
Total liabilities and equity	**$ 46,757,278**	$ 43,074,923	$ 37,704,475	$ 33,140,798	$ 31,019,740

Summarized Consolidated Statement of Income

($ in thousands)	**2016**	2015	2014	2013	2012
Interest income	**$ 1,578,322**	$ 1,505,918	$ 1,383,939	$ 1,275,604	$ 1,237,792
Interest expense	**477,077**	477,627	417,927	397,452	422,417
Net interest income	**1,101,245**	1,028,291	966,012	878,152	815,375
Other income	**434,100**	423,249	384,447	351,585	304,883
Operating revenue	**1,535,345**	1,451,540	1,350,459	1,229,737	1,120,258
Provision for loan losses	**387,559**	72,584	42,395	45,923	23,255
Non-interest expenses	**1,007,358**	952,098	949,091	869,392	843,616
Net income before payment in lieu of tax	**140,428**	426,858	358,973	314,422	253,387
Payment in lieu of tax	**32,298**	98,177	82,564	73,122	58,279
Net income	**$ 108,130**	$ 328,681	$ 276,409	$ 241,300	$ 195,108

Summarized Key Performance Indicators

(%)	**2016**	2015	2014	2013	2012
Return on average assets	**0.24**	0.82	0.78	0.75	0.63
Operating revenue growth	**5.8**	8.8	9.8	9.8	9.7
Efficiency ratio	**65.6**	65.6	70.3	70.7	75.3
Performing loan growth	**7.0**	11.1	14.4	11.1	6.1
Total deposit growth	**0.89**	12.0	15.1	6.8	5.8
Return on average risk-weighted assets	**0.33**	1.1	1.1	1.0	0.89
Growth in assets under administration	**7.0**	24.1	28.1	20.8	13.9

Quarterly Summarized Financial Results

Summarized Consolidated Statement of Financial Position

	2016				2015			
($ in thousands)	**Q4 Mar 31/16**	**Q3 Dec 31/15**	**Q2 Sep 30/15**	**Q1 Jun 30/15**	Q4 Mar 31/15	Q3 Dec 31/14	Q2 Sep 30/14	Q1 Jun 30/14
Assets								
Cash resources and securities	**$ 4,762,666**	**$ 4,447,188**	**$ 4,789,139**	**$ 3,823,861**	$ 3,831,310	$ 2,979,730	$ 3,882,511	$ 3,474,525
Loans, net of allowances for loan losses:								
Business	**19,199,157**	**18,799,156**	**18,056,823**	**17,677,569**	17,530,954	16,749,083	15,445,018	15,136,742
Residential mortgages	**14,318,656**	**14,159,084**	**13,829,819**	**13,362,059**	12,947,624	12,745,564	12,488,144	12,286,787
Personal	**6,614,996**	**6,656,065**	**6,727,710**	**6,722,580**	6,700,854	6,629,113	6,566,497	6,413,899
Credit card	**690,204**	**713,872**	**708,897**	**698,019**	673,857	690,211	688,141	678,126
Allowance for loan losses	**(472,856)**	**(311,659)**	**(237,183)**	**(220,551)**	(168,397)	(141,423)	(127,288)	(123,394)
	40,350,157	**40,016,518**	**39,086,066**	**38,239,676**	37,684,892	36,672,548	35,060,512	34,392,160
Other assets	**1,644,455**	**1,604,246**	**1,653,755**	**1,447,040**	1,558,721	1,448,683	1,151,118	1,279,503
Total assets	**$ 46,757,278**	**$ 46,067,952**	**$ 45,528,960**	**$ 43,510,577**	$ 43,074,923	$ 41,100,961	$ 40,094,141	$ 39,146,188
Liabilities and equity								
Deposits								
Personal	**$ 13,088,145**	**$ 12,949,941**	**$ 12,710,329**	**$ 12,660,239**	$ 12,645,311	$ 12,319,808	$ 12,176,549	$ 11,904,850
Business and other	**17,774,144**	**18,719,897**	**19,624,195**	**18,386,342**	17,944,044	17,488,130	17,633,482	16,735,409
	30,862,289	**31,669,838**	**32,334,524**	**31,046,581**	30,589,355	29,807,938	29,810,031	28,640,259
Other liabilities	**12,413,728**	**10,852,408**	**9,681,955**	**8,988,938**	9,166,042	8,133,311	7,234,800	7,289,108
Subordinated debentures	**371,441**	**371,441**	**371,441**	**409,516**	311,339	311,339	311,339	311,339
Capital investment notes	**-**	**-**	**-**	**-**	-	-	-	249,995
Equity	**3,109,820**	**3,174,265**	**3,141,040**	**3,065,542**	3,008,187	2,848,373	2,737,971	2,655,487
Total liabilities and equity	**$ 46,757,278**	**$ 46,067,952**	**$ 45,528,960**	**$ 43,510,577**	$ 43,074,923	$ 41,100,961	$ 40,094,141	$ 39,146,188

Consolidated Statement of Changes in Equity

	2016				2015			
For the three months ended ($ in thousands)	**Q4 Mar 31/16**	**Q3 Dec 31/15**	**Q2 Sep 30/15**	**Q1 Jun 30/15**	Q4 Mar 31/15	Q3 Dec 31/14	Q2 Sep 30/14	Q1 Jun 30/14
Retained earnings								
Balance at beginning of the period	**$ 3,075,831**	**$ 3,043,356**	**$ 2,986,205**	**$ 2,920,375**	$ 2,848,740	$ 2,757,265	$ 2,675,556	$ 2,591,694
Net (loss) income	**(47,326)**	**32,475**	**57,151**	**65,830**	71,635	91,475	81,709	83,862
Balance at end of the period	**$ 3,028,505**	**$ 3,075,831**	**$ 3,043,356**	**$ 2,986,205**	$ 2,920,375	$ 2,848,740	$ 2,757,265	$ 2,675,556
Accumulated other comprehensive income (loss)								
Balance at beginning of the period	**98,434**	**97,684**	**79,337**	**87,812**	(367)	(19,294)	(20,069)	(7,760)
Other comprehensive (loss) income	**(17,119)**	**750**	**18,347**	**(8,475)**	88,179	18,927	775	(12,309)
Balance at end of the period	**$ 81,315**	**$ 98,434**	**$ 97,684**	**$ 79,337**	$ 87,812	$ (367)	$ (19,294)	$ (20,069)
Equity as at end of the period	**$ 3,109,820**	**$ 3,174,265**	**$ 3,141,040**	**$ 3,065,542**	$ 3,008,187	$ 2,848,373	$ 2,737,971	$ 2,655,487

Consolidated Statement of Cash Flows

For the three months ended *($ in thousands)*	Q4 Mar 31/16	Q3 Dec 31/15	Q2 Sep 30/15	Q1 Jun 30/15	Q4 Mar 31/15	Q3 Dec 31/14	Q2 Sep 30/14	Q1 Jun 30/14
				2016				2015
Cash flows from operating activities:								
Net (loss) income	**$ (47,326)**	**$ 32,475**	**$ 57,151**	**$ 65,830**	$ 71,635	$ 91,475	$ 81,709	$ 83,862
Adjustments for non-cash items and others:								
Provision for loan losses	**190,759**	**91,260**	**48,084**	**57,456**	33,127	18,780	10,272	10,405
Depreciation and amortization	**27,627**	**27,108**	**26,280**	**24,789**	22,073	23,174	22,570	21,969
Net gains on financial instruments at fair value through net income	**(10,392)**	**(16,570)**	**(2,280)**	**(29,179)**	(20,942)	(21,609)	(18,624)	(18,421)
Adjustments for net change in operating assets and liabilities:								
Loans	**(498,937)**	**(1,064,687)**	**(845,675)**	**(565,608)**	(1,006,303)	(1,582,920)	(630,762)	(462,824)
Deposits	**(807,406)**	**(664,339)**	**1,288,369**	**457,702**	782,346	(634)	1,171,449	1,325,823
Derivative financial instruments	**12,848**	**898**	**(15,447)**	**5,762**	(16,507)	(4,145)	(3,820)	11,138
Prepayments and other receivables	**8,897**	**(7,719)**	**(3,400)**	**(13,252)**	38,914	(42,372)	20,180	(15,850)
Due to clients, brokers, and dealers	**6,554**	**(22,430)**	**1,291**	**38,822**	20,847	(16,744)	(2,450)	9,737
Deposit guarantee fee payable	**12,113**	**11,767**	**13,004**	**(32,015)**	11,287	10,869	10,375	(27,338)
Accounts payable and accrued liabilities	**(63)**	**(9,449)**	**208,429**	**(229,362)**	39,269	424,504	25,047	(42,621)
Liability for payment in lieu of tax	**(14,137)**	**9,700**	**17,071**	**(78,513)**	21,396	27,324	24,407	(57,513)
Net interest receivable and payable	**19,808**	**(21,454)**	**17,605**	**(3,812)**	14,231	(23,775)	26,179	10,276
Change in accrued pension-benefit liability	**40,350**	**(19,024)**	**5,314**	**(20,737)**	(5,239)	7,681	(1,535)	20,746
Others, net	**(46,389)**	**143,508**	**(88,860)**	**(965)**	(22,672)	(23,401)	(35,158)	(48,008)
Net cash (used in) provided by operating activities	**(1,105,694)**	**(1,508,956)**	**726,936**	**(323,082)**	(16,538)	(1,111,793)	699,839	821,381
Cash flows from investing activities:								
Change in securities measured at fair value through net income	**(7,997)**	**191,704**	**(1,285,743)**	**(550,116)**	(309,476)	(60,967)	(405,667)	(433,979)
Change in interest-bearing deposits with financial institutions	**(232,262)**	**116,987**	**211,488**	**11,723**	(9,516)	120,427	278,257	(58,293)
Purchases and disposals of property and equipment, and software and other intangibles	**(27,929)**	**(22,385)**	**(16,276)**	**(38,743)**	(43,129)	(26,553)	(19,122)	(24,756)
Change in securities purchased under reverse repurchase agreements	**-**	**-**	**-**	**500,094**	(500,094)	750,143	(333,008)	(417,135)
Net cash (used in) provided by investing activities	**(268,188)**	**286,306**	**(1,090,531)**	**(77,042)**	(862,215)	783,050	(479,540)	(934,163)
Cash flows from financing activities:								
Change in wholesale borrowings	**1,085,605**	**1,033,699**	**(66,254)**	**(49,436)**	449,550	452	419	(100,452)
Change in collateralized borrowings	**378,501**	**370,805**	**367,989**	**106,293**	460,458	233,952	(23,553)	191,971
Change in securities sold under repurchase agreements	**-**	**(204,122)**	**4,023**	**200,099**	-	-	-	-
(Repayment) issuance of subordinated debentures	**-**	**-**	**(38,075)**	**98,177**	-	-	-	82,564
Change in capital investment notes	**-**	**-**	**-**	**-**	-	-	(249,995)	(513)
Net cash provided by (used in) financing activities	**1,464,106**	**1,200,382**	**267,683**	**355,133**	910,008	234,404	(273,129)	173,570
Net increase (decrease) in cash	**90,224**	**(22,268)**	**(95,912)**	**(44,991)**	31,255	(94,339)	(52,830)	60,788
Cash at beginning of period	**220,620**	**242,888**	**338,800**	**383,791**	352,536	446,875	499,705	438,917
Cash at end of period	**$ 310,844**	**$ 220,620**	**$ 242,888**	**$ 338,800**	$ 383,791	$ 352,536	$ 446,875	$ 499,705
Net cash (used in) provided by operating activities includes:								
Interest paid	**$ (100,034)**	**$ (156,714)**	**$ (94,008)**	**$ (128,739)**	$ (99,045)	$ (154,967)	$ (100,914)	$ (121,281)
Interest received	**$ 402,069**	**$ 411,785**	**$ 383,572**	**$ 395,462**	$ 379,736	$ 395,460	$ 376,140	$ 380,073

Quarterly Segmented Results

Consolidated Statement of Income

For the three months ended ($ in thousands)	Net interest income	Other income	Operating revenue	Provision for loan losses	Non-interest expenses	Net income (loss) before payment in lieu of tax	Payment in lieu of tax	Net income (loss)	Total assets	Total liabilities
March 31, 2016										
Retail Financial Services	$ 113,976	$ 23,093	$ 137,069	$ 21,866	$ 109,093	$ 6,110	$ -	$ 6,110	$21,244,658	$12,701,875
Business and Agriculture	74,182	14,773	88,955	20,341	51,381	17,233	-	17,233	7,384,520	9,097,122
Corporate Financial Services	83,802	14,607	98,409	148,552	24,864	(75,007)	-	(75,007)	11,881,375	8,418,943
Investor Services	106	38,419	38,525	-	28,529	9,996	2,297	7,699	131,093	94,612
Strategic service units	10,161	17,195	27,356	-	47,151	(19,795)	(16,434)	(3,361)	6,115,632	13,334,906
Total	$ 282,227	$108,087	$ 390,314	$ 190,759	$ 261,018	$ (61,463)	$ (14,137)	$ (47,326)	$46,757,278	$43,647,458
December 31, 2015										
Retail Financial Services	$ 115,492	$ 20,886	$ 136,378	$ 27,454	$ 107,025	$ 1,899	$ -	$ 1,899	$21,152,270	$12,507,776
Business and Agriculture	75,558	15,206	90,764	6,578	51,278	32,908	-	32,908	7,352,338	9,429,942
Corporate Financial Services	80,662	14,620	95,282	57,228	23,490	14,564	-	14,564	11,526,394	9,125,120
Investor Services	109	38,686	38,795	-	27,456	11,339	2,607	8,732	128,008	91,216
Strategic service units	4,704	15,280	19,984	-	38,519	(18,535)	7,093	(25,628)	5,908,942	11,739,633
Total	$ 276,525	$104,678	$ 381,203	$ 91,260	$ 247,768	$ 42,175	$ 9,700	$ 32,475	$46,067,952	$42,893,687
September 30, 2015										
Retail Financial Services	$ 113,744	$ 21,341	$ 135,085	$ 18,934	$ 112,224	$ 3,927	$ -	$ 3,927	$20,894,737	$12,257,546
Business and Agriculture	74,405	15,590	89,995	8,760	49,509	31,726	-	31,726	7,015,841	9,546,478
Corporate Financial Services	82,137	17,559	99,696	20,390	25,215	54,091	-	54,091	11,161,301	9,892,471
Investor Services	107	38,429	38,536	-	27,993	10,543	2,427	8,116	146,674	110,624
Strategic service units	1,566	5,069	6,635	-	32,700	(26,065)	14,644	(40,709)	6,310,407	10,580,801
Total	$ 271,959	$ 97,988	$ 369,947	$ 48,084	$ 247,641	$ 74,222	$ 17,071	$ 57,151	$45,528,960	$42,387,920
June 30, 2015										
Retail Financial Services	$ 111,980	$ 21,178	$ 133,158	$ 19,407	$ 113,684	$ 67	$ -	$ 67	$20,416,287	$12,119,509
Business and Agriculture	71,739	15,098	86,837	5,341	52,855	28,641	-	28,641	6,854,531	9,478,177
Corporate Financial Services	79,141	15,272	94,413	32,708	26,252	35,453	-	35,453	10,952,227	8,778,881
Investor Services	112	37,621	37,733	-	28,833	8,900	2,048	6,852	143,382	110,447
Strategic service units	7,562	34,178	41,740	-	29,307	12,433	17,616	(5,183)	5,144,150	9,958,021
Total	$ 270,534	$123,347	$ 393,881	$ 57,456	$ 250,931	$ 85,494	$ 19,664	$ 65,830	$43,510,577	$40,445,035
Year ended March 31, 2016	$1,101,245	$434,100	$1,535,345	$ 387,559	$1,007,358	$ 140,428	$ 32,298	$ 108,130	$46,757,278	$43,647,458

Consolidated Statement of Income (continued)

For the three months ended ($ in thousands)	Net interest income	Other income	Operating revenue	Provision for loan losses	Non-interest expenses	Net income before payment in lieu of tax	Payment in lieu of tax	Net income (loss)	Total assets	Total liabilities
March 31, 2015										
Retail Financial Services	$ 107,996	$ 21,612	$ 129,608	$ 7,570	$ 112,967	$ 9,071	$ -	$ 9,071	$ 19,946,326	$ 12,004,052
Business and Agriculture	67,470	14,450	81,920	8,582	55,428	17,910	-	17,910	6,686,117	9,167,956
Corporate Financial Services	75,575	16,801	92,376	20,175	26,287	45,914	-	45,914	10,961,281	8,704,341
Investor Services	109	35,472	35,581	-	26,519	9,062	2,084	6,978	149,115	118,033
Strategic service units	15,310	23,272	38,582	(3,200)	30,708	11,074	19,312	(8,238)	5,332,084	10,072,354
Total	$ 266,460	$ 111,607	$ 378,067	$ 33,127	$ 251,909	$ 93,031	$ 21,396	$ 71,635	$ 43,074,923	$ 40,066,736
December 31, 2014										
Retail Financial Services	$ 108,202	$ 20,626	$ 128,828	$ 6,261	$ 106,105	$ 16,462	$ -	$ 16,462	$ 19,711,253	$ 11,764,798
Business and Agriculture	67,080	14,972	82,052	1,304	49,317	31,431	-	31,431	6,590,302	9,229,456
Corporate Financial Services	70,487	17,477	87,964	11,410	20,592	55,962	-	55,962	10,363,361	8,181,607
Investor Services	101	34,099	34,200	-	27,174	7,026	1,616	5,410	120,957	88,853
Strategic service units	18,398	23,472	41,870	(195)	34,147	7,918	25,708	(17,790)	4,315,088	8,987,874
Total	$ 264,268	$ 110,646	$ 374,914	$ 18,780	$ 237,335	$ 118,799	$ 27,324	$ 91,475	$ 41,100,961	$ 38,252,588
September 30, 2014										
Retail Financial Services	$ 101,518	$ 23,180	$ 124,698	$ 4,074	$ 101,973	$ 18,651	$ -	$ 18,651	$ 19,365,053	$ 11,575,020
Business and Agriculture	63,655	14,162	77,817	5,143	46,929	25,745	-	25,745	6,270,696	9,243,011
Corporate Financial Services	65,911	12,001	77,912	(614)	25,584	52,942	-	52,942	9,412,697	8,373,036
Investor Services	126	33,009	33,135	-	25,911	7,224	1,662	5,562	128,646	98,802
Strategic service units	17,838	16,684	34,522	1,669	31,299	1,554	22,745	(21,191)	4,917,049	8,066,301
Total	$ 249,048	$ 99,036	$ 348,084	$ 10,272	$ 231,696	$ 106,116	$ 24,407	$ 81,709	$ 40,094,141	$ 37,356,170
June 30, 2014										
Retail Financial Services	$ 99,094	$ 21,056	$ 120,150	$ 7,224	$ 104,729	$ 8,197	$ -	$ 8,197	$ 18,950,675	$ 11,391,700
Business and Agriculture	59,278	13,907	73,185	1,455	47,099	24,631	-	24,631	6,007,664	8,897,559
Corporate Financial Services	67,130	15,524	82,654	950	22,200	59,504	-	59,504	9,326,190	7,729,483
Investor Services	105	31,153	31,258	-	24,788	6,470	1,488	4,982	128,443	96,823
Strategic service units	22,908	20,320	43,228	776	32,342	10,110	23,562	(13,452)	4,733,216	8,375,136
Total	$ 248,515	$ 101,960	$ 350,475	$ 10,405	$ 231,158	$ 108,912	$ 25,050	$ 83,862	$ 39,146,188	$ 36,490,701
Year ended March 31, 2015	$ 1,028,291	$ 423,249	$ 1,451,540	$ 72,584	$ 952,098	$ 426,858	$ 98,177	$ 328,681	$ 43,074,923	$ 40,066,736

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2016 ($ in thousands)

STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

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

Brian Hesje
Chair of the Board
Edmonton, Alberta
May 27, 2016

Dave Mowat
President and Chief Executive Officer
Edmonton, Alberta
May 27, 2016

Bob McGee
Chief Financial Officer
Edmonton, Alberta
May 27, 2016

INDEPENDENT AUDITOR'S REPORT

To the President of Treasury Board and Minister of Finance

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of ATB Financial, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ATB Financial as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General
May 27, 2016
Edmonton, Alberta

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31 *($ in thousands)*	Note	**2016**	2015
Assets			
Cash resources	6		
Cash		$ 310,844	$ 383,791
Interest-bearing deposits with financial institutions		704,317	812,253
		1,015,161	1,196,044
Securities	7		
Securities measured at fair value through net income		3,747,323	2,134,900
Securities available for sale		182	272
		3,747,505	2,135,172
Securities purchased under reverse repurchase agreements		-	500,094
Loans	8		
Business		19,199,157	17,530,954
Residential mortgages		14,318,656	12,947,624
Personal		6,614,996	6,700,854
Credit card		690,204	673,857
		40,823,013	37,853,289
Allowance for loan losses	9	(472,856)	(168,397)
		40,350,157	37,684,892
Other assets			
Derivative financial instruments	10	765,653	684,694
Property and equipment	11	378,332	369,351
Software and other intangibles	12	270,972	280,424
Other assets	13	229,498	224,252
		1,644,455	1,558,721
Total assets		$ 46,757,278	$ 43,074,923
Liabilities and equity			
Liabilities			
Deposits	14		
Personal		$ 13,088,145	$ 12,645,311
Business and other		17,774,144	17,944,044
		30,862,289	30,589,355
Other liabilities			
Wholesale borrowings	21	5,047,744	3,044,130
Collateralized borrowings	15	5,497,768	4,274,180
Derivative financial instruments	10	573,084	488,867
Other liabilities	16	1,295,132	1,358,865
		12,413,728	9,166,042
Subordinated debentures	17	371,441	311,339
Total liabilities		43,647,458	40,066,736
Equity			
Retained earnings		3,028,505	2,920,375
Accumulated other comprehensive income		81,315	87,812
Total equity		3,109,820	3,008,187
Total liabilities and equity		$ 46,757,278	$ 43,074,923

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

Approved by the board:

Brian Hesje
Chair of the Board

Barry James
Chair of the Audit Committee

CONSOLIDATED STATEMENT OF INCOME

For the year ended March 31 *($ in thousands)*	Note	2016	2015
Interest income			
Loans		$ 1,546,676	$ 1,471,639
Interest-bearing deposits with financial institutions		4,657	10,521
Securities measured at fair value through net income		26,989	23,758
		1,578,322	1,505,918
Interest expense			
Deposits		316,521	327,151
Wholesale borrowings		51,083	46,599
Collateralized borrowings		98,120	89,702
Subordinated debentures		11,353	9,610
Capital investment notes		-	4,565
		477,077	477,627
Net interest income		1,101,245	1,028,291
Other income			
Investor Services		144,938	125,970
Service charges		67,723	67,715
Card fees		52,995	53,132
Credit fees		44,824	45,138
Insurance		20,404	17,948
Foreign exchange		8,927	14,965
Net gains on derivative financial instruments		32,047	14,989
Net gains on financial instruments at fair value through net income		58,421	79,596
Sundry		3,821	3,796
		434,100	423,249
Operating revenue		1,535,345	1,451,540
Provision for loan losses	9	387,559	72,584
Non-interest expenses			
Salaries and employee benefits	18, 19	515,878	494,880
Data processing		92,230	94,943
Premises and occupancy, including depreciation		92,895	87,025
Professional and consulting costs		54,441	49,274
Deposit guarantee fee	14	47,653	42,784
Equipment, including depreciation		25,178	23,283
Software and other intangibles amortization	12	48,278	39,383
General and administrative		71,137	72,005
ATB agencies		10,863	9,972
Other		48,805	38,549
		1,007,358	952,098
Net income before payment in lieu of tax		140,428	426,858
Payment in lieu of tax	20	32,298	98,177
Net income		$ 108,130	$ 328,681

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31 *($ in thousands)*		2016		2015
Net income	**$**	**108,130**	$	328,681
Other comprehensive (loss) income				
Items that may be reclassified subsequently to profit or loss:				
Unrealized net gains on available-for-sale financial assets:				
Unrealized net gains arising during the period		**151**		57
Net gains reclassified to net income		**(18)**		(38)
Unrealized net gains on derivative financial instruments designated as cash flow hedges:				
Unrealized net gains arising during the period		**69,339**		171,070
Net gains reclassified to net income		**(68,536)**		(56,444)
Items that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plan liabilities		**(7,433)**		(19,073)
Other comprehensive (loss) income		**(6,497)**		95,572
Comprehensive income	**$**	**101,633**	$	424,253

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31 *($ in thousands)*		2016		2015
Retained earnings				
Balance at beginning of the year	**$**	**2,920,375**	$	2,591,694
Net income		**108,130**		328,681
Balance at end of the year		**3,028,505**		2,920,375
Accumulated other comprehensive income				
Available-for-sale financial assets				
Balance at beginning of the year		**(133)**		(152)
Other comprehensive income		**133**		19
Balance at end of the year		**-**		(133)
Derivative financial instruments designated as cash flow hedges				
Balance at beginning of the year		**161,083**		46,457
Other comprehensive income		**803**		114,626
Balance at end of the year		**161,886**		161,083
Defined benefit plan liabilities				
Balance at beginning of the year		**(73,138)**		(54,065)
Other comprehensive loss		**(7,433)**		(19,073)
Balance at end of the year		**(80,571)**		(73,138)
Accumulated other comprehensive income		**81,315**		87,812
Equity	**$**	**3,109,820**	$	3,008,187

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31 *($ in thousands)*		**2016**		2015
Cash flows from operating activities:				
Net income	$	**108,130**	$	328,681
Adjustments for non-cash items and others:				
Provision for loan losses		**387,559**		72,584
Depreciation and amortization		**105,804**		86,786
Net gains on financial instruments at fair value through net income		**(58,421)**		(79,596)
Adjustments for net changes in operating assets and liabilities:				
Loans		**(2,974,907)**		(3,682,809)
Deposits		**274,326**		3,278,984
Derivative financial instruments		**4,061**		(13,334)
Prepayments and other receivables		**(15,474)**		872
Due to clients, brokers, and dealers		**24,237**		11,390
Deposit guarantee fee payable		**4,869**		5,193
Accounts payable and accrued liabilities		**(30,445)**		446,199
Liability for payment in lieu of tax		**(65,879)**		15,614
Net interest receivable and payable		**12,147**		26,911
Change in accrued pension-benefit liability		**5,903**		21,653
Others, net		**7,294**		(129,239)
Net cash (used in) provided by operating activities		**(2,210,796)**		392,889
Cash flows from investing activities:				
Change in securities measured at fair value through net income		**(1,652,152)**		(1,210,089)
Change in securities purchased under reverse repurchase agreements		**500,094**		(500,094)
Change in interest-bearing deposits with financial institutions		**107,936**		330,875
Purchases and disposal of property and equipment, software, and other intangibles		**(105,333)**		113,560
Net cash used in investing activities		**(1,149,455)**		(1,492,868)
Cash flows from financing activities:				
Change in wholesale borrowings		**2,003,614**		349,969
Change in capital investment notes		**-**		(250,508)
Change in collateralized borrowings		**1,223,588**		862,828
Issuance of subordinated debentures		**60,102**		82,564
Net cash provided by financing activities		**3,287,304**		1,044,853
Net decrease in cash		**(72,947)**		(55,126)
Cash at beginning of the year		**383,791**		438,917
Cash at end of the year	$	**310,844**	$	383,791
Net cash (used in) provided by operating activities includes:				
Interest paid	$	**(479,495)**	$	(476,207)
Interest received	$	**1,592,888**	$	1,531,409

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2016 ($ in thousands)

1. Nature of Operations

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

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

2. Significant Accounting Policies

a. General Information

Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the accounting requirements of the Alberta Superintendent of Financial Institutions (ASFI). These consolidated financial statements were approved by the board of directors on May 27, 2016.

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

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

Consolidation – Subsidiaries

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

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

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

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

Significant Accounting Judgments, Estimates, and Assumptions

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

The consolidated financial statements for the year ended March 31, 2016, provide additional information in the following notes:

- Note 2(c): Financial instruments – fair value
- Note 2(d): Impairment of financial assets – for the establishment of allowance for loan losses
- Note 7: Securities – for establishing fair value of asset-backed commercial paper notes
- Note 11: Property and equipment – for establishing the depreciation expense for premises and equipment
- Note 12: Software and other intangibles for – establishing the amortization expense for software
- Note 19: Employee benefits – description of assumptions used

Translation of Foreign Currencies

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

b. Financial Instruments – Recognition and Measurement

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

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

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

Financial Assets

Financial Assets at Fair Value Through Net Income

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

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

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

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

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

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

Loans and Receivables

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

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

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

Available-for-Sale Financial Assets

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

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

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

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

Held-to-Maturity Financial Assets

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

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

Financial Liabilities

Financial Liabilities at Fair Value Through Net Income

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

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

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

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

Gains and losses arising from changes in the fair value of financial liabilities classified as fair value through net income are included in the Consolidated Statement of Income and are reported as net gains on financial instruments at fair value through net income. Interest expenses on financial liabilities held for trading are included in net interest income. As at March 31, 2016, ATB has no financial liabilities classified as fair value through net income.

Other Liabilities Measured at Amortized Cost

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

c. Financial Instruments – Fair Value

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

Estimated Fair Value

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

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

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

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

Financial Instruments Whose Carrying Value Equals Fair Value

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

Securities and Interest-Bearing Deposits With Financial Institutions

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

Derivative Instruments

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

Loans and Deposits

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

Wholesale Borrowings, Collateralized Borrowings, and Subordinated Debentures

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

d. Impairment of Financial Assets

Financial Assets Carried at Amortized Cost

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

- Significant financial difficulty of the issuer or obligor
- A breach of contract, such as a default or significant delinquency in interest or principal payments
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider
- An assessed probability that the borrower will enter bankruptcy or other financial reorganization
- The disappearance of an active market for that financial asset because of financial difficulties
- Observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
    - Adverse changes in the payment status of borrowers in the portfolio
    - National or local economic conditions that correlate with defaults on the assets in the portfolio

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

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

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

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

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

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

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

Assets Classified as Available for Sale

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

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

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

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

f. Derivative Financial Instruments

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

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

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

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

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

Hedge Accounting

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

ATB discontinues hedge accounting when one of the following occurs:

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

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

Cash Flow Hedge

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

Fair-Value Hedge

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

Embedded Derivatives

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

g. Property and Equipment

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

- Buildings – Up to 20 years
- Buildings under finance lease – Up to 15 years
- Computer equipment – Up to 4 years
- Other equipment – 5 years
- Leasehold improvements – Lease term plus first renewal period, if applicable

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

h. Software and Other Intangibles

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

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

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

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

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

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

j. Finance and Operating Leases

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

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

k. Employee Benefits

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

ATB's current non-management employees participate in the Public Service Pension Plan (PSPP) with other Alberta public-sector employees. The PSPP is a DB pension plan that provides benefits based on members' years of service and earnings. ATB provides its management employees with a registered pension plan (the ATB Plan) with either DB or DC provisions. ATB also provides a non-registered DB supplemental retirement plan (SRP) and other post-employment benefits (OPEB) for designated management employees.

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

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

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

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

Accounting for Defined Contribution Plans

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

Plan Valuations, Asset Allocation, and Funding

ATB annually measures its accrued benefit obligations and the fair values of plan assets for accounting purposes on March 31 for the PSPP, ATB Plan, SRP, and OPEB obligations. ATB makes regular funding contributions to the DB plan according to the most recent valuation for funding purposes. The SRP and OPEB obligations are not pre-funded, and such benefits are paid from ATB's assets as they become due. The most recent actuarial valuation of the DB provisions of the ATB Plan was performed on December 31, 2013. The DB plan's investment policy sets targets for an acceptable range for the allocation of plan assets between equity, debt, and other assets. (Refer to note 19.)

l. Provisions

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

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

m. Financial Guarantees

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

n. Securitization

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

o. Segmented Information

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

p. Revenue Recognition

Interest Income and Expenses

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

Fees and Commission Income and Expenses

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

3. Summary of Accounting Policy Changes

Changes in Accounting Policies and Disclosures

IAS 19 *Employee Benefits*

On April 1, 2015, ATB adopted the amendments to IAS 19 *Employee Benefits*. The amendments clarify the accounting requirements that relate to how contributions from employees (or third parties) that are linked to service should be attributed to periods of service. There was no impact on ATB's financial results.

Future Accounting Policy Changes

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

On May 12, 2014, the IASB issued amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*. The amendments provide additional guidance on how the depreciation or amortization of property, plant, and intangible assets should be calculated.

ATB is currently assessing the impact of the amendments, which must be applied prospectively for annual periods beginning on or after January 1, 2016.

IFRS 9 *Financial Instruments*

On July 24, 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*, which replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. The final version includes guidance on the classification and measurement of financial assets and liabilities, impairment, and hedge accounting.

The standard uses a single business model approach to determine whether a financial asset is measured at amortized cost or fair value. Financial assets will be measured at fair value through net income unless certain conditions are met for measurement at amortized cost or at fair value through other comprehensive income. The classification and measurement of liabilities remain mostly unchanged from IAS 39.

A new single impairment model is introduced on all financial instruments subject to impairment accounting. The expected loan loss model replaces the current incurred loss model and is based on a forward-looking approach. The model first requires the recognition of loan losses based on a 12-month time horizon where there has not been a significant increase in credit risk since initial recognition. It also requires an amount equal to the lifetime expected losses where there has been a significant increase in credit risk since initial recognition.

IFRS 9 also introduces a new hedge accounting model that expands on the scope of hedged and hedging items to which hedge accounting can be applied. The new model changes the effectiveness testing requirements and does not allow for voluntary hedge de-designation.

ATB is currently assessing the impact of the standard, which is effective for annual periods beginning on or after January 1, 2018.

IAS 1 *Presentation of Financial Statements*

On December 18, 2014, the IASB published the *Disclosure Initiative* (Amendments to IAS 1). The amendments ensure that entities use judgment when presenting their financial reports by clarifying the materiality guidance for the Statement of Financial Position and Profit or Loss and Other Comprehensive Income, and the notes to the financial statements.

ATB is currently assessing the impact of adopting this amendment, which is effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

IFRS 15 *Revenue From Contracts With Customers*

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

ATB is currently assessing the impact of the amendments, which must be applied retrospectively for annual periods beginning on or after January 1, 2018.

IFRS 16 *Leases*

On January 13, 2016, the IASB published a new standard, IFRS 16 *Leases*, bringing leases for lessees under a single model and eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged.

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

IAS 7 *Statement of Cash Flows*

On January 29, 2016, the IASB published amendments to IAS 7 *Statement of Cash Flows* intended to improve information about an entity's financing activities by providing additional disclosure about the changes in liabilities arising from financing activities.

ATB is currently assessing the impact of adopting this amendment, which is effective for annual periods beginning on or after January 1, 2017, with earlier application being permitted.

4. Financial Instruments

Classification and Carrying Value

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

As at March 31, 2016
($ in thousands)

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

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

As at March 31, 2015
($ in thousands)

	Carrying value						
	Held-for-trading assets and liabilities measured at fair value	Designated at fair value through net income	Available-for-sale instruments measured at fair value	Loans and receivables measured at amortized cost	Financial liabilities measured at amortized cost	Derivatives designated for hedge accounting	Total carrying value
Financial assets							
Cash	$ -	$ -	$ -	$ 383,791	$ -	$ -	$ 383,791[(1)]
Interest-bearing deposits with financial institutions	-	812,253	-	-	-	-	812,253[(1)]
Securities	-	2,134,900	272	-	-	-	2,135,172[(1)]
Securities purchased under reverse repurchase agreements	-	-	-	500,094	-	-	500,094[(1)]
Loans							
Business	-	-	-	17,530,954	-	-	17,530,954
Residential mortgages	-	-	-	12,947,624	-	-	12,947,624
Personal	-	-	-	6,700,854	-	-	6,700,854
Credit card	-	-	-	673,857	-	-	673,857
Allowance for loan losses	-	-	-	(168,397)	-	-	(168,397)
	-	-	-	37,684,892	-	-	37,684,892[(2)]
Other							
Derivative financial instruments	474,568	-	-	-	-	210,126	684,694
Other assets	-	-	-	88,232	-	-	88,232
	474,568	-	-	88,232	-	210,126	772,926[(1)]
Financial liabilities							
Deposits							
Personal	-	-	-	-	12,645,311	-	12,645,311
Business and other	-	-	-	-	17,944,044	-	17,944,044
	-	-	-	-	30,589,355	-	30,589,355[(3)]
Other							
Wholesale borrowings	-	-	-	-	3,044,130	-	3,044,130[(4)]
Collateralized borrowings	-	-	-	-	4,274,180	-	4,274,180[(5)]
Derivative financial instruments	457,583	-	-	-	-	31,284	488,867[(1)]
Other liabilities	-	-	-	-	1,238,232	-	1,238,232[(1)]
	457,583	-	-	-	8,556,542	31,284	9,045,409
Subordinated debentures	-	-	-	-	311,339	-	311,339[(6)]

[1] Fair value estimated to equal carrying value.
[2] Fair value of loans estimated to be $39,544,112.
[3] Fair value of deposits estimated to be $30,582,731.
[4] Fair value of wholesale borrowings estimated to be $3,094,929.
[5] Fair value of collateralized borrowings estimated to be $4,441,804.
[6] Fair value of subordinated debentures estimated to be $332,216.

Fair-Value Hierarchy

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

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

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

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

- Securities designated at fair value through net income—investments in asset-backed commercial paper (ABCP). Valuation techniques are disclosed in note 7.
- Securities available for sale—investments in ABCP. Valuation techniques are disclosed in note 7.
- Embedded derivatives relating to interest rate options on certain residential mortgages. Valuation techniques are disclosed in note 2(c).

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

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

As at March 31, 2015 *($ in thousands)*		Level 1		Level 2		Level 3		Total
Financial assets								
Interest-bearing deposits with financial institutions								
Designated at fair value through net income	$	-	$	812,253	$	-	$	812,253
Securities								
Designated at fair value through net income		1,394,998		-		739,902		2,134,900
Available for sale		-		-		272		272
Other assets								
Derivative financial instruments		-		684,694		-		684,694
Total financial assets	$	1,394,998	$	1,496,947	$	740,174	$	3,632,119
Financial liabilities								
Other liabilities								
Derivative financial instruments		-		488,867		-		488,867
Total financial liabilities	$	-	$	488,867	$	-	$	488,867

ATB performs a sensitivity analysis for fair-value measurements classified at Level 3, substituting one or more reasonably possible alternative assumptions for the unobservable inputs. These sensitivity analyses are detailed in note 7 for the ABCP investments designated at fair value through net income. The sensitivity analysis for the available-for-sale ABCP resulted in an insignificant change in fair value.

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

($ in thousands)		Securities available for sale		Securities designated at fair value through net income
Fair value as at March 31, 2015	$	272	$	739,902
Total realized and unrealized gains included in net income		18		74,520
Total realized and unrealized gains included in other comprehensive income		115		-
Sales and settlements[1]		(223)		(373,333)
Fair value as at March 31, 2016	$	182	$	441,089
Change in unrealized gains included in income with respect to financial instruments held as at March 31, 2016	$	-	$	59,982

($ in thousands)		Securities available for sale		Securities designated at fair value through net income
Fair value as at March 31, 2014	$	374	$	728,084
Total realized and unrealized gains included in net income		38		80,181
Total realized and unrealized gains included in other comprehensive income		(19)		-
Sales and settlements[1]		(121)		(68,363)
Fair value as at March 31, 2015	$	272	$	739,902
Change in unrealized gains included in income with respect to financial instruments held as at March 31, 2015	$	-	$	76,364

[1] There were no purchases or issuances made during the year.

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

Offsetting Financial Assets and Financial Liabilities

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

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

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

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

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

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

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

As at March 31, 2015 *($ in thousands)*	Gross recognized amounts	Set-off amounts	Net amounts recognized in the Consolidated Statement of Financial Position	Related amounts not offset in the Consolidated Statement of Financial Position		Net amount
				Financial instruments[1]	Financial collateral received/pledged	
Financial assets						
Securities borrowed or purchased under reverse repurchase agreements	$ 500,094	$ -	$ 500,094	$ -	$ -	$ 500,094
Derivative financial instruments	684,694	-	684,694	183,023	446,587	55,084
Amounts receivable from clients and financial institutions	107,000	-	107,000	74,751	-	32,249
	$ 1,291,788	$ -	$ 1,291,788	$ 257,774	$ 446,587	$ 587,427
Financial liabilities						
Derivative financial instruments	$ 488,867	$ -	$ 488,867	$ 183,023	$ -	$ 305,844
Amounts payable to clients and financial institutions	104,153	-	104,153	74,751	-	29,402
	$ 593,020	$ -	$ 593,020	$ 257,774	$ -	$ 335,246

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

5. Financial Instruments – Risk Management

ATB has included certain disclosures required by IFRS 7 in shaded sections of Management's Discussion and Analysis (MD&A). These shaded sections of the Risk Management section of the MD&A relating to credit, market, and liquidity risks are an integral part of the 2016 consolidated financial statements.

6. Cash Resources

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

The carrying value as at March 31, 2016, of interest-bearing deposits with financial institutions consists of $704,317 (2015: $812,253) classified as designated at fair value through net income.

ATB has restricted cash that represents deposits held in trust in connection with ATB's securitization activities. These deposits include cash accounts that hold principal and interest payments collected from mortgages securitized through the mortgage-backed security program awaiting payment to their respective investors and deposits held in interest reinvestment accounts in connection with ATB's participation in the Canada Mortgage Bond program. The amount of restricted cash as at March 31, 2016, is $101,009 (2015: $89,471).

7. Securities

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

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

As at March 31, 2015 *($ in thousands)*	Within 1 year	1–5 years	Over 5 years	Total carrying value
Securities available for sale				
Commercial paper				
Third-party-sponsored ABCP	$ -	$ 272	$ -	$ 272
Total securities available for sale	-	272	-	272
Securities measured at fair value through net income				
Issued or guaranteed by the Canadian federal or provincial governments	280,794	1,114,204	-	1,394,998
Commercial paper				
Third-party-sponsored ABCP	-	703,861	-	703,861
Bank-sponsored ABCP	-	36,041	-	36,041
Total securities measured at fair value through net income	280,794	1,854,106	-	2,134,900
Total securities	$ 280,794	$ 1,854,378	$ -	$ 2,135,172

The total carrying value of securities in the preceding schedule includes securities denominated in U.S. funds totalling $2,014 as at March 31, 2016 (2015: $23,578).

Gross unrealized gains (losses) on securities available for sale are presented in the following table:

As at March 31, 2016 *($ in thousands)*	**Cost or amortized cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Carrying value**
Securities available for sale				
Third-party-sponsored ABCP	$ 182	$ -	$ -	$ 182
Total securities available for sale	$ 182	$ -	$ -	$ 182

As at March 31, 2015 *($ in thousands)*	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Carrying value
Securities available for sale				
Third-party-sponsored ABCP	$ 405	$ -	$ (133)	$ 272
Total securities available for sale	$ 405	$ -	$ (133)	$ 272

Asset-Backed Commercial Paper (ABCP)

As at March 31, 2016, ATB held ABCP with a total face value of $441,761 (2015: $815,268). ABCP is considered an unconsolidated structured entity. During the year, ATB received principal payments of $373,556 (2015: $68,484) and interest payments of $5,554 (2015: $11,984) on these investments.

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

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

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

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

As at March 31, 2016 *($ in thousands)*		Cost	Coupon	Expected principal repayment	Credit rating
Third-party ABCP					
MAV 1					
Class A-2	$	285,099	0.30%(1)	Dec 2016	AA (low)
Class B		65,628	0.30%(1)	Dec 2016	A
Class C		26,997	20.0%(1)	Dec 2016	BBB (low)
Total MAV 1		**377,724**			
MAV 3					
Tracking notes for traditional assets		182	Floating(2)	Sept 2016	None
Total MAV 3		**182**			
Other		**34,770**	1.55%(1)	Dec 2016	A (high)
Total third-party ABCP		**412,676**			
Bank-sponsored ABCP		**29,085**	0%–0.35%(1)	Sept 2016	BBB–AA (high)
Total ABCP	**$**	**441,761**			

1 Spread over bankers' acceptance rate.
2 Coupon rate floats based on the yield of the underlying assets.

All the ABCP investments have been designated as fair value through net income, except for the MAV 3 notes, which have been classified as securities available for sale.

MAV Notes

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

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

MAV 1 note holders are required to provide a margin-funding facility (MFF) to cover possible collateral calls on the leveraged super-senior trades underlying the A-2, B, and C notes. Advances under this facility are expected to bear interest at a rate based on the bankers' acceptance rate. If ATB fails to fund any collateral under this facility, the notes held by ATB could be terminated or exchanged for subordinated notes. In order to continue to participate in MAV 1 and self-fund the MFF, ATB will have to maintain a credit rating equivalent to A (high) with at least two of four credit-rating agencies. If ATB does not maintain the required credit rating, it will be required to provide collateral or obtain the required commitment through another entity with a sufficiently high credit rating. ATB's share of the MFF credit commitment is $551,500, for which ATB will not receive a fee. To recognize the fair value of this commitment, $3,248 (2015: $7.748) has been recorded in other liabilities. As at March 31, 2016, no amount has been funded under the MFF.

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

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

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

Other Third-Party ABCP

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

Bank-Sponsored ABCP

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

Establishing Fair Value

As at March 31, 2016, there is no observable market price for the various ABCP notes; accordingly, ATB has estimated the fair value of the various notes using a valuation technique. The table below provides a breakdown of the composition and fair value of ATB's ABCP holdings as at March 31, 2016 and 2015:

($ in thousands)	2015 cost	2015 estimated fair value	Note redemptions	Foreign-exchange impact[1]	**2016 cost**	**2016 estimated fair value**
MAV 1	$ 741,282	$ 673,255	$ (363,607)	$ 49	**$ 377,724**	**$ 377,266**
MAV 3	405	272	(223)	-	**182**	**182**
Other third-party-sponsored ABCP	34,770	30,606	-	-	**34,770**	**34,752**
Bank-sponsored ABCP	38,811	36,041	(9,726)	-	**29,085**	**29,071**
Total ABCP	$ 815,268	$ 740,174	$ (373,556)	$ 49	**$ 441,761**	**$ 441,271**

1 MAV 1 includes securities with a carrying value of $2,014 (2015: $23,578) denominated in U.S. funds.

MAV Notes – Fair Value

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

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

ATB has recognized a $67,569 increase in fair value on the MAV 1 notes and a $133 increase in the value of the MAV 3 notes this year (2015: MAV 1 $71,932, MAV 3 $19).

During the year DBRS increased the following ratings of the MAV 1 notes:

- MAV 1 Class A-2: A to AA (low)
- MAV 1 Class B: BBB (low) to A
- MAV 1 Class C: Unrated to BBB (low)

Other Third-Party ABCP

ATB holds an investment of $34,770 of third-party-sponsored ABCP restructured outside the Montreal Accord. DBRS currently rates this investment as A (high). This is an increase from the prior year, when the investment was rated as a BBB (high). ATB continues to estimate the fair value of this investment based on a review of the underlying assets in the trust.

The estimated fair value of the other third-party-sponsored ABCP notes increased by $4,146 (2015: $2,583). This valuation was based on a review of the underlying assets in the trust.

Bank-Sponsored ABCP

ATB also holds investments in certain bank-sponsored commercial paper that were restructured similarly to Montreal Accord notes. The valuation of these notes was based on a review of the underlying assets in each of the trusts. The estimated fair value of these notes increased by $2,756 (2015: $2,440) during the year. This increase in value during the year was due to an improvement in the credit quality of the notes.

During the year, DBRS increased the rating on the Superior Trust Series G investment from AA (low) to AA (high).

Income Impact

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

In addition to the $5,554 (2015: $11,984) of interest income recognized on its ABCP during the year, ATB also recognized $4,500 (2015: $4,440) in other income, representing the accretion of the MFF deferral. ATB recorded a $74,538 adjustment to the fair value of the ABCP portfolio, compared to the $80,218 recognized in 2015.

Measurement Uncertainty

Uncertainty remains regarding the amount and timing of cash flows and the value of the assets that underlie ATB's ABCP. Consequently, the ultimate fair value of these assets may vary significantly from current estimates, and the magnitude of any such difference could be material to our financial results. The most significant input into the estimate of value is the market discount rate. A 1% increase in the discount rate will decrease the value of ATB's ABCP notes by approximately $2,856 (2015: $12,147).

8. Loans

Credit Quality

Loans consist of the following:

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

As at March 31, 2015 *($ in thousands)*			Allowances assessed			
		Gross loans	Individually	Collectively		Net carrying value
Business	$	17,530,954	$ 68,741	$ 36,593	$	17,425,620
Residential mortgages		12,947,624	2,870	5,494		12,939,260
Personal		6,700,854	18,957	19,455		6,662,442
Credit card		673,857	-	16,287		657,570
Total	$	37,853,289	$ 90,568	$ 77,829	$	37,684,892

The total net carrying value of the above loans includes loans denominated in U.S. funds, totalling $908,076 as at March 31, 2016 (2015: $772,807). The amount of foreclosed assets held for resale as at March 31, 2016, is $6,087 (2015: $8,234).

Loans Past Due

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

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

As at March 31, 2015 *($ in thousands)*		Residential mortgages		Business		Personal		Credit card[1]		Total
Up to 1 month	$	91,480	$	40,398	$	43,349	$	26,467	$	201,694
Over 1 month up to 2 months		37,287		121,410		32,551		7,137		198,385
Over 2 months up to 3 months		6,388		7,898		5,199		2,935		22,420
Over 3 months		296		4,454		288		4,451		9,489
Total past due but not impaired	$	135,451	$	174,160	$	81,387	$	40,990	$	431,988

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

Impaired Loans

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

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

As at March 31, 2015 *($ in thousands)*		Gross impaired loans		Allowances individually assessed		Net carrying value
Business	$	148,635	$	68,741	$	79,894
Residential mortgages		46,793		2,870		43,923
Personal		52,199		18,957		33,242
Total	$	247,627	$	90,568	$	157,059

Industry Concentration

ATB is inherently exposed to significant concentrations of credit risk as its customers are all participants in the Alberta economy, which in the past has shown strong growth and occasional sharp declines. ATB manages its credit through diversification of its credit portfolio by limiting concentrations to single borrowers, industries, and geographic regions of Alberta. As at March 31, 2016, commercial real estate is the largest single industry segment at $4.7 billion (2015: commercial real estate $4.1 billion). This represents no more than 24.7% (2015: 23.1%) of total gross business loans. The outstanding principal for the single largest borrower is $88 million (2015: $82 million), which represents no more than 0.21% (2015: 0.22%) of the total gross loan portfolio.

9. Allowance for Loan Losses

The allowance for loan losses is maintained at a level management considers adequate to absorb loan-related losses for all items in the loan portfolio.

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

As at March 31 *($ in thousands)*		2016		2015
Collectively assessed				
Balance at beginning of the year	$	**77,829**	$	73,465
Provision for loan losses		**129,307**		4,364
Balance at end of the year		**207,136**		77,829
Individually assessed				
Balance at beginning of the year	$	**90,568**	$	57,926
Writeoffs and recoveries		**(83,100)**		(35,578)
Provision for loan losses		**258,252**		68,220
Balance at end of the year		**265,720**		90,568
Total	$	**472,856**	$	168,397

10. Derivative Financial Instruments

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

Swaps

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

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

Forwards and Futures

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

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

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

As at March 31 *($ in thousands)*	2016 Favourable position	2016 Unfavourable position	2015 Favourable position	2015 Unfavourable position
Contracts ineligible for hedge accounting				
Interest rate contracts				
Swaps	$ 53,803	$ (63,645)	$ 58,687	$ (71,713)
Other	49,064	(35,015)	35,791	(28,946)
	102,867	(98,660)	94,478	(100,659)
Embedded derivatives				
Equity- and commodity-linked deposits	-	-	-	(10,728)
	-	-	-	(10,728)
Foreign-exchange contracts				
Forwards	35,952	(52,828)	31,691	(29,594)
Cross-currency swaps	30,819	(29,406)	24,976	(23,871)
Equity contracts				
Options	-	-	22,060	(11,386)
Forward contracts				
Commodities	349,221	(336,539)	301,363	(281,345)
Total fair-value-ineligible contracts	415,992	(418,773)	380,090	(346,196)
Contracts eligible for hedge accounting				
Interest rate contracts				
Swaps	246,794	(55,651)	210,126	(31,284)
Total fair-value-eligible contracts	246,794	(55,651)	210,126	(31,284)
Total fair value	$ 765,653	$ (573,084)	$ 684,694	$ (488,867)
Less impact of master netting agreements	(281,768)	281,768	(183,023)	183,023
Less impact of financial institution counterparty collateral held/posted	(408,470)	-	(446,587)	-
Residual credit exposure on derivatives to ATB	$ 75,415	$ (291,316)	$ 55,084	$ (305,844)

The residual credit exposure presented above includes contracts with financial institution and client counterparties. For the residual amounts above, $75,415 (2015: $55,084) of the derivative asset and $251,638 (2015: $276,576) of the derivative liability exposure relates to client counterparties.

The amount of other comprehensive income expected to be reclassified to the Consolidated Statement of Income over the next 12 months on de-designated hedges is $570 (2015: $465). ATB has recognized $7,067 (2015: $3,633) in net income during the year relating to ineffectiveness arising from its cash flow hedges.

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

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

As at March 31, 2015 *($ in thousands)*	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	Total
Cash inflows	$ 148,571	$ 123,587	$ 98,450	$ 74,648	$ 56,534	$ 127,703	$ 629,493
Cash outflows	(189,380)	(158,470)	(124,200)	(94,239)	(68,214)	(174,378)	(808,881)
Net cash flows	$ (40,809)	$ (34,883)	$ (25,750)	$ (19,591)	$ (11,680)	$ (46,675)	$ (179,388)

The non-trading interest rate risk, which is hedged with interest rate swaps, has a maximum maturity of 10 years as at March 31, 2016 (2015: 10 years).

Term to Maturity

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

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

As at March 31, 2015 ($ in thousands)	Ineligible for hedge accounting	Eligible for hedge accounting	Residual term of contract: Within 3 months	3–12 months	1–5 years	Over 5 years	Total
Over-the-counter contracts							
Interest rate contracts							
Swaps	$ 10,475,866	$ 7,801,000	$ 1,879,000	$ 4,085,000	$ 10,127,456	$ 2,185,410	$ 18,276,866
Other	814,414	-	260,574	38,177	298,442	217,221	814,414
Embedded derivatives							
Equity- and commodity-linked deposits	54,345	-	6,916	47,429	-	-	54,345
Foreign-exchange contracts							
Forwards	2,656,527	-	1,631,047	747,204	278,276	-	2,656,527
Cross-currency swaps	240,872	-	-	-	85,010	155,862	240,872
Equity contracts							
Options	188,009	-	42,875	145,134	-	-	188,009
Forward contracts							
Commodities	3,220,685	-	187,667	1,769,070	1,214,623	49,325	3,220,685
Total	$ 17,650,718	$ 7,801,000	$ 4,008,079	$ 6,832,014	$ 12,003,807	$ 2,607,818	$ 25,451,718

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 $433,125 as at March 31, 2016 (2015: $28,662).

Derivative-Related Credit Risk

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

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

As at March 31 *($ in thousands)*	**2016** Replacement cost	**2016** Credit equivalent amount	**2016** Risk-adjusted balance	2015 Replacement cost	2015 Credit equivalent amount	2015 Risk-adjusted balance
Contracts ineligible for hedge accounting						
Interest rate contracts						
Swaps	$ 53,803	$ 75,510	$ 15,102	$ 58,687	$ 92,265	$ 18,453
Other	49,064	55,886	27,140	35,791	40,540	19,675
Foreign-exchange contracts						
Forwards	35,952	61,563	19,397	31,691	69,387	21,396
Cross-currency swaps	30,819	42,047	12,644	24,976	32,171	10,355
Equity contracts						
Options	-	-	-	22,060	29,320	5,864
Forward contracts						
Commodities	349,221	540,425	149,070	301,363	650,191	184,925
Contracts eligible for hedge accounting						
Interest rate contracts						
Swaps	246,794	322,884	64,577	210,126	259,967	51,993
Total	$ 765,653	$ 1,098,315	$ 287,930	$ 684,694	$ 1,173,841	$ 312,661

11. Property and Equipment

($ in thousands)	Leasehold improvements	Computer equipment	Buildings	Other equipment	Leasehold improvements under construction	Computer and other equipment under development	Buildings under finance lease	Land	Total
Cost									
Balance as at April 1, 2014	$ 197,770	$ 109,241	$ 97,979	$ 62,000	$ 31,177	$ 30,932	$ 202,033	$ 7,372	$ 738,504
Acquisitions	33,083	29,679	3,339	18,498	16,252	18,828	2,026	-	121,705
Disposals	(964)	(77,139)	(312)	(4,069)	(31,083)	(25,460)	(4,491)	-	(143,518)
Balance as at March 31, 2015	$ 229,889	$ 61,781	$ 101,006	$ 76,429	$ 16,346	$ 24,300	$ 199,568	$ 7,372	$ 716,691
Balance as at April 1, 2015	**$ 229,889**	**$ 61,781**	**$ 101,006**	**$ 76,429**	**$ 16,346**	**$ 24,300**	**$ 199,568**	**$ 7,372**	**$ 716,691**
Acquisitions	**21,253**	**24,983**	**1,045**	**7,142**	**9,252**	**14,099**	**30,236**	**-**	**108,010**
Disposals	**(17,986)**	**-**	**(2,790)**	**(7,903)**	**(17,118)**	**(24,186)**	**-**	**(12)**	**(69,995)**
Balance as at March 31, 2016	**$ 233,156**	**$ 86,764**	**$ 99,261**	**$ 75,668**	**$ 8,480**	**$ 14,213**	**$ 229,804**	**$ 7,360**	**$ 754,706**
Depreciation									
Balance as at April 1, 2014	$ 124,641	$ 89,378	$ 67,195	$ 44,528	$ -	$ -	$ 52,862	$ -	$ 378,604
Depreciation for the period	11,996	16,810	2,056	8,365	-	-	11,176	-	50,403
Disposals	(953)	(76,444)	(301)	(3,969)	-	-	-	-	(81,667)
Balance as at March 31, 2015	$ 135,684	$ 29,744	$ 68,950	$ 48,924	$ -	$ -	$ 64,038	$ -	$ 347,340
Balance as at April 1, 2015	**$ 135,684**	**$ 29,744**	**$ 68,950**	**$ 48,924**	**$ -**	**$ -**	**$ 64,038**	**$ -**	**$ 347,340**
Depreciation for the period	**13,031**	**18,441**	**1,985**	**8,707**	**-**	**-**	**15,362**	**-**	**57,526**
Disposals	**(17,986)**	**-**	**(2,666)**	**(7,840)**	**-**	**-**	**-**	**-**	**(28,492)**
Balance as at March 31, 2016	**$ 130,729**	**$ 48,185**	**$ 68,269**	**$ 49,791**	**$ -**	**$ -**	**$ 79,400**	**$ -**	**$ 376,374**
Carrying amounts									
Balance as at March 31, 2015	$ 94,205	$ 32,037	$ 32,056	$ 27,505	$ 16,346	$ 24,300	$ 135,530	$ 7,372	$ 369,351
Balance as at March 31, 2016	**$ 102,427**	**$ 38,579**	**$ 30,992**	**$ 25,877**	**$ 8,480**	**$ 14,213**	**$ 150,404**	**$ 7,360**	**$ 378,332**

Depreciation expense charged to the Consolidated Statement of Income for the year ended March 31, 2016, for premises and equipment was $57,526 (2015: $50,403). There were no (2015: nil) impairment write-downs recognized during the year ended March 31, 2016. A loss of $144 (2015: $62) was recognized during the year for the disposal of capital assets.

12. Software and Other Intangibles

($ in thousands)	Purchased software	Software under development	Other intangibles	Total
Cost				
Balance as at April 1, 2014	$ 410,075	$ 16,327	$ 2,125	$ 428,527
Acquisitions	43,115	39,589	-	82,704
Disposals	(79,291)	(14,230)	-	(93,521)
Balance as at March 31, 2015	$ 373,899	$ 41,686	$ 2,125	$ 417,710
Balance as at April 1, 2015	**$ 373,899**	**$ 41,686**	**$ 2,125**	**$ 417,710**
Acquisitions	**41,978**	**30,139**	**-**	**72,117**
Disposals	**-**	**(33,363)**	**(2,125)**	**(35,488)**
Balance as at March 31, 2016	**$ 415,877**	**$ 38,462**	**$ -**	**$ 454,339**
Amortization				
Balance as at April 1, 2014	$ 160,301	$ -	$ 2,125	$ 162,426
Amortization for the period	39,383	-	-	39,383
Disposals	(64,523)	-	-	(64,523)
Balance as at March 31, 2015	$ 135,161	$ -	$ 2,125	$ 137,286
Balance as at April 1, 2015	**$ 135,161**	**$ -**	**$ 2,125**	**$ 137,286**
Amortization for the period	**48,278**	**-**	**-**	**48,278**
Disposals	**(72)**	**-**	**(2,125)**	**(2,197)**
Balance as at March 31, 2016	**$ 183,367**	**$ -**	**$ -**	**$ 183,367**
Carrying amounts				
Balance as at March 31, 2015	$ 238,738	$ 41,686	$ -	$ 280,424
Balance as at March 31, 2016	**$ 232,510**	**$ 38,462**	**$ -**	**$ 270,972**

Amortization expense charged to the Consolidated Statement of Income for the year ended March 31, 2016, for software and intangibles was $48,278 (2015: $39,383). There were no (2015: nil) impairment write-downs recognized during the year ended March 31, 2016.

13. Other Assets

Other assets consist of the following:

As at March 31 *($ in thousands)*	**2016**	2015
Prepaid expenses and other receivables	**$ 150,750**	$ 135,276
Accrued interest receivable	**57,400**	71,966
Other	**21,348**	17,010
Total	**$ 229,498**	$ 224,252

14. Deposits

Deposit balances consist of the following:

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

As at March 31, 2015 ($ in thousands)	Payable on demand	Payable on a fixed date						Total
		Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Over 5 years	
Personal	$ 7,718,957	$ 2,334,300	$ 2,139,689	$ 167,394	$ 163,070	$ 121,901	$ -	$ 12,645,311
Business and other	10,781,754	6,663,000	396,849	45,675	30,901	25,865	-	17,944,044
Total	$ 18,500,711	$ 8,997,300	$ 2,536,538	$ 213,069	$ 193,971	$ 147,766	$ -	$ 30,589,355

The total deposits presented above include $564,043 (2015: $740,397) denominated in U.S. funds.

As at March 31, 2016, deposits by various departments and agencies of the Government of Alberta included in the preceding schedule total $82,596 (2015: $228,904).

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, 2016, the fee was $47,653 (2015: $42,784).

15. Collateralized Borrowings

Canada Mortgage Bond (CMB) Program

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

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

As part of a CMB transaction, ATB must enter into a total return swap with highly rated counterparties, exchanging cash flows of the CMB for those of the MBSs transferred to CHT. Any excess or shortfall in these cash flows is absorbed by ATB. These swaps are not recognized on ATB's Consolidated Statement of Financial Position, as the underlying cash flows of these derivatives are captured through the continued recognition of the mortgages and their associated CMB collateralized borrowing liabilities. Accordingly, these swaps are recognized on an accrual basis and are not fair-valued through ATB's Consolidated Statement of Income. The notional amount of these swaps as at March 31, 2016, is $5,011,723 (2015: $3,593,381).

Collateralized borrowing liabilities are non-amortizing liabilities with fixed maturity dates. Principal payments collected from the mortgages underlying the MBSs sold to the CHT are transferred to the CHT monthly, where they are either reinvested in new MBSs or invested in eligible investments. To the extent that these eligible investments are not ATB's own issued MBSs, the investments are recorded on ATB's Consolidated Statement of Financial Position as securities measured at fair value through net income. The amount of investments as at March 31, 2016 is nil (2015: nil).

Credit Card Securitization

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

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

As at March 31 *($ in thousands)*		**2016**		2015
Principal value of mortgages pledged as collateral	$	4,773,222	$	3,538,324
ATB mortgage-backed securities pledged as collateral through repurchase agreements		232,629		245,237
Principal value of credit card receivables pledged as collateral		584,729		573,027
Total	$	5,590,580	$	4,356,588
Associated liabilities	$	5,497,768	$	4,274,180

16. Other Liabilities

Other liabilities consist of the following:

As at March 31 *($ in thousands)*	Note		**2016**		2015
Accounts payable and accrued liabilities		$	907,278	$	949,917
Accrued interest payable			97,514		99,932
Accrued pension-benefit liability	19		92,834		86,931
Achievement Notes	24		59,222		47,028
Due to clients, brokers, and dealers			58,333		34,096
Deposit guarantee fee payable			47,653		42,784
Payment in lieu of tax payable	20		32,298		98,177
Total		$	1,295,132	$	1,358,865

17. Subordinated Debentures

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

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

Subordinated debentures consist of the following:

As at March 31 *($ in thousands)* Maturity date	Interest rate	2016	2015
June 30, 2015	3.6%	$ -	$ 38,075
June 30, 2016	3.6%	59,298	59,298
June 30, 2017	3.3%	58,280	58,280
June 30, 2018	3.4%	73,122	73,122
June 30, 2019	2.8%	82,564	82,564
June 30, 2020	3.0%	98,177	-
Total		$ 371,441	$ 311,339

18. Salaries and Benefits

The following table discloses the amounts earned by board members and key senior executives in the year ended March 31, 2016:

	2016								2015
		Incentive plan							
($ in thousands)	Base salary[1]	Short-term[2]	Long-term[3]	Other cash benefits[4]	Other non-cash benefits[5]	Subtotal	Retirement and other post-employment benefits[6]	Total	Total
Chair of the board	$ 62	$ -	$ -	$ -	$ -	$ 62	$ -	$ 62	$ 55
Board members[7]	383	-	-	-	-	383	-	383	340
President and chief executive officer[8]	504	600	758	22	11	1,895	829	2,724	3,138
Chief people officer	287	160	250	24	12	733	56	789	918
Senior vice-president, Reputation and Brand	267	119	235	14	7	642	34	676	788
Chief strategy and operations officer	317	256	353	51	7	984	70	1,054	1,265
Chief risk officer	285	127	232	18	17	679	144	823	971
Chief financial officer[9]	252	188	272	120	7	839	27	866	-
Chief financial officer[10]	285	50	83	-	8	426	127	553	901
Executive vice-president, Retail Financial Services	267	184	234	50	13	748	59	807	840
Executive vice-president, Corporate Financial Services	318	192	201	20	14	745	132	877	1,099
Executive vice-president, Business and Agriculture	302	245	303	36	16	902	71	973	1,045
President, Investor Services	252	187	210	5	19	673	60	733	22
Former president, Investor Services	-	-	-	-	-	-	-	-	2,163

1 Base salary consists of all regular base pay earned.
2 Short-term incentive plan pay is accrued based on goal attainment for the fiscal year but is paid after the fiscal year-end.
3 Long-term incentive plan pay is earned in the year, though payment is deferred for up to 36 months and depends on the employee's continued employment with ATB. The actual amount each employee receives appreciates or depreciates each year from the amount reported above based on ATB's actual financial performance over the next three fiscal years.
4 Other cash benefits consist of perquisite allowances, severance, and other direct cash remuneration.
5 Other non-cash benefits consist of ATB's share of employee benefits and contributions or payments made on behalf of employees.
6 The retirement and other post-employment benefits are largely unfunded obligations and are paid from operating revenues as they come due. None of these costs represent cash payments in the period; they represent the period expense for future payments. These benefit costs represent the actuarially estimated cost incurred in the year ended March 31, 2016, to provide pension income post-employment.
7 The board consists of 11 members plus the chair, whose remuneration is disclosed separately.
8 The incumbent does not participate in either the registered pension plan or the supplemental retirement plan, but does receive other post-employment benefits.
9 Two incumbents occupied this position during fiscal 2015–16. Amounts presented relate to the current incumbent.
10 Two incumbents occupied this position during fiscal 2015–16. Amounts presented relate to the previous incumbent.

Retirement and Other Post-Employment Benefits (OPEB)

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

	2016					2015
($ in thousands)	Registered plan service cost	Supplemental and other post-employment benefit service costs[1]	Notional Plan service costs	Prior service and other costs	Total	Total
President and chief executive officer[2]	$ -	$ 637	$ -	$ 192	$ 829	$ 744
Chief people officer	7	-	48	1	56	30
Senior vice-president, Reputation and Brand	25	-	9	-	34	27
Chief strategy and operations officer	6	-	63	1	70	30
Chief risk officer	17	78	-	49	144	132
Chief financial officer[3]	27	-	-	-	27	-
Chief financial officer[4]	17	76	-	34	127	116
Executive vice-president, Retail Financial Services	3	-	55	1	59	29
Executive vice-president, Corporate Financial Services	17	76	-	39	132	122
Executive vice-president, Business and Agriculture	7	-	63	1	71	30
President, Investor Services	6	-	53	1	60	1
Former president, Investor Services	-	-	-	-	-	74

1 As the SRP and the OPEB provided are unfunded obligations and are paid from operating revenues as they come due, none of the SRP and OPEB costs represent cash payments in the period; they represent the period expense for future payments. These benefit costs represent the actuarially estimated cost incurred in the year ended March 31, 2016, to provide pension income post-employment.

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

3 Two incumbents occupied this position during fiscal 2015–16. Amounts presented relate to the current incumbent.

4 Two incumbents occupied this position during fiscal 2015–16. Amounts presented relate to the previous incumbent

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

($ in thousands)	Accrued obligation March 31, 2015	Change in accrued obligation	Accrued obligation March 31, 2016[2]
President and chief executive officer[3]	$ 4,548	$ 607	$ 5,155
Chief risk officer	1,240	53	1,293
Chief financial officer[4]	847	87	934
Executive vice-president, Corporate Financial Services	991	88	1,079

1 The chief people officer, the senior vice-president of Reputation and Brand, the chief strategy and operations officer, the current chief financial officer, the executive vice-presidents of Business and Agriculture and Retail Financial Services, and the president of Investor Services do not participate in the SRP.

2 The accrued obligation is the amount of funds that would need to be set aside today to meet the obligations in the future based on predetermined assumptions. The discount rate increased from 3.7% on March 31, 2015, to 3.9% on March 31, 2016, because of changes in market interest rates. Consequently, there was an increase in the accrued obligation on March 31, 2016.

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

4 Two incumbents occupied this position during fiscal 2015–16. Amounts presented relate to the previous incumbent.

19. Employee Benefits

Public Service Pension Plan (PSPP)

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

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

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

Although the PSPP pools all assets and liabilities of participating employers and there is no allocation of assets and liabilities to participating employers, in order to recognize an estimate of its current liability under this plan, ATB has applied defined benefit (DB) accounting. ATB has estimated its share of the fair value of assets, the DB obligation, and the net pension liability as at March 31, 2016, based on its pro rata share of contributions into the plan, adjusted for its pro rata contribution rate (split 50/50 between employer and employee). ATB reassesses and discloses the estimated value of this liability annually.

Registered Pension Plan

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

ATB has amended the ATB Plan to change the annual contributions in the DC component effective January 1, 2015, and to close the DB component to future service accruals effective July 1, 2016. Current members in the DB component will continue to accrue earnings for their highest average earnings calculations and service for early retirement subsidies, but effective July 1, 2016, will accrue future benefits under the DC component. Effective July 1, 2014, all new entrants into the ATB Plan automatically go into the DC component.

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

Following 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 were ongoing annual transfers of obligations and assets in respect of employees promoted into management positions. Effective July 1, 2014, the agreement between ATB and the Government of Alberta was terminated, and there are no transfers in respect of promotions on and after this date.

Non-Registered Plans

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

Plan Risks

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

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

Breakdown of Defined Benefit Obligation

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

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

As at March 31 *($ in thousands)*	2015 Registered plan	Supplemental and other	ATB's share of PSPP
Active	$ 236,241	$ 11,042	$ 147,769
Deferred	21,147	1,813	39,566
Pensioners and beneficiaries	149,155	3,735	121,020
Total defined benefit obligation	$ 406,543	$ 16,590	$ 308,355

Breakdown of Plan Assets

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

	2016		2015	
As at March 31 *($ in thousands)*	**Non-quoted on an active market**	**Quoted on an active market**	Non-quoted on an active market	Quoted on an active market
Bonds				
Provinces, municipal corporations, and other public administrations	$ -	$ 86	$ -	$ 101
Other issuers	-	253,306	-	253,315
Shares	-	150,638	-	160,660
Cash and money market securities	-	1,516	-	899
Total fair value of plan assets	$ -	$ 405,546	$ -	$ 414,975

Asset/Liability Matching Strategy

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

Cash Payments

Total cash paid or payable for employee benefits for the year ended March 31, 2016—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 $48,498 (2015: $40,938).

Contributions expected during the upcoming year are $4,076 (2015: $15,438) for the DB portion of the ATB plan, $286 (2015: $215) for the unfunded SRP and CPS, and $14,901 (2015: $13,275) for the PSPP.

Pension Plan Obligation Maturity Profile

For 2016, the weighted-average financial duration of the main group plans was approximately 17 years (2015: 17 years).

Net Accrued Benefit Liability

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

As at March 31 *($ in thousands)*		**2016**		2015
Registered plan				
Fair value of plan assets	$	405,546	$	414,975
Projected benefit obligation		(394,472)		(406,543)
Net pension-benefit asset[1]	$	11,074	$	8,432
Supplemental and other				
Unfunded projected benefit obligation, representing the plan funding deficit	$	(16,804)	$	(16,590)
Net pension-benefit liability[1]	$	(16,804)	$	(16,590)
ATB's share of PSPP				
Fair value of plan assets	$	218,832	$	229,582
Projected benefit obligation		(304,511)		(308,355)
Net pension-benefit liability[1]	$	(85,679)	$	(78,773)
Total net pension-benefit liability[1], [2]	$	(91,409)	$	(86,931)

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

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

Other Comprehensive Income

	Registered plan				Supplemental and other				ATB's share of PSPP			
As at March 31 *($ in thousands)*		**2016**		2015		**2016**		2015		**2016**		2015
Actuarial (gain) loss on plan assets	$	20,319	$	(44,884)	$	-	$	-	$	23,671	$	(27,106)
Effect of changes in demographic assumptions		-		-		(202)		-		-		-
Effect of changes in financial assumptions		(17,857)		45,178		(346)		1,728		(8,424)		30,086
Experience loss (gain) on plan liabilities		(873)		3,896		452		(63)		(9,307)		10,238
Amount recognized in other comprehensive income	$	1,589	$	4,190	$	(96)	$	1,665	$	5,940	$	13,218
Beginning balance, accumulated other comprehensive loss (income)		61,028		56,838		4,346		2,681		7,764		(5,454)
Ending balance, accumulated other comprehensive loss (income)	$	62,617	$	61,028	$	4,250	$	4,346	$	13,704	$	7,764

Change in Plan Assets and Benefit Obligations

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

	Registered plan		Supplemental and other		ATB's share of PSPP	
As at March 31 ($ in thousands)	**2016**	2015	**2016**	2015	**2016**	2015
Change in fair value of plan assets						
Fair value of plan assets at beginning of the year	**$ 414,975**	$ 358,619	**$ -**	$ -	**$ 229,582**	$ 189,619
Contributions from ATB	**9,107**	4,571	**1,441**	924	**14,397**	13,275
Contributions from employees	**937**	1,067	**-**	-	**-**	-
Interest income	**15,435**	16,095	**-**	-	**8,577**	8,647
Actuarial (loss) gain on plan assets	**(19,538)**	44,884	**-**	-	**(23,671)**	27,106
Benefits paid	**(13,541)**	(10,913)	**(1,441)**	(924)	**(10,053)**	(9,088)
Net transfer in – PSPP	**-**	2,068	**-**	-	**-**	-
Actual plan expenses	**(1,829)**	(1,416)	**-**	-	**-**	23
Fair value of plan assets at end of the year	**$ 405,546**	$ 414,975	**$ -**	$ -	**$ 218,832**	$ 229,582
Change in defined benefit obligation						
Projected benefit obligation at beginning of the year	**$ 406,543**	$ 344,993	**$ 16,590**	$ 14,111	**$ 308,355**	$ 254,412
Effect of changes in demographic assumptions	**-**	-	**(202)**	-	**-**	-
Effect of changes in financial assumptions	**(17,857)**	45,178	**(346)**	1,728	**(8,424)**	30,086
Experience (gain) loss on plan liabilities	**(873)**	3,896	**452**	(63)	**(9,307)**	10,238
Current-service cost	**4,423**	3,743	**1,142**	1,117	**12,703**	10,654
Expenses paid	**-**	-	**-**	-	**-**	-
Contributions from employees	**937**	1,067	**-**	-	**-**	-
Past-service costs	**-**	1,181	**-**	-	**-**	-
Net transfer in – PSPP	**-**	2,068	**-**	-	**-**	-
Interest expense	**14,840**	15,330	**609**	621	**11,237**	11,246
Benefits paid	**(13,541)**	(10,913)	**(1,441)**	(924)	**(10,053)**	(8,281)
Defined benefit obligation at end of the year	**$ 394,472**	$ 406,543	**$ 16,804**	$ 16,590	**$ 304,511**	$ 308,355
Net pension-benefit asset (liability)	**$ 11,074**	$ 8,432	**$ (16,804)**	$ (16,590)	**$ (85,679)**	$ (78,773)

Defined Benefit Pension Expense

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

	Registered plan		Supplemental and other		ATB's share of PSPP	
As at March 31 ($ in thousands)	**2016**	2015	**2016**	2015	**2016**	2015
Current-service cost	**$ 4,423**	$ 3,743	**$ 1,142**	$ 1,117	**$ 12,703**	$ 10,654
Past-service costs	**-**	1,181	**-**	-	**-**	-
Interest expense	**14,840**	15,330	**609**	621	**11,237**	11,246
Interest income	**(15,435)**	(16,095)	**-**	-	**(8,577)**	(8,647)
Administrative expenses and taxes	**1,200**	2,200	**-**	-	**-**	-
Net pension-benefit expense recognized	**$ 5,028**	$ 6,359	**$ 1,751**	$ 1,738	**$ 15,363**	$ 13,253

Key Assumptions and Sensitivities

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

	Registered plan		Supplemental and other		ATB's share of PSPP	
	2016	2015	**2016**	2015	**2016**	2015
Accrued benefit obligation as at March 31						
Discount rate at end of the year	**3.9%**	3.7%	**3.9%**	3.7%	**3.9%**	3.7%
Rate of compensation increase[1]	**3.5%**	2.5%	**3.5%**	2.5%	**3.5%**	3.5%
Defined benefit expense for the year ended March 31						
Discount rate at beginning of the year	**3.7%**	4.5%	**3.7%**	4.5%	**3.7%**	4.5%
Rate of compensation increase[1]	**3.5%**	2.5%	**3.5%**	2.5%	**3.5%**	3.5%
ATB's share of PSPP contributions	**-**	-	**-**	-	**4.3%**	4.3%

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

The following table outlines the possible impact of changes in certain key weighted-average economic assumptions used to measure the accrued pension-benefit obligations as at March 31, 2016, and the related expense for the year then ended:

		Registered plan		Supplemental and other		ATB's share of PSPP	
As at March 31, 2016 ($ in thousands)		**Benefit obligation**	**Benefit expense**	**Benefit obligation**	**Benefit expense**	**Benefit obligation**	**Benefit expense**
Discount rate							
Impact of:	1.0% increase	$ (56,994)	$ (4,022)	$ (1,429)	$ 29	$ (48,250)	$ (4,123)
	1.0% decrease	74,011	3,615	1,741	(35)	48,250	3,147
Inflation rate							
Impact of:	1.0% increase	34,160	1,783	91	11	19,985	1,955
	1.0% decrease	(30,233)	(1,575)	(123)	(10)	(19,985)	(1,955)
Rate of compensation increase							
Impact of:	0.25% increase	2,750	147	1	-	8,109	1,005
	0.25% decrease	(2,676)	(143)	(15)	-	(8,109)	(1,004)
Mortality							
Impact of:	10.0% increase	(6,612)	(335)	(169)	(12)	N/A[1]	N/A[1]
	10.0% decrease	7,230	368	179	13	N/A[1]	N/A[1]

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

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

20. Payment in Lieu of Tax

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

As at March 31, 2016, ATB had accrued a total of $32,298 (2015: $98,177) for payment in lieu of tax. The amount outstanding as at March 31, 2015, was settled on June 30, 2015, with ATB issuing a subordinated debenture to the Government of Alberta. (Refer to note 17.) The payment in lieu of tax will continue to be settled by issuing subordinated debentures until ATB's Tier 2 notional capital is eliminated. (Refer to note 25.)

21. Related-Party Transactions

In the ordinary course of business, ATB provides normal banking services to various departments and agencies of the Government of Alberta on terms similar to those offered to non-related parties. (Refer to note 14.) This year, these services also include OTC foreign-exchange forwards to manage currency exposure. (Refer to note 10.) The fair values of the asset and liability associated with these derivative contracts as at March 31, 2016, are $533 (2015: nil) and $392 (2015: nil), respectively.

During the year, ATB leased certain premises from the Government of Alberta. For the year ended March 31, 2016, the total of these payments was $286 (2015: $283). ATB recognized a deposit guarantee fee payable to the Crown in right of Alberta in return for a guarantee on all customer deposits and a payment in lieu of tax. (Refer to notes 14 and 20.) ATB also has subordinated debt outstanding with the Crown in right of Alberta. (Refer to note 17.)

ATB entered into a wholesale borrowing agreement with the President of Treasury Board and Minister of Finance (the Minister) on November 24, 2003 (amended November 9, 2007). The agreement was amended in December 2015 to increase the available limit of borrowings to $7.0 billion (2015: $5.5 billion). Under this agreement, the Minister acts as fiscal agent of ATB under the *Financial Administration Act* and is involved in raising wholesale deposits in the marketplace. As at March 31, 2016, wholesale borrowings include $5.0 billion (2015: $3.0 billion) payable to the Minister.

Key management personnel are defined as those personnel having authority and responsibility for planning, directing, and controlling the activities of ATB, and are considered related parties. ATB provides loans to key management personnel, their close family members, and their related entities on market conditions, with the exception of banking products and services for key management personnel, which are subject to approved guidelines that govern all employees. As at March 31, 2016, there was $3,948 (2015: $3,391) in loans outstanding. Key management personnel have deposits provided at standard market rates. As at March 31, 2016, there was $684 (2015: $448) in deposits outstanding. Key management personnel compensation is disclosed in note 18. No impairment losses were recorded against balances outstanding from key management personnel, and no specific allowances for impairment were recognized on balances with key management personnel and their close family members.

Key management personnel may also purchase Achievement Notes based on their role within ATB. As at March 31, 2016, there was $2,660 (2015: $2,167) in Achievement Notes outstanding to this group. There were no termination payments (2015: $2,697) made to key management personnel during the year.

22. Commitments, Guarantees, and Contingent Liabilities

Credit Instruments

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

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

Letters of Credit

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

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

Guarantees

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

Commitments to Extend Credit

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

The amounts presented in the current and comparative year for commitments to extend credit include demand facilities of $15,820,006 (2015: $16,131,922). For demand facilities, ATB considers the undrawn portion to represent a commitment to the customer; however, the terms of the commitment allow ATB to adjust the credit exposure if circumstances warrant doing so. Accordingly, these demand facilities are considered to represent a lesser exposure than facilities with extended commitment terms. Credit facilities are contracted for a limited period of usually less than one year and may expire or terminate without being drawn upon. The contractual amounts of all such credit instruments are outlined in the table below:

As at March 31 *($ in thousands)*		**2016**		2015
Loan guarantees and standby letters of credit	**$**	**493,231**	$	523,742
Commitments to extend credit		**18,801,048**		17,854,377
Total	**$**	**19,294,279**	$	18,378,119

Pledged Assets

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

As at March 31 *($ in thousands)*		2016		2015
Assets pledged to:				
Bank of Canada[1]	$	400,430	$	399,521
Clearing and Depository Services Inc.		16,000		16,000
Total	$	416,430	$	415,521

1 Assets pledged to the Bank of Canada include encumbered amounts of $31,000 (2015: $80,208).

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

Indemnification Agreements

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

Contingent Liabilities

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

Margin-Funding Facility

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

Contractual Obligations

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

As at March 31 *($ in thousands)*	2016	2015 restated
2016	$ -	$ 87,691
2017	73,432	75,327
2018	43,245	53,857
2019	30,228	27,079
2020	18,255	17,220
2021	15,089	14,748
Thereafter	91,153	87,497
Total	$ 271,402	$ 363,419

The total expense for premises and equipment operating leases charged to the Consolidated Statement of Income for the year ended March 31, 2016, is $6,424 (2015: $6,356).

Finance Lease Commitments

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

As at March 31 *($ in thousands)*	2016	2015
Future minimum lease payments:		
Not later than 1 year	$ 28,265	$ 22,460
Later than 1 year but not later than 5 years	116,552	116,072
Later than 5 years	205,617	222,933
Total future minimum lease payments	350,434	361,465
Less: finance charges not yet due	134,786	148,465
Present value of finance lease commitments	$ 215,648	$ 213,000

23. Interest Rate Risk

Interest Rate Gap Analysis

Gap analysis involves the allocation of interest-rate-sensitive assets and interest-rate-sensitive liabilities into categories according to their maturity or repricing date. Gaps can change significantly within a short period of time. The impact of changes in interest rates on net interest income will depend upon the size and rate of change in interest rates, the size and maturity of the total gap position, and management of these positions over time. ATB actively manages its interest rate gap position to protect net interest income while minimizing risk. The following table shows ATB's interest rate gap position as at March 31:

($ in thousands)				Term to maturity/repricing					
	Fixed rate within 3 months	**Floating rate within 3 months**	**Within 3 months**	**3–12 months**	**Total within 1 year**	**1–5 years**	**Over 5 years**	**Non-interest-rate-sensitive**	**Total**
As at March 31, 2016									
Assets									
Cash resources and securities	**$ 20,000**	**$ 4,605,509**	**$ 4,625,509**	**$ -**	**$ 4,625,509**	**$ -**	**$ -**	**$ 137,157**	**$ 4,762,666**
Loans	**5,746,187**	**17,939,111**	**23,685,298**	**3,720,943**	**27,406,241**	**12,294,751**	**725,061**	**(75,896)**	**40,350,157**
Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,644,455**	**1,644,455**
Derivative financial instruments[1]	**-**	**-**	**3,576,476**	**1,527,000**	**5,103,476**	**5,640,000**	**1,626,000**	**-**	**12,369,476**
Total	**5,766,187**	**22,544,620**	**31,887,283**	**5,247,943**	**37,135,226**	**17,934,751**	**2,351,061**	**1,705,716**	**59,126,754**
Liabilities and equity									
Deposits	**15,208,148**	**329,852**	**15,538,000**	**5,536,936**	**21,074,936**	**2,802,276**	**11**	**6,985,066**	**30,862,289**
Wholesale borrowings	**1,559,930**	**400,000**	**1,959,930**	**700,000**	**2,659,930**	**2,100,000**	**300,000**	**(12,186)**	**5,047,744**
Collateralized borrowings	**270,157**	**1,028,996**	**1,299,153**	**199,600**	**1,498,753**	**2,479,042**	**1,518,655**	**1,318**	**5,497,768**
Other liabilities	**433,041**	**-**	**433,041**	**-**	**433,041**	**-**	**-**	**1,435,175**	**1,868,216**
Subordinated debentures	**59,298**	**-**	**59,298**	**-**	**59,298**	**312,143**	**-**	**-**	**371,441**
Equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,109,820**	**3,109,820**
Derivative financial instruments[1]	**-**	**-**	**8,577,501**	**622,000**	**9,199,501**	**2,405,000**	**764,975**	**-**	**12,369,476**
Total	**17,530,574**	**1,758,848**	**27,866,923**	**7,058,536**	**34,925,459**	**10,098,461**	**2,583,641**	**11,519,193**	**59,126,754**
Interest-rate-sensitive gap	**$ (11,764,387)**	**$ 20,785,772**	**$ 4,020,360**	**$ (1,810,593)**	**$ 2,209,767**	**$ 7,836,290**	**$ (232,580)**	**$ (9,813,477)**	
As percentage of assets	**(19.9%)**	**35.2%**	**6.8%**	**(3.1%)**	**3.7%**	**13.3%**	**(0.4%)**	**(16.6%)**	

($ in thousands)				Term to maturity/repricing					
	Fixed rate within 3 months	Floating rate within 3 months	Within 3 months	3–12 months	Total within 1 year	1–5 years	Over 5 years	Non-interest-rate-sensitive	Total
As at March 31, 2015									
Assets									
Cash resources and securities	$ 79,000	$ 3,602,907	$ 3,681,907	$ 78,363	$ 3,760,270	$ -	$ -	$ 71,040	$ 3,831,310
Loans	5,741,969	16,620,765	22,362,734	3,246,383	25,609,117	11,049,949	765,452	260,374	37,684,892
Other assets	-	-	-	-	-	-	-	1,558,721	1,558,721
Derivative financial instruments[1]	-	-	1,192,363	635,000	1,827,363	5,225,000	956,000	-	8,008,363
Total	5,820,969	20,223,672	27,237,004	3,959,746	31,196,750	16,274,949	1,721,452	1,890,135	51,083,286
Liabilities and equity									
Deposits	14,002,637	365,264	14,367,901	4,557,601	18,925,502	4,813,964	10,029	6,839,860	30,589,355
Wholesale borrowings	250,000	400,000	650,000	-	650,000	2,200,000	200,000	(5,870)	3,044,130
Collateralized borrowings	307,656	639,504	947,160	-	947,160	2,226,831	1,092,695	7,494	4,274,180
Other liabilities	473,849	-	473,849	-	473,849	-	-	1,373,883	1,847,732
Subordinated debentures	38,075	-	38,075	-	38,075	273,264	-	-	311,339
Equity	-	-	-	-	-	-	-	3,008,187	3,008,187
Derivative financial instruments[1]	-	-	7,285,000	78,363	7,363,363	30,000	615,000	-	8,008,363
Total	15,072,217	1,404,768	23,761,985	4,635,964	28,397,949	9,544,059	1,917,724	11,223,554	51,083,286
Interest-rate-sensitive gap	$ (9,251,248)	$ 18,818,904	$ 3,475,019	$ (676,218)	$ 2,798,801	$ 6,730,890	$ (196,272)	$ (9,333,419)	
As percentage of assets	(18.1%)	36.8%	6.8%	(1.3%)	5.5%	13.2%	(0.4%)	(18.3%)	

[1] Derivative financial instruments are included in these tables at the notional amount.

The effective yield represents the weighted-average effective yield based on the earlier of contractual repricing and maturity dates. The weighted-average effective yield for each class of financial asset and liability is shown below:

(%)	Within 3 months	3–12 months	Total within 1 year	1–5 years	Over 5 years	Total
As at March 31, 2016						
Total assets	2.8%	2.7%	2.8%	2.9%	3.0%	2.9%
Total liabilities and equity	0.8%	1.4%	0.9%	1.0%	2.3%	1.0%
Interest-rate-sensitive gap	2.0%	1.3%	1.9%	1.9%	0.7%	1.9%

(%)	Within 3 months	3–12 months	Total within 1 year	1–5 years	Over 5 years	Total
As at March 31, 2015						
Total assets	3.1%	3.4%	3.2%	3.1%	3.6%	3.2%
Total liabilities and equity	0.9%	1.2%	0.9%	1.3%	2.3%	1.1%
Interest-rate-sensitive gap	2.2%	2.2%	2.3%	1.8%	1.3%	2.1%

Interest Rate Sensitivity

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

As at March 31 *($ in thousands)*	2016	2015
Impact on net earnings in succeeding year from:		
Increase in interest rates of:		
100 basis points	$ 43,323	$ 45,785
200 basis points	85,353	89,685
Decrease in interest rates of:		
100 basis points	(64,577)	(48,145)
200 basis points	(57,242)	(59,911)

The potential impact of a 100- and 200-basis-point increase is well within our interest rate risk management policy of $77 million and $132 million, respectively.

24. Achievement Notes

ATB sells Principal at Risk Achievement Notes to certain eligible employees as an incentive for promoting the growth of the subsidiaries of ATB that provide, or will in the future provide, services under the ATB Investor Services brand name. Under this plan, eligible employees were offered an opportunity to purchase a 25-year note with a value linked to the fair market value of certain ATB subsidiaries, including ATB Investment Management Inc. Holders of these notes do not have an ownership interest in ATB or its subsidiaries, nor do they have the rights of a direct holder of an interest in ATB or its subsidiaries.

Each note holder is entitled to:

- Receive a cash payment at maturity representing the then-current value of the note
- Submit a request to sell notes during the annual transaction window (subject to a three-year vesting period and additional restrictions on ATB Investor Services executives)
- Receive cash distributions, if any, based on the formula set out in the note

Upon an employee's termination, the designated acquirer under the plan has the right, but not the obligation, to acquire notes from the employee at the price applicable at the termination date.

The notes are not guaranteed under the deposit guarantee provided by the Crown in right of Alberta, and there is the risk, if the fair market value of ATB Investor Services reduces, that the note holder will lose some or all of the original investment. There is no public market for these notes, and the ATBIS valuation is based on a model prepared by an external consultant.

During the year, ATB issued $3,964 (2015: $4,146) of these notes, which are recorded in other liabilities in the Consolidated Statement of Financial Position. During the current year, $2,926 (2015: $7,170) of the notes have been redeemed. An expense of $8,963 (2015: $6,653) was recognized during the year to reflect the increase in the fair value of the notes based on their valuation as at March 31, 2016. As at March 31, 2016, the liability for these notes was $59,222 (2015: $47,028). During the year, $3,378 (2015: $1,007) in distribution payments was accrued for payment to Achievement Note holders.

25. Capital Management

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

As a Crown corporation, ATB and its subsidiaries operate under a regulatory framework established pursuant to the *Alberta Treasury Branches Act* and associated regulations and guidelines. The capital adequacy requirements for ATB are defined in a guideline authorized by the President of Treasury Board and Minister of Finance, which was modelled after guidelines governing other Canadian deposit-taking institutions. ATB's minimum Tier 1 capital requirement is 7%, and the total capital requirement is the greater of 10% of risk-weighted assets or 5% of total assets. Risk weights are established for various on-balance-sheet and off-balance-sheet assets according to the degree of credit risk. Tier 1 capital consists of retained earnings, and Tier 2 capital consists of subordinated debentures, wholesale borrowings, eligible portions of the collective allowance for loan losses, and notional capital. Wholesale borrowings became eligible as Tier 2 capital as of December 2015 as a result of an amendment to the capital requirements guideline. Effective March 30, 2009, $600,000 of notional (or deemed) capital was made available to ATB. This amount reduces by 25% of net income each quarter.

As at March 31, 2016, ATB has exceeded both the total capital requirements and the Tier 1 capital requirement of the Capital Adequacy Guideline.

As at March 31 *($ in thousands)*	2016	2015
Tier 1 capital		
Retained earnings	$ 3,028,505	$ 2,920,375
Tier 2 capital		
Eligible portions of:		
Subordinated debentures	168,985	145,096
Wholesale borrowings	980,000	-
Collective allowance for loan losses	207,136	77,829
Notional capital	255,312	282,344
Total Tier 2 capital	1,611,433	505,269
Total capital	$ 4,639,938	$ 3,425,644
Total risk-weighted assets	$ 33,927,048	$ 31,349,283
Risk-weighted capital ratios:		
Tier 1 capital ratio	8.9%	9.3%
Total capital ratio	13.7%	10.9%

26. Segmented Information

ATB has organized its operations and activities around the following four areas of expertise:

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

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

Basis of Presentation

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

Net interest income is attributed to each area of expertise according to ATB's internal funds transfer pricing (FTP) system, whereby assets earn net interest income to the extent that external revenues exceed internal FTP expense, and liabilities earn net interest income to the extent that internal FTP revenues exceed external interest expense. Individually assessed provisions for loan losses are allocated based on the individual underlying impaired loan balances, and collectively assessed provisions are calculated on the total performance loan balances based on ATB's internal credit risk model.

Direct expenses are attributed between areas of expertise as incurred. Certain indirect expenses are allocated between Investor Services and the other areas on the basis of interline service agreements. Certain other costs are allocated between the reporting segments using refined allocation methods incorporating activity-based estimates of indirect cost allocation. Indirect expenses that are not allocated and direct expenses of a corporate or support nature are reported under strategic service units.

($ in thousands)		Retail Financial Services		Business and Agriculture		Corporate Financial Services		Investor Services		Strategic service units[1]		Total
March 31, 2016												
Net interest income	$	455,192	$	295,884	$	325,742	$	434	$	23,993	$	1,101,245
Other income		86,498		60,667		62,058		153,155		71,722		434,100
Total operating revenue		541,690		356,551		387,800		153,589		95,715		1,535,345
Provision for loan losses		87,661		41,020		258,878		-		-		387,559
Non-interest expenses		442,026		205,023		99,821		112,811		147,677		1,007,358
Income before payment in lieu of tax		12,003		110,508		29,101		40,778		(51,962)		140,428
Payment in lieu of tax		-		-		-		9,379		22,919		32,298
Net income (loss)	$	12,003	$	110,508	$	29,101	$	31,399	$	(74,881)	$	108,130
Total assets	$	21,244,658	$	7,384,520	$	11,881,375	$	131,093	$	6,115,632	$	46,757,278
Total liabilities	$	12,701,875	$	9,097,122	$	8,418,943	$	94,612	$	13,334,906	$	43,647,458
March 31, 2015												
Net interest income	$	416,810	$	257,483	$	279,103	$	441	$	74,454	$	1,028,291
Other income		86,474		57,491		61,803		133,733		83,748		423,249
Total operating revenue		503,284		314,974		340,906		134,174		158,202		1,451,540
Provision for (recovery of) loan losses		25,129		16,484		31,921		-		(950)		72,584
Non-interest expenses		425,774		198,773		94,663		104,392		128,496		952,098
Income before payment in lieu of tax		52,381		99,717		214,322		29,782		30,656		426,858
Payment in lieu of tax		-		-		-		6,850		91,327		98,177
Net income (loss)	$	52,381	$	99,717	$	214,322	$	22,932	$	(60,671)	$	328,681
Total assets	$	19,946,326	$	6,686,117	$	10,961,281	$	149,115	$	5,332,084	$	43,074,923
Total liabilities	$	12,004,052	$	9,167,956	$	8,704,341	$	118,033	$	10,072,354	$	40,066,736

[1] Composed of business units of a corporate nature, such as investment, risk management, asset/liability management, and treasury operations, as well as expenses, collective allowances, and recoveries for loan losses not expressly attributed to any area of expertise.

27. Comparative Amounts

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

GLOSSARY

A

Achievement Note
A long-term investment note whose return is directly tied to the increasing or decreasing value of ATB Investor Services. Achievement Notes have benefits similar to those of equity purchase plans in place for many wealth management companies across Canada, but they also have important features that are unique to ATB.

Allowance for loan losses
A total allowance that consists of individual and collective allowances. The allowance represents management's best estimate of anticipated credit-related losses inherent in the loans portfolio.

Assets-to-capital multiple
Total assets divided by total capital.

Assets under administration
Assets that are beneficially owned by customers for which ATB provides management and custodial services. These assets are not reported on ATB's balance sheet.

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

Average earning assets
The monthly average for the year of deposits with financial institutions, securities, and loans excluding impaired loans and loan loss provisions.

Average risk-weighted assets
The value of assets calculated by applying a predetermined risk-weight factor to on- and off-balance-sheet exposures.

B

Basis point
One one-hundredth of one percent (0.01%).

C

Carrying value
The value of an asset or liability as reported within the consolidated financial statements.

Cash flow at risk
The statistically modelled change in replacement costs, relative to a particular expectation, that could be experienced due to the impact of market risks on a specified set of financial instruments (bonds, swaps, investments, etc.), over a particular period of time and selected confidence level.

Clean price
The fair value of assets excluding accrued interest.

Collateral
Assets pledged as security for a loan or other obligation.

Credit risk
The risk of financial loss resulting from failure of a debtor, for whatever reason, to fully honour its financial or contractual obligations to ATB.

Customer advocacy index (CAI)
The standard metric ATB uses to measure a client's willingness to continue to bank with ATB and to recommend ATB to others, allowing us to benchmark ourselves against other financial institutions in Alberta.

D

Derivative or derivative contract
A contract whose value changes by reference to a specified underlying variable such as interest rates, foreign-exchange rates, or equity or commodity prices. Use of derivatives allows for the mitigation of current or expected risks relating to these variables. Derivatives typically require little or no initial net investment and are settled at a future date. The most common types of derivatives ATB uses include interest rate swaps and forward-rate agreements, foreign-exchange forward contracts, and foreign-currency, equity, and interest rate options and swap options.

E

Economic capital
ATB's own assessment of the capital it needs at a given confidence level over one year. It is used to estimate the true capital required to underpin the risks in ATB's balance sheet, and for risk-adjusted pricing for the areas of expertise. It is also used to quantify risk budgets and optimize balance sheet assets based on risk-adjusted return and risk appetite. It is calculated by aggregating a credit risk capital calculation (using internal and external data), operational risk, and other comprehensive risks as per the Internal Capital Adequacy Assessment Process.

Effective interest rate
A rate that exactly discounts estimated future cash payments or receipts over the expected life of a financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset or liability.

Efficiency ratio
Non-interest expenses for the year divided by total operating revenue for the year. May be referred to as the "productivity ratio" by other financial institutions.

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

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

F

Fair value
The amount for which an asset or liability could be exchanged between knowledgeable, willing parties in an arm's-length transaction.

Financial instrument
Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset/liability is the right to receive/deliver cash or another financial asset or the right to exchange financial instruments with another party under favourable or unfavourable conditions. An equity instrument is a contract that represents a residual interest in another entity's assets.

Foreign-exchange forward contract
A commitment to buy or sell a fixed amount of foreign currency on a future specified date at a set rate of exchange.

Foreign-exchange risk
The potential risk of loss resulting from fluctuations in foreign-exchange rates. This risk arises from the existence of a net asset or liability position denominated in foreign currencies and/or a difference in maturity profiles for purchases and sales of a given currency.

Forwards and futures
Commitments to buy or sell designated amounts of securities or currencies on a specified date at a predetermined price. Forwards are customized contracts transacted in the over-the-counter market. Futures are traded on recognized exchanges.

Funds transfer pricing (FTP)
An internal allocation process used to calculate the profitability of the areas of expertise and isolate them from interest rate risk.

G

Growth in assets under administration
The current year's assets under administration less the previous year's assets under administration, divided by the previous year's assets under administration.

Guarantee or letter of credit
A contractual agreement to provide assurance that if a client defaults on payment to a third party, ATB will make that payment under specified conditions. ATB has recourse against its clients for any such advanced funds.

H

Hedging
A risk management technique used to reduce uncertainty associated with current or anticipated exposure to future movements in interest rates, foreign-exchange rates, and equity or commodity prices.

High-quality liquid assets (HQLA)
Instruments that are free of any restrictions on liquidating, selling, or transferring. They are eligible for Large Value Transfer System collateral at the Bank of Canada and are low risk, so they can easily be converted into cash at little or no loss in value.

I

Impaired loan
A loan for which there is no longer reasonable assurance of the timely collection of principal or interest.

Income before loan loss provisions
Total operating revenue less income from asset-backed commercial paper and non-interest expenses.

Interest rate floor
A contract whereby the buyer pays the seller a premium in exchange for the payment of any difference below a set strike interest rate and the prevailing market interest rate on predetermined dates.

Interest rate gap
A measure of net assets or liabilities by future repricing date.

Interest rate risk
The potential for financial loss arising from changes in interest rates, in the spread between two rates, in the shape of the yield curve, or in any other interest rate relationship.

L

Liquidity coverage ratio (LCR)
HQLA divided by total net cash outflows over the next 30 calendar days. LCR is designed to ensure sufficient assets are on hand to endure a short-term liquidity disruption of up to 30 calendar days. Under normal conditions, the LCR should be no lower than 100%.

Liquidity risk
The risk of being unable to meet financial commitments, under all circumstances, without having to raise funds at unreasonable prices or sell assets on a forced basis. As with other similar financial institutions, ATB's risk arises from fluctuations in cash flows from lending, deposit-taking, investing, and other activities. These commitments are generally met through cash flows supplemented by investment assets readily convertible to cash, or through our capacity to borrow.

Loan losses to average loans
The provision for loan losses to average net loans.

M

Market risk
The risk that a loss may be incurred as a result of adverse changes in interest rates, foreign-exchange rates, and equity or commodity market prices.

Mortgage-backed securities
Securities established through the securitization of residential mortgage loans.

N

Net income
Income after the removal of payment in lieu of tax.

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

Net interest margin
The ratio of net interest income for the year to the value of average total assets for the year.

Net interest spread
The ratio of net interest income for the year to the value of average earning assets for the year.

Net loans
Gross loans, net of the impacts of securitization, impaired loans, and loan loss provisions.

Net loan growth
Net loans outstanding at year-end less net loans outstanding at the previous year-end, divided by net loans outstanding at the previous year-end.

Notional amount
The principal value used to calculate interest and other payments under derivative contracts. The amounts are termed "notional" because they are not usually exchanged, except in the case of cross-currency swaps; they serve only as the basis for calculating amounts that do change hands.

O

Off-balance-sheet instruments
Assets or liabilities that are not recorded on the balance sheet but have the potential to produce positive or negative cash flows in the future. A variety of products offered to clients can be classified as off balance sheet, and they fall into two general categories: credit-related arrangements, such as letters of credit, and the notional amount of derivatives for hedging.

Operating expense growth
The current year's non-interest expenses less the previous year's non-interest expenses, divided by the previous year's non-interest expenses.

Operating leverage
The difference between operating revenue growth and operating expense growth.

Operating revenue growth
The current year's total operating revenue less the previous year's total operating revenue, divided by the previous year's total operating revenue.

Operational risk
The risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. It includes legal risk, but does not include strategic or reputational risk.

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

Other income to operating revenue
Other income for the year divided by operating revenue for the year.

P

Performing loans
Net loans excluding the impacts of securitization, impaired loans, and loan loss provisions.

Performing loan growth
Performing loans outstanding at year-end less performing loans outstanding at the previous year-end, divided by performing loans outstanding at the previous year-end.

Provision for loan losses
An amount charged to income, deemed by management to fully provide for impairment in existing credit portfolios, given the composition of the credit portfolios, the probability of default, the economic environment, and the allowance for loan losses already established.

R

Regulatory risk
The risk of non-compliance with applicable regulatory requirements. Applicable regulatory requirements include those in (a) the *Alberta Treasury Branches Act* and the *ATB Regulation* and guidelines, and (b) other laws, rules, regulations, and prescribed practices applicable to ATB Financial in any jurisdiction in which it operates.

Repurchase agreements
The cash sale of securities and the concurrent repurchase of the securities for value at a later date. Normally, such transactions are not considered economic sales and consequently are treated as collateralized financing transactions.

Reputational risk
The potential that negative stakeholder impressions, whether true or not, regarding ATB's business practices, actions, or inaction, will or may cause deterioration in ATB's value, brand, liquidity, customer base, or relationship with its owner.

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

Return on average risk-weighted assets
Net income for the year divided by average risk-weighted assets for the year.

Reverse repurchase agreements
The purchase of securities for cash and the concurrent sale of the securities for value at a later date. Normally, such transactions are not considered economic sales and consequently are treated as collateralized financing transactions.

S

Securitization
The process by which a pool of financial assets, mainly loans, are converted into asset-backed securities and transferred to a trust that normally issues a series of asset-backed securities to investors to fund the purchase of loans.

Swap
A contractual agreement between two parties to exchange a series of cash flows. For interest rate swaps, counterparties generally exchange fixed- and floating-rate interest payments based on a notional amount in a single currency. For cross-currency swaps, counterparties generally exchange one currency for another, at a set date.

T

Tier 1 capital
An internally assessed measure of retained earnings and accumulated other comprehensive income and other disclosed reserves.

Tier 1 capital ratio
Retained earnings divided by risk-weighted assets.

Total capital ratio
Total capital assets divided by risk-weighted assets.

Total operating revenue
Net interest income and other income.

Total asset growth
Total assets outstanding at year-end less total assets outstanding at the previous year-end, divided by total assets outstanding at the previous year-end.

Total deposit growth
Total deposits outstanding at year-end less total deposits outstanding at the previous year-end, divided by total deposits outstanding at the previous year-end.

Y

Yield curve
A curve on a graph showing the return of a fixed-interest security against the term to maturity.

LOTS OF LOCATIONS

We're still the ATB that Albertans have relied on for 78 years. We're everywhere you need us to be.

To find a location near you, visit *atb.com/branchlocator*.

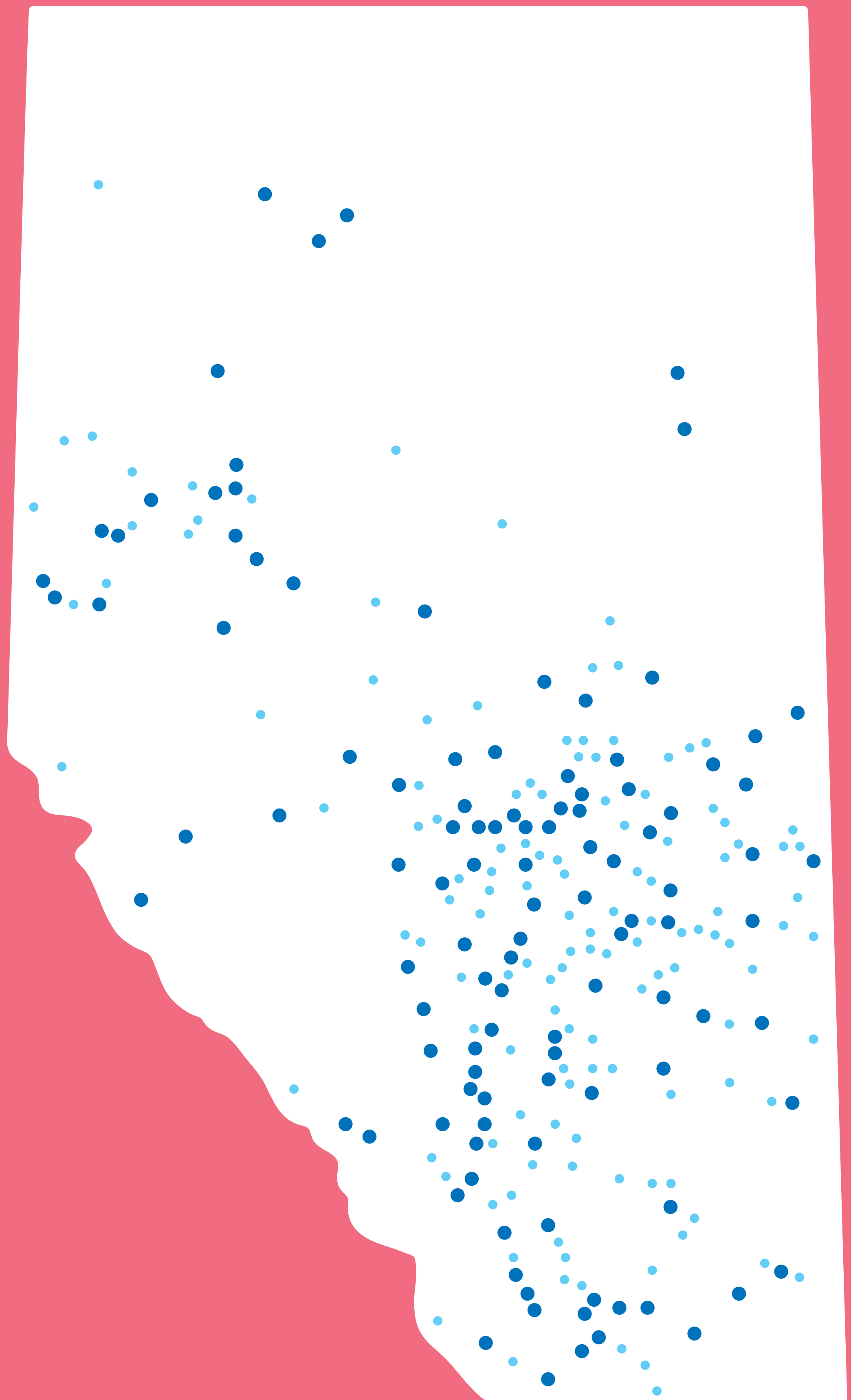
Our 173 Branches

Airdrie (2)
Andrew
Athabasca
Banff
Barrhead
Beaverlodge
Black Diamond
Bonnyville
Bow Island
Boyle
Breton
Brooks
Bruderheim
Calgary (27)[1]
Camrose
Canmore
Cardston
Caroline
Carstairs
Castor
Chestermere
Claresholm
Coaldale
Cochrane
Cold Lake
Consort
Coronation
Crossfield
Daysland
Didsbury
Drayton Valley
Drumheller
Edmonton (23)
Edson
Elk Point
Fairview
Falher
Foremost
Forestburg
Fort Macleod
Fort McMurray (2)
Fort Saskatchewan
Fort Vermilion
Grande Prairie (3)
Granum
Grimshaw
Hanna
High Level
High Prairie
Hinton
Hythe
Innisfail
Jasper
Killam
La Crete
Lac La Biche
Lacombe
Lamont
Leduc
Lethbridge (3)
Linden
Lloydminster
Magrath
Manning
Mayerthorpe
McLennan
Medicine Hat (3)
Milk River
Nanton
Okotoks
Olds
Onoway
Oyen
Peace River
Picture Butte
Pincher Creek
Ponoka
Provost
Raymond
Red Deer (3)
Redwater
Rimbey
Rocky Mountain House
Rycroft
Ryley
Sherwood Park (2)
Slave Lake
Smoky Lake
Spirit River
Spruce Grove
St. Albert (2)
St. Paul
Stettler
Stony Plain
Strathmore
Sundre
Sylvan Lake
Taber
Thorsby
Three Hills
Tofield
Trochu
Two Hills
Valleyview
Vegreville
Vermilion
Viking
Vulcan
Wainright
Westlock
Wetaskiwin
Whitecourt
Wildwood

Our 136 Agencies

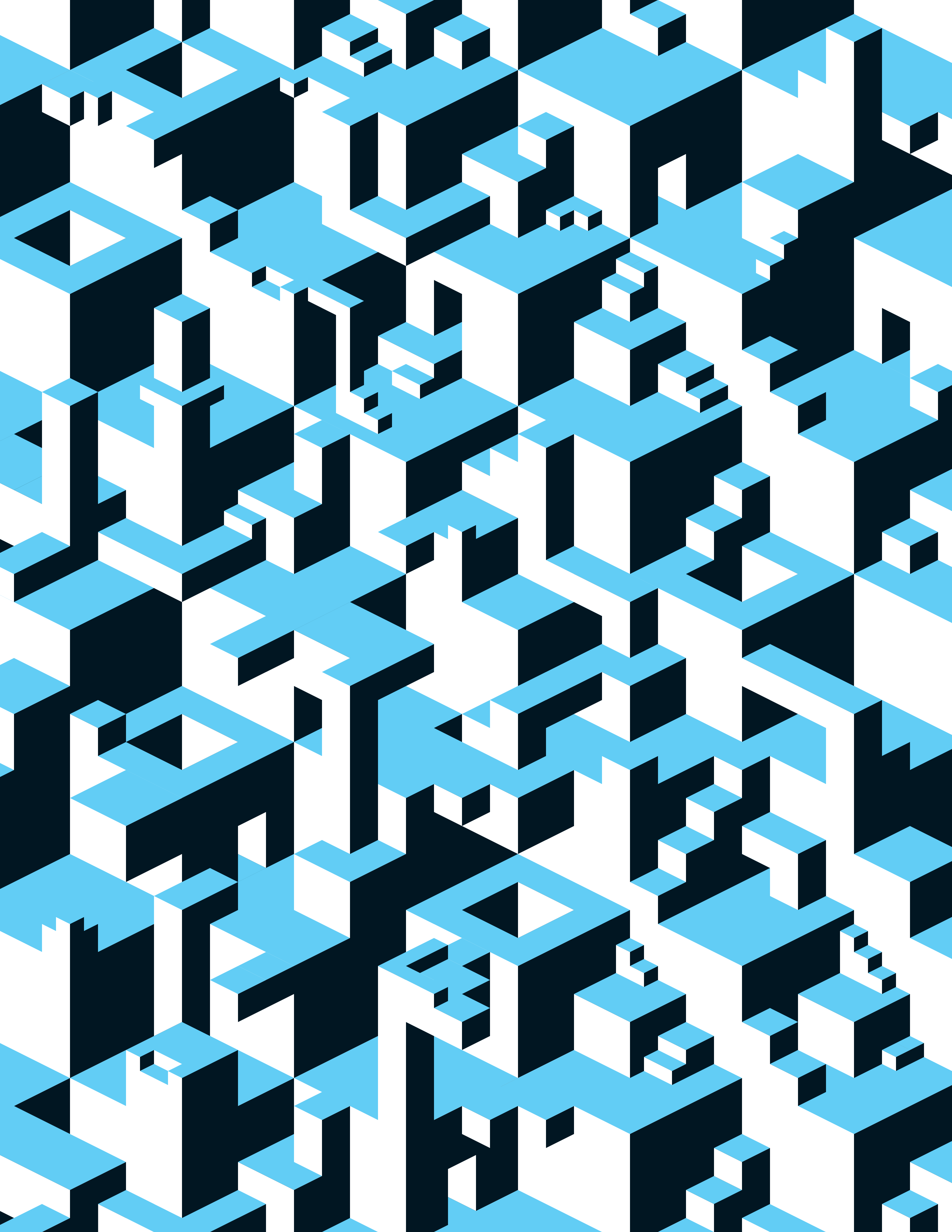
Acadia Valley
Alberta Beach
Alder Flats
Alix
Alliance
Altario
Amisk
Barons
Bashaw
Bassano
Bawlf
Beaumont
Benalto
Berwyn
Big Valley
Blackfalds
Blackie
Blairmore
Bon Accord
Bonanza
Bowden
Bragg Creek
Bruce
Calgary
11th Avenue
Southland
Calmar
Carbon
Carmangay
Carseland
Cereal
Champion
Chauvin
Chipman
Cleardale
Clive
Coutts
Czar
Delburne
Delia
Devon
Dewberry
Donalda
Duchess
Eaglesham
Eckville
Edberg
Edgerton
Edmonton
Centre 39
Mayfield
Elnora
Empress
Enchant
Evansburg
Ferintosh
Fort Assiniboine
Fox Creek
Galahad
Gibbons
Gleichen
Glendon
Glenwood
Grande Cache
Grassland
Halkirk
Hardisty
Hay Lakes
Heisler
High River
Hines Creek
Holden
Innisfree
Irma
Irricana
Irvine
Islay
Kinuso
Kitscoty
Lake Louise
Lomond
Lougheed
Mallaig
Mannville
Marwayne
Millarville
Millet
Minburn
Mirror
Morinville
Morrin
Mulhurst
Mundare
Myrnam
Nampa
New Norway
New Sarepta
Newbrook
Nobleford
Paradise Valley
Peers
Penhold
Plamondon
Radway
Rainbow Lake
Red Earth Creek
Redcliff
Rockyford
Rolling Hills
Rosemary
Sangudo
Sedgewick
Sexsmith
Standard
Stavely
Stirling
Strome
Swan Hills
Tangent
Thorhild
Tilley
Torrington
Vauxhall
Veteran
Vilna
Wabamun
Wabasca
Wandering River
Wanham
Warburg
Warner
Waskatenau
Wembley
Westerose
Willingdon
Winfield
Worsley
Youngstown

1 ATB opened its new Eighth Avenue Place branch in Calgary.



IN A NUTSHELL

From our roots as a single branch in Rocky Mountain House back in 1938, ATB Financial has grown into a quintessential Alberta success story. ATB is the largest Alberta-based deposit-taking financial institution, with $46.8 billion in assets. We are also a significant employer across Alberta, with over 5,000 team members in 245 communities providing personal, business, agriculture, corporate, and investor financial services to over 730,000 Albertans and Alberta-based businesses. We are a cornerstone in rural Alberta, as the only financial institution in 125 communities. With 173 branches and 136 agencies throughout the province, plus our own Customer Care Centre based in Calgary, we are there when you need us. Our Internet, mobile, and telephone banking applications allow customers to bank at their convenience, no matter when or where.



ATB Financial

LONG STORY SHORT

2016 Annual Report