ALBERTA TREASURY BRANCHES
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2002

AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Minister of Finance

I have audited the consolidated balance sheet of Alberta Treasury Branches as at March 31, 2002, and the consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of Alberta Treasury Branches' management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Alberta Treasury Branches as at March 31, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[original signed] James Hug, CA
Acting Auditor General

Edmonton, Alberta
May 10, 2002

ALBERTA TREASURY BRANCHES
CONSOLIDATED BALANCE SHEET
AS AT MARCH 31

($ in thousands)

	2002	2001	2000
ASSETS			
Cash resources (Note 2)			
Cash and non-interest bearing deposits with banks	$ 104,434	$ 146,550	$ 89,829
Interest bearing deposits with banks	848,315	817,506	557,132
Cheques and other items in transit, net	15,627	-	-
	968,376	964,056	646,961
Securities (Note 3)	711,747	861,193	630,224
Loans, net of allowances for credit losses (Notes 4 and 5)			
Residential mortgage	4,423,668	3,977,883	3,651,396
Personal	1,629,781	1,510,325	1,389,823
Business and other	4,485,969	4,189,693	4,003,995
General allowance for credit losses	(138,855)	(123,649)	(111,639)
	10,400,563	9,554,252	8,933,575
Other			
Capital assets (Note 6)	74,661	74,183	63,616
Other assets (Notes 7, 11 and 15)	198,463	205,502	166,451
	273,124	279,685	230,067
	$ 12,353,810	$ 11,659,186	$ 10,440,827
LIABILITIES AND EQUITY			
Deposits (Note 8)			
Personal	$ 6,978,556	$ 6,307,770	$ 5,657,036
Business and other	4,446,654	4,611,093	4,267,590
	11,425,210	10,918,863	9,924,626
Other			
Other liabilities (Notes 5, 9, and 11)	306,385	282,118	227,329
Cheques and other items in transit, net (Note 2)	-	6,654	8,715
	306,385	288,772	236,044
Subordinated debentures (Note 10)	30,182	17,444	7,519
Equity	592,033	434,107	272,638
Commitments and contingent liabilities (Notes 5 and 14)			
	$ 12,353,810	$ 11,659,186	$ 10,440,827

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

R. Triffo, Chairman of the Board

B. Hesje, Chairman of the Audit Committee

ALBERTA TREASURY BRANCHES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31

($ in thousands)

	2002	2001	2000
Interest income			
Loans	$ 669,422	$ 726,242	$ 644,255
Securities	34,697	43,355	28,085
Deposits with banks	35,326	40,229	31,401
	739,445	809,826	703,741
Interest expense			
Deposits	372,243	446,959	371,561
Subordinated debentures	1,619	898	309
	373,862	447,857	371,870
Net interest income	365,583	361,969	331,871
Provision for (recovery of) credit losses (Note 5)	21,095	20,969	(41,821)
Net interest income after provision for (recovery of) credit losses	344,488	341,000	373,692
Other income			
Service charges	45,751	44,229	41,551
Credit fees	25,581	17,238	17,677
Commission and other	12,045	11,937	24,491
Card fees	12,679	10,182	7,182
Foreign exchange	5,153	5,489	3,659
	101,209	89,075	94,560
Net interest and other income	445,697	430,075	468,252
Non-interest expenses			
Salaries and employee benefits (Notes 11 and 12)	146,789	134,856	111,676
Premises and equipment, including amortization	42,905	42,314	38,676
Communications and electronic processing	52,559	49,695	51,157
Other	45,518	41,741	38,253
	287,771	268,606	239,762
Net income	$ 157,926	$ 161,469	$ 228,490

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

ALBERTA TREASURY BRANCHES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31

($ in thousands)

	2002	2001	2000
Equity at beginning of year	$ 434,107	$ 272,638	$ 44,148
Net income	157,926	161,469	228,490
Equity at end of year	$ 592,033	$ 434,107	$ 272,638

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

ALBERTA TREASURY BRANCHES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31

($ in thousands)

	2002	2001	2000
Cash flows from operating activities			
Net income	$ 157,926	$ 161,469	$ 228,490
Adjustments to determine net cash flows:			
Provision for (recovery of) credit losses	21,095	20,969	(41,821)
Amortization	17,419	16,379	14,041
Net changes in accrued interest receivable and payable	4,867	14,233	(3,255)
Other items, net	26,439	1,505	(23,927)
	227,746	214,555	173,528
Cash flows from financing activities			
Net change in deposits	506,347	994,237	902,316
Issue of subordinated debentures	12,738	9,925	7,519
	519,085	1,004,162	909,835
Cash flows from investing activities			
Net change in interest bearing deposit balances with banks	(30,809)	(260,374)	(56,474)
Purchase of investment securities	(7,752,564)	(6,762,829)	(5,100,139)
Maturity of investment securities	7,902,010	6,531,860	4,938,394
Net change in loans	(867,406)	(641,646)	(854,978)
Net purchases of capital assets	(17,897)	(26,946)	(23,486)
	(766,666)	(1,159,935)	(1,096,683)
Net (decrease) increase in cash and cash equivalents	(19,835)	58,782	(13,320)
Cash and cash equivalents at beginning of year	139,896	81,114	94,434
Cash and cash equivalents at end of year	$ 120,061	$ 139,896	$ 81,114
Represented by:			
Cash and non-interest bearing deposits with banks	$ 104,434	$ 146,550	$ 89,829
Cheques and other items in transit, net	15,627	(6,654)	(8,715)
	$ 120,061	$ 139,896	$ 81,114
Supplementary cash flow information:			
Amount of interest paid during the year	$ 378,411	$ 401,759	$ 359,661

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

ALBERTA TREASURY BRANCHES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2002

($ IN THOUSANDS)

Alberta Treasury Branches (ATB) is an Agent of the Crown in right of Alberta and operates under the authority of the Alberta Treasury Branches Act, Revised Statutes of Alberta, 2000, chapter A-37. Under the Act, ATB was established as a provincial Crown corporation governed by a Board of Directors appointed by the Lieutenant Governor in Council. ATB's primary business is providing financial services within Alberta.

1. SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements are prepared by management in accordance with Canadian generally accepted accounting principles. Comparative amounts have been reclassified where necessary to conform with the current year's presentation. The significant accounting policies followed in the preparation of these Consolidated Financial Statements are summarized below:

- Basis of consolidation

  The Consolidated Financial Statements include the assets, liabilities and results of operations and cash flows of ATB and its wholly owned subsidiary, ATB Investment Services Inc. All intercompany transactions and balances have been eliminated.

- Translation of foreign currencies

  Assets and liabilities arising from foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. The income and expenses related to these transactions are translated using the average exchange rate for the year. Realized and unrealized gains and losses arising from these translations are included in other income in the Consolidated Statement of Income.

- Use of estimates

  In preparing the Consolidated Financial Statements, management must make estimates and assumptions concerning values of certain assets and liabilities, net income and related disclosures reported in these Consolidated Financial Statements. Actual results could differ from these estimates.

- Specific accounting policies

  Other significant accounting policies are disclosed in the following notes with the related financial disclosure.

2. CASH RESOURCES

Cash resources consist of cash, operating and investment deposits with banks and items in transit. Deposits with banks are recorded at cost and interest income on interest bearing deposits is recorded on an accrual basis. Cheques and other items in transit represent the net position of uncleared settlements with other financial institutions and are recorded at cost.

If the total amount of uncleared settlements due to other financial institutions exceeds the total amount of uncleared settlements owed to ATB, the net amount is reported under other liabilities in the Consolidated Balance Sheet.

3. SECURITIES

Securities are reported at cost or amortized cost, adjusted to recognize other than temporary losses in the underlying value. All securities held are investment account securities purchased with the intention to hold them to maturity, or until market conditions render alternative investments more attractive. Gains and losses on disposal of securities are included in income in the year of disposal. The cost or amortized cost of securities approximates the market value of securities.

All securities held mature within one year and the balances are as follows:

	2002	2001	2000
Issued or guaranteed by Canada	$ 31,959	$ 106,756	$ 106,853
Corporate debt	679,788	754,437	523,371
	$ 711,747	$ 861,193	$ 630,224

Securities pledged at March 31, 2002 totalled $41,625 (2001: $91,600; 2000: $61,600)(Note 14).

4. LOANS

Loans are stated net of any unearned interest and of an allowance for credit losses. Interest income is recorded on an accrual basis, except for impaired loans. Impaired loans, except for credit cards, are classified as impaired when there is no longer reasonable assurance as to the timely collection of the full amount of principal or interest, or principal or interest payments are 90 days past due.

Consumer credit card loans are classified as impaired and written off when principal or interest payments become 180 days past due. Business and agricultural credit card loans that become 90 days past due are removed from the credit card portfolio and transferred into the applicable impaired loan category.

When a loan is classified as impaired the carrying amount of the loan is reduced to its estimated realizable amount. Interest income on the loan ceases to be accrued. No portion of cash received on an impaired loan is recorded as interest income until such time as any prior write-offs or specific allowances have been reversed. Impaired loans are returned to performing status when there is reasonable assurance of the timely collection of all principal and interest, all arrears have been collected, and allowances for loan losses have been reversed.

Loan and commitment fees are deferred and recognized as other income over the term of the loan or over the commitment period, as appropriate. The unrecognised portion of loan and commitment fees is included in other liabilities in the Consolidated Balance Sheet.

Loans, net of the specific allowance for credit losses consist of the following:

	2002	2001	2000
Residential mortgage	$ 4,423,668	$ 3,977,883	$ 3,651,396
Personal	1,629,781	1,510,325	1,389,823
Agricultural	1,272,446	1,223,830	1,121,082
Independent business, commercial and other	3,213,523	2,965,863	2,882,913
General allowance	(138,855)	(123,649)	(111,639)
	$ 10,400,563	$ 9,554,252	$ 8,933,575

Total net loans include loans of $5,781 (2001: $10,343; 2000: $8,009) denominated in U.S. funds.

Impaired loans (included in the preceding schedule):

	2002			2001	2000
	Recorded investment	Allowance	Net carrying value	Net carrying value	Net carrying value
Residential mortgage	$ 29,648	$ 4,859	$ 24,789	$ 21,011	$ 11,348
Personal	7,336	3,096	4,240	4,876	3,794
Agricultural	10,131	2,092	8,039	17,451	37,733
Independent business, commercial and other	40,228	24,828	15,400	32,883	26,075
	87,343	34,875	52,468	76,221	78,950
General allowance	-	138,855	(138,855)	(123,649)	(111,639)
	$ 87,343	$ 173,730	$ (86,387)	$ (47,428)	$ (32,689)

The total recorded investment at March 31, 2002 in assets acquired in satisfaction of problem loans was $197, with an allowance for losses of $98 and a net carrying value of $99. (2001: $171; 2000: $130). These amounts are included in the preceding schedules.

5. ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses is maintained at a level considered adequate to absorb credit-related losses for all on- and off-balance sheet items. Off-balance sheet items include loan guarantees, letters of credit, and derivative financial instruments. The allowance for credit losses is deducted from the related asset category, and any amounts provided to cover potential losses from off-balance sheet items are included in other liabilities. The provision for credit losses that is recorded in the Consolidated Statement of Income represents the net credit loss experience for the year. It is the amount that is required to establish the adequate allowance for credit losses. The allowance consists of specific and general allowances.

The specific allowances on non-consumer impaired loans are established on a loan-by-loan basis to reduce the carrying value of the impaired loans to the amount expected to be recovered. Various methods are used to determine the net realizable values including the discounted value of estimated future cash flows, the fair value of any underlying security discounted to the amount recoverable in the event of realization, or the observable market value for the loan. The specific allowance on consumer loans is calculated using a formula based on recent loss experience. Any change in the amount expected to be recovered on an impaired loan is charged or credited to the provision for credit losses in the Consolidated Statement of Income.

The general allowance recognizes that not all credit losses can be specifically identified on a loan-by-loan basis. The general allowance is determined using a statistical estimate of probable losses inherent in the portfolio based on historical and expected loss experience, loan portfolio composition, and other relevant indicators. It is also based on management's judgement concerning the strength of the economy.

Changes in the allowance for credit losses are as follows:

	Specific			General			Total		
	2002	2001	2000	2002	2001	2000	2002	2001	2000
Balance at beginning of year	$ 93,240	$100,894	$109,429	$123,649	$111,639	$140,160	$216,889	$212,533	$249,589
Write-offs	(19,635)	(27,553)	(19,645)	-	-	-	(19,635)	(27,553)	(19,645)
Recoveries	10,094	10,940	24,410	-	-	-	10,094	10,940	24,410
Provision for (recovery of) credit losses	5,889	8,959	(13,300)	15,206	12,010	(28,521)	21,095	20,969	(41,821)
Balance at end of year	$ 89,588	$ 93,240	$100,894	$138,855	$123,649	$111,639	$228,443	$216,889	$212,533

The specific allowance at the end of year consists of an allowance for loan losses of $34,875 (2001: $36,297; 2000: $43,710) (Note 4), an allowance for loan guarantees of $45,000 (2001: $45,000; 2000: $45,000) (Note 9), and an allowance for the costs of credit recovery of $9,713 (2001: $11,943; 2000: $12,184).

6. CAPITAL ASSETS

Land is carried at cost. Buildings, equipment, software and leasehold improvements are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful life of the related assets.

The maximum estimated useful life for the various asset classes is as follows:

Buildings	to 20 years
Equipment and software	to 10 years
Leasehold improvements	to 10 years

Gains and losses on the disposal of capital assets are recorded in the Consolidated Statement of Income in the year of disposal. Losses due to write-downs of the net carrying value of capital assets to their fair market value are recorded in the Consolidated Statement of Income in the year of write-down.

As at March 31, 2002, the balances are as follows:

	2002			2001	2000
	Cost	Accumulated amortization	Net carrying value	Net carrying value	Net carrying value
Land	$ 7,649	$ -	$ 7,649	$ 7,186	$ 7,189
Buildings	62,879	47,779	15,100	15,119	17,782
Equipment and software	100,164	72,522	27,642	28,078	19,963
Leasehold improvements	55,349	31,079	24,270	23,800	18,682
	$ 226,041	$ 151,380	$ 74,661	$ 74,183	$ 63,616

Amortization charged to the Consolidated Statement of Income in respect to the above capital assets was $17,419 (2001: $16,379; 2000: $14,041)

7. OTHER ASSETS

	2002	2001	2000
Accrued interest receivable	$ 144,597	$ 154,013	$ 122,148
Other items, including accounts receivable, accrued pension benefit asset and prepaid items	53,866	51,489	44,303
	$ 198,463	$ 205,502	$ 166,451

8. DEPOSITS

Repayment of all deposits, including accrued interest, is guaranteed by the Crown in right of Alberta. A deposit guarantee fee is assessed by the Crown. For the year ended March 31, 2002 the fee was $15,234 (2001: $12,738; 2000: $9,925).

Deposits are summarized as follows:

	2002				2001	2000
	Payable on demand	Payable after notice	Payable on a fixed date	Total	Total	Total
Personal	$ 734,002	$ 1,248,426	$ 4,996,128	$ 6,978,556	$ 6,307,770	$5,657,036
Business and other	1,629,522	312,903	2,504,229	4,446,654	4,611,093	4,267,590
	$ 2,363,524	$ 1,561,329	$ 7,500,357	$11,425,210	$10,918,863	$9,924,626

Total deposits include $124,139 (2001: $96,574; 2000: $101,220) denominated in U. S. funds.

As at March 31, 2002, deposits by the Province of Alberta total $16,963 (2001: $33,307; 2000: $46,468) and include deposits for loans made under the Alberta Farm Credit Stability Program in the amount of $15,972 (2001: $32,165; 2000: $45,439).

9. OTHER LIABILITIES

	2002	2001	2000
Accrued interest payable	$ 143,904	$ 148,453	$ 102,355
Allowance for credit losses on loan guarantees (Note 14)	45,000	45,000	45,000
Other items, including accounts payable, deposit guarantee fee payable, accrued pension benefit liability and other accrued liabilities	117,481	88,665	79,974
	$ 306,385	$ 282,118	$ 227,329

10. SUBORDINATED DEBENTURES

Subordinated debentures are unsecured and subordinated to deposits and other liabilities. The following debentures were privately placed with the Crown in right of Alberta and represent ATB's obligation for the cost of the deposit guarantee for years prior to 2002. These debentures are non-convertible, non-redeemable, non-transferrable, and bear a fixed interest rate payable semi-annually.

Maturity Date	Interest Rate	2002	2001	2000
June 30, 2004	5.475%	$ 7,519	$ 7,519	$ 7,519
June 30, 2005	6.540%	9,925	9,925	-
June 30, 2006	5.840%	12,738	-	-
		$ 30,182	$ 17,444	$ 7,519

11. EMPLOYEE FUTURE BENEFITS

ATB participates with other Alberta public sector employers in the Public Service Pension Plan (PSPP). The PSPP is a defined benefit pension plan which provides pension benefits for ATB's non-management employees based on years of service and earnings. ATB accounts for the cost of its participation in the PSPP on a defined contribution basis. Expenses related to this plan were $2,699 (2001: $2,492; 2000: $2,391) and are recorded in salaries and employee benefits in the Consolidated Statement of Income.

For its management employees, ATB provides a registered pension plan with defined benefit and defined contribution provisions and a defined benefit supplemental plan. Assets are set aside to satisfy the pension obligation of the registered plan. ATB has the ultimate responsibility for ensuring that the liabilities of the registered plan are adequately funded over time. The supplemental plan is not pre-funded and benefits are paid from ATB's assets as they become due.

The cost of the defined contribution provisions of the registered plan is recorded based on the contributions from ATB in the current year, and is included in the Consolidated Statement of Income under salaries and employee benefits. In the year ended March 31, 2002 the expense was $2,773 (2001: $2,479; 2000: $2,349).

The pension expense for the defined benefit provisions of the registered plan and for the supplemental plan is actuarially determined as the cost of employee benefits earned in the year, interest expense on the accrued benefit obligation, expected investment return on the plan assets and amortization of deferred amounts, using management's best estimate and actuarial assumptions outlined in the following table. It is recorded in the Consolidated Statement of Income as a component of salaries and employee benefits. The difference between the pension expense and the actual cash contributions to the plan is recorded in the Consolidated Balance Sheet as part of other assets or other liabilities, as appropriate.

Management employees defined benefit pension plans

	Registered plan			Supplemental plan		
	2002	2001	2000	2002	2001	2000
Change in fair value of plan assets						
Fair value of plan assets at beginning of year	$ 58,316	$ 54,448	$ 43,544	$ -	$ -	$ -
Contributions from ATB	948	-	2,578	7	-	-
Contributions from employees	904	977	1,018	-	-	-
Actual return on plan assets	2,059	3,988	7,849	-	-	-
Benefits paid	(1,120)	(399)	(541)	(7)	-	-
Transfers to other plans	(4,672)	(698)	-	-	-	-
Fair value of plan assets at end of year	$ 56,435	$ 58,316	$ 54,448	$ -	$ -	$ -
Change in projected benefit obligation						
Projected benefit obligation at beginning of year	$ 57,326	$ 51,817	$ 39,307	$ 1,028	$ 415	$ -
Actuarial loss (gain)	5,381	(215)	8,348	156	125	114
Current service cost	2,233	2,483	2,138	578	429	291
Interest cost	3,907	3,640	2,565	95	59	10
Benefits paid	(1,120)	(399)	(541)	(7)	-	
Transfers to other plans	(3,987)	-	-	-	-	-
Projected benefit obligation at end of year	$ 63,740	$ 57,326	$ 51,817	$ 1,850	$ 1,028	$ 415
Funded status						
Plan (deficit) surplus	$ (7,305)	$ 990	$ 2,631	$ (1,850)	$ (1,028)	$ (415)
Unamortized initial transition asset	(2,758)	(3,389)	(3,813)	-	-	-
Unamortized actuarial net loss	12,557	5,314	4,210	385	239	114
Accrued benefit asset (liability)	$ 2,494	$ 2,915	$ 3,028	$ (1,465)	$ (789)	$ (301)
Annual benefit expense						
Service cost, net of employee contributions	$ 1,329	$ 1,506	$ 1,120	$ 578	$ 429	$ 291
Interest cost	3,907	3,640	2,565	95	59	10
Expected return on plan assets	(4,305)	(4,609)	(3,711)	-	-	-
Amortization of initial transition asset	(394)	(424)	(424)	10		
Loss on transfers to other plans	832	-	-	-	-	-
Net pension benefit expense	$ 1,369	$ 113	$ (450)	$ 683	$ 488	$ 301
Actuarial assumptions used in actuarial valuations						
Discount rate at beginning of year	7.25%	7.00%	6.50%	7.25%	7.00%	6.50%
Discount rate at end of year	6.75%	7.25%	7.00%	6.75%	7.25%	7.00%
Return on plan assets	8.00%	9.00%	8.50%	-	-	-
Rate of inflation	2.75%	2.50%	1.50%	2.75%	2.50%	1.50%
Rate of increase in future compensation (1)	4.50%	4.00%	2.50%	4.75%	4.75%	3.50%

(1) The assumed compensation increase trend for the registered plan was based on an estimated increase of 4.75% per annum for three years and 3.25% thereafter, and for the supplemental plan on an estimated increase of 4.75% per annum. An increase of one percentage point in compensation trends would have increased the 2002 net pension benefit expense of the registered plan by $471 and of the supplemental plan by $107.

12. DISCLOSURE OF SALARIES AND BENEFITS

ATB is an Agent of the Crown in right of Alberta, and as such, is required to disclose the following information as per the Salary and Benefits Disclosure Directive made by the Treasury Board, pursuant to sections 5, 6 and 7 of the Financial Administration Act. This directive applies to all departments, regulated funds, provincial agencies and Crown-controlled organizations. The amounts disclosed in the following table are the amounts earned in the year.

	2002						2001
	Base salary	Variable pay (1)	Deferred variable pay (2)	Total salary	Benefits and allowances	Total	Total
Chairman of Board	$ 58	$ -	$ -	$ 58	-	$ 58	$ 45
Board Members (11)	358	-	-	358	-	358	300
President and Chief Executive Officer (3)	310	40	42	392	72	464	523
Chief Operating Officer (4)	82	31	32	145	27	172	-
Executive Vice-President Sales	108	30	33	171	53	224	367
Executive Vice-President Marketing	168	47	52	267	64	331	331
Executive Vice-President Credit	164	45	49	258	63	321	310
Senior Vice-President Electronic & Centralized Services (5)	102	29	32	163	39	202	328
Chief Financial Officer	140	43	48	231	55	286	301
Vice President Human Resources	126	35	38	199	51	250	249

(1) Variable pay is determined based on goal attainment in the fiscal year and will be paid in June 2002.

(2) Deferred variable pay is reported as earned in the year. Payment is deferred for up to 2.5 years and is dependent upon the employee's continued employment with ATB. The actual amount the employee will receive will appreciate or depreciate from the amount shown based on a specified methodology to reflect ATB's actual financial performance in the next two fiscal years.

(3) The position was occupied by two individuals consecutively in the year.

(4) The position was established effective November, 2001 as a result of reorganization.

(5) The position was abolished effective November, 2001 as a result of reorganization.

Total salary includes all earned regular base pay, variable pay, deferred variable pay, bonuses, lump sum payments, retainers, fees, retroactive pay adjustments and any other direct cash remuneration. Accumulated vacation was paid out to the President and Chief Executive Officer (2002: $4; 2001: $0), the Executive Vice-President credit (2002: $6; 2001: $0) and the Chief Financial Officer (2002: $0; 2001: $3). These amounts are included in the salary figure.

Benefits and allowances consist of the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, medical benefits, group life insurance, accidental disability and dismemberment insurance, long-term disability plans, and employer's statutory contributions. The benefits and allowances figure also includes the cost of additional benefits such as perquisite allowances.

An automobile was provided for the President and Chief Executive Officer; no amount is included in the benefits and allowances figure.

13. RELATED PARTY TRANSACTIONS

In the ordinary course of business, ATB provides normal banking services to various Province of Alberta departments and agencies on terms similar to those offered to non-related parties (Note 8).

On June 30, 2001 a subordinated debenture issue was privately placed with the Crown in right of Alberta (Note 10).

ATB provides banking services to its directors, officers, and employees at various terms and rates. Directors do not receive preferential rates. As at March 31, 2002, the total outstanding balances of loans and residential mortgages to these parties were $150,187 (2001: $164,534; 2000: $164,245).

14. COMMITMENTS & CONTINGENT LIABILITIES

- Credit instruments

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

Guarantees and standby letters of credit represent an irrevocable obligation to make payments to a third party in the event that the customer is unable to meet its financial or performance contractual obligations. In the event of a call on such commitments, ATB has recourse against the customers. Documentary and commercial letters of credit require ATB to honour drafts presented by third parties upon completion of specific activities.

Commitments to extend credit represent undertakings 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.

These credit arrangements are subject to ATB's normal credit standards, and collateral may be obtained where appropriate. The contract amounts represent the maximum credit risk exposure to ATB should the contracts be fully drawn, and any collateral held proves to be of no value. As many of these arrangements will expire or terminate without being drawn upon, the contract amounts do not necessarily represent the future cash requirements.

Contract amounts as at March 31 were:

	2002	2001	2000
Guarantees	$ 440,744	$ 410,579	$ 413,977
Letters of credit	3,026	4,904	2,801
Commitments to extend credit	2,245,554	2,098,536	1,765,137
	$ 2,689,324	$ 2,514,019	$ 2,181,915

- Lease commitments

ATB has obligations under long-term non-cancellable operating leases for buildings and equipment. The future minimum lease payments for each of the next five years and thereafter are:

2003	$ 18,156
2004	16,510
2005	15,315
2006	14,756
2007	13,951
2008 and thereafter	41,185
	$ 119,873

The total lease expense charged to the Consolidated Statement of Income is $16,016 (2001: $16,599; 2000: $16,208).

- Litigation

  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.

- Pledged Assets

  In the ordinary course of business, ATB pledges securities to the Bank of Canada in order to participate in clearing and payment systems and to have access to its facilities. Amounts pledged at March 31 are provided in Note 3.

- West Edmonton Mall loan guarantee

  Under the terms of a guarantee agreement dated October 31, 1994, relating to the refinancing of West Edmonton Mall (WEM), ATB guaranteed to the Toronto Dominion Bank (TD Bank) repayment of a $353,000 credit facility in accordance with the terms of the agreement, and in any event by October 31, 2004.

  In the event that ATB is required to honour its guarantee, the net cost to ATB would be the difference between the amount then owed to the TD Bank and the proceeds from a realization or refinancing of WEM. In 1998 ATB obtained an appraisal that values WEM at $300,000. As a result of this appraisal, ATB has provided for a loan guarantee loss of $45,000, having regard to the difference between the appraised value and the amount owed to the TD Bank.

  On August 25, 1998, ATB filed a Statement of Claim against the owners of WEM and others. ATB seeks to have the refinancing agreements set aside. ATB claims in the alternative that the owners of WEM have defaulted on their obligation to maintain the facility to the standard required under the loan agreements. It is management's opinion that if the facility is not properly maintained, the value of WEM could decline below $300,000, thereby, potentially increasing ATB's liability under its guarantee to the TD bank. Any increase in ATB's liability under the guarantee would be charged against earnings in the year it is identified. Management believes it has taken the necessary steps to minimize ATB's exposure under the guarantee to a point where a material addition to the existing provision is unlikely.

  In April and June 1998, WEM provided ATB with copies of purported agreements dated November 15, 1994, February 23, 1996 and March 25, 1996, that purport to amend the WEM refinancing agreements dated October 31, 1994. The agreements purport to extend the term of the guarantee to 2014 and to amend the terms of repayment and other provisions of the refinancing agreements. Management believes that it will be successful in its legal action to set aside these purported amending agreements and as a result no liability to them has been established.

  In December 1998, and January 1999, two counterclaims were filed in this action by the owners of WEM and others against ATB. These counterclaims are for significant amounts. In the opinion of management, these counterclaims are without merit and are unlikely to result in a material loss.

15. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative products used by ATB include interest rate swaps, interest rate caps, interest rate floors, foreign exchange forward contracts, equity-linked call options, commodity-linked call options, and equity-linked option contracts. ATB enters into derivative transactions for risk management purposes, and does not act as an intermediary in this market, except for the foreign exchange forward contracts, which ATB provides to its customers for the purposes of meeting their day to day business needs and which are fully hedged to eliminate foreign exchange exposure.

The interest rate contracts are used to manage exposures to fluctuations in interest rates in ATB's overall portfolio or in specific financial instruments. The equity and commodity linked contracts are used to manage exposures to fluctuations in underlying equity and commodity prices and indices, arising from specific financial instruments.

Income and expense associated with interest rate contracts and equity and commodity linked contracts is accounted for on an accrual basis and recognized over the life of the contract as an adjustment to net interest income. Income from foreign exchange forward contracts is included in other income. Realized gains and losses from early termination of derivative financial instruments are amortized over the remaining original life of the contract. Deferred gains and losses are recorded in other assets or other liabilities, as appropriate. The total amount of prepaid premiums at March 31, 2002 is $38,652 (2002: $30,650; 2000: $18,577) and is recorded in other assets in the Consolidated Balance Sheet.

The derivative financial instruments are not recorded in the Consolidated Balance Sheet. Notional principal amounts, upon which payments are based, are not indicative of the credit risk associated with derivative financial instruments.

The notional amounts of derivative contracts are summarized as follows:

	2002			2001	2000
	Term to maturity				
	Within 1 year	1 to 5 years	Total	Total	Total
Interest rate contracts					
Interest rate swaps	$ 1,575,000	$ 565,000	$ 2,140,000	$ 1,555,000	$ 813,750
Interest rate caps	-	35,000	35,000	35,000	125,000
Interest rate floors	100,000	-	100,000	-	-
	1,675,000	600,000	2,275,000	1,590,000	938,750
Equity and commodity linked contracts	107,200	347,850	455,050	330,650	273,300
Foreign exchange forward contracts	1,608	544	2,152	5,141	8,151
	$ 1,783,808	$ 948,394	$ 2,732,202	$ 1,925,791	$1,220,201

The current replacement cost and fair value of derivative contracts are summarized as follows:

			Current replacement cost	
2001	Notional amount	Net fair value	Favourable position	Unfavourable position
Interest rate contracts				
Interest rate swaps	$ 2,140,000	$ (5,128)	$ 9,504	$ 14,632
Interest rate caps	35,000	51	51	-
Interest rate floors	100,000	-	-	-
Equity linked contracts	455,050	29,468	29,468	
Foreign exchange forward contracts	2,152	-	19	19
Total	$ 2,732,202	$ 24,391	$ 39,042	$ 14,651
2001 Total	$ 1,925,791	$ 49,942	$ 59,903	$ 3,961
2000 Total	$ 1,220,201	$ 75,071	$ 76,175	$ 1,104

Fair values are determined using pricing models which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the positions. Fair values have been segregated between those contracts which are in a favourable position (positive fair value) and those contracts which are in an unfavourable position (negative fair value).

Current credit exposure is limited to the amount of loss that ATB would suffer if every counterparty to which ATB was exposed were to default at once, which is represented by the current replacement cost of all outstanding contracts in a favourable position. ATB attempts to limit its credit exposure by dealing with counterparties believed to be credit worthy.

16. ESTIMATED FAIR VALUE OF BALANCE SHEET FINANCIAL INSTRUMENTS

The estimated fair values approximate values at which ATB's financial instruments could be exchanged in a transaction between willing parties who are under no compulsion to act. Since many of ATB's financial instruments lack an available trading market, the fair values presented represent estimates of the current market value of instruments, taking into account changes in market rates that have occurred since their origination. Fair values are determined using various valuation methods and assumptions. For items which are short-term in nature, the estimated fair value is equal to carrying value. These include cash resources, securities, other assets and other liabilities. For floating rate financial instruments, fair value is equal to carrying value as the interest rates automatically reprice to market. For fixed rate loans, fair value is determined by discounting the expected future cash flows at market rates. For fixed rate deposits, fair value is determined by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms.

Due to the use of subjective assumptions and uncertainties, the fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

The estimated fair values disclosed do not reflect the value of items that are not considered financial instruments, such as capital assets.

Estimated fair values of balance sheet financial instruments are summarized as follows:

	2002			2001			2000		
	Carrying value	Fair value	Fair value over carrying value	Carrying value	Fair value	Fair value over carrying value	Carrying value	Fair value	Fair value over (under) carrying value
Assets									
Cash resources	$ 968,376	$ 968,376	$ -	$ 964,056	$ 964,056	$ -	$ 646,961	$ 646,961	$ -
Securities	711,747	711,747	-	861,193	861,193	-	630,224	630,224	-
Loans	10,400,563	10,661,762	261,199	9,554,252	9,720,444	166,192	8,933,575	8,810,784	(122,791)
Other assets	198,463	198,463	-	205,502	205,502	-	166,451	166,451	-
Liabilities									
Deposits	11,425,210	11,446,659	21,449	10,918,863	11,066,983	148,120	9,924,626	9,953,354	28,728
Other	336,567	336,567	-	306,216	306,216	-	243,563	243,563	-

17. INTEREST RATE RISK

Interest rate risk is the risk that net interest income will decrease because of an adverse movement in interest rates. The following table details the gap between interest sensitive assets and interest sensitive liabilities, based on the earlier of the repricing or maturity date of both on- and off-balance sheet assets and liabilities.

	Term to maturity/repricing							
2002	Within 3 months	3 - 6 months	6 - 12 months	Total within 1 year	1 year to 5 years	Over 5 years	Non-interest sensitive	Total
Assets								
Cash	$ 104,434	$ -	$ -	$ 104,434	$ -	$ -	$ -	$ 104,434
Effective interest rate	2.15%	-	-	2.15%	-	-	-	2.15%
Securities and interest bearing deposits with banks	1,427,803	78,181	54,078	1,560,062	-	-	-	1,560,062
Effective interest rate	2.22%	3.14%	2.46%	2.28%	-	-	-	2.28%
Loans	4,921,251	323,835	631,928	5,877,014	4,365,413	41,169	116,967	10,400,563
Effective interest rate	4.72%	6.87%	6.86%	5.07%	6.90%	7.54%	8.20%	5.88%
Other	-	-	-	-	-	-	288,751	288,751
	6,453,488	402,016	686,006	7,541,510	4,365,413	41,169	405,718	12,353,810
Liabilities and Equity								
Deposits	4,177,420	552,934	1,256,929	5,987,283	3,235,479	-	2,202,448	11,425,210
Effective interest rate	1.71%	3.93%	3.60%	2.31%	4.81%	-	0.17%	2.61%
Other liabilities and equity	-	-	-	-	-	-	898,418	898,418
Subordinated debenture	-	-	-	-	-	-	30,182	30,182
Effective interest rate	-	-	-	-	-	-	5.98%	5.98%
	4,177,420	552,934	1,256,929	5,987,283	3,235,479	-	3,131,048	12,353,810
On-balance sheet gap	2,276,068	(150,918)	(570,923)	1,554,227	1,129,934	41,169	(2,725,330)	-
Derivatives used for asset/liability gap management (notional amounts)								
Pay side swaps	(1,725,000)	-	-	(1,725,000)	(415,000)	-	-	(2,140,000)
Effective interest rate	2.15%	-	-	2.15%	5.38%	-		
Receive side swaps	865,000	100,000	1,025,000	1,990,000	150,000	-	-	2,140,000
Effective interest rate	3.43%	4.32%	2.78%	3.14%	3.00%	-	-	-
Off-balance sheet gap	(860,000)	100,000	1,025,000	265,000	(265,000)	-	-	-
Net gap	$1,416,068	$ (50,918)	$ 454,077	$1,819,227	$ 864,934	$ 41,169	$ (2,725,330)	$ -
% of assets	11.46%	(0.41%)	3.68%	14.73%	7.00%	0.33%	(22.06%)	-
2001								
Net gap	$1,201,514	$ 259,170	$ 72,190	$1,532,874	$ 735,677	$ 22,712	$ (2,291,263)	$ -
% of assets	10.31%	2.22%	0.62%	13.15%	6.31%	0.19%	(19.65%)	-
2000								
Net gap	$ 331,709	$ 371,930	$ (550,055)	$ 153,584	$ 783,768	$ 38,198	$ (967,550)	$ -
% of assets	3.18%	3.56%	(5.27%)	1.47%	7.43%	0.37%	(9.27%)	-

The gap position is presented as of the close of the business day (March 31). It represents the position of ATB for that day only and may change significantly due to customer preferences and risk management policies.

Non-interest bearing accounts are reported as non-interest sensitive. Due to the current rate environment, interest bearing accounts which no longer demonstrate a direct correlation with market interest rate movements and are no longer deemed to be sensitive are reported as non-interest sensitive.

18. CREDIT RISK

Credit risk is the risk of loss due to borrowers failing to meet their financial obligations. Credit risk arises from both on- and off-balance sheet transactions. ATB's credit risk is significantly influenced by movements in the Alberta economy which in recent years has shown strong growth and occasional sharp declines. The credit risk is managed to ensure diversification by limiting concentrations to single borrowers and industries. The 1994 guarantee for the West Edmonton Mall financing disclosed in Note 14 is an exception. Further, policies and procedures are established to promote sound lending practices and ensure prompt attention to problem loans.

19. MARKET SEGMENT INFORMATION

ATB conducts its business through market segments that offer different products and services – deposit business, individual lending, agricultural lending and independent and commercial business lending. The deposit business market segment provides a wide range of deposit and investment products and sundry financial services to all clients. The lending business market segments provide a variety of credit products and services including credit cards, designed specifically for each particular group of borrowers.

Results for these market segments presented in the following table are based on ATB's internal financial reporting systems and are consistent with the accounting policies followed in the preparation of ATB's Consolidated Financial Statements. The assets and liabilities are transfer-priced based on their nature and term to determine the net interest income. Non-interest expenses are not currently allocated to the market segments.

2002	Deposit business	Lending business: Individual	Lending business: Agricultural	Lending business: Independent business and commercial	Other *1	Total
Net interest income	$ 140,354	$ 97,207	$ 32,283	$ 83,370	$ 12,369	$ 365,583
Other income	50,754	15,489	2,891	21,132	10,943	101,209
Total revenue	191,108	112,696	35,174	104,502	23,312	466,792
Provision for credit losses	-	5,140	329	8,202	7,424	21,095
Net interest and other income	191,108	107,556	34,845	96,300	15,888	445,697
Non-interest expenses						287,771
Net income						$ 157,926
Average loans	$ -	$ 5,724,320	$ 1,241,434	$ 3,062,682	$ (67,267)	$ 9,961,169
Average deposits	10,256,078	-	-	-	1,108,959	11,365,037
Total assets	-	6,029,105	1,264,407	3,197,688	1,862,610	12,353,810

2001	Deposit business	Lending business: Individual	Lending business: Agricultural	Lending business: Independent business and commercial	Other *1	Total
Net interest income	$ 153,409	$ 84,389	$ 28,131	$ 73,944	$ 22,096	$ 361,969
Other income	49,527	9,497	1,762	16,770	11,519	89,075
Total revenue	202,936	93,886	29,893	90,714	33,615	451,044
Provision for credit losses	-	4,643	230	12,176	3,920	20,969
Net interest and other income	202,936	89,243	29,663	78,538	29,695	430,075
Non-interest expenses						268,606
Net income						$ 161,469
Average loans	$ -	$ 5,288,991	$ 1,156,234	$ 2,968,031	$ (45,935)	$ 9,367,321
Average deposits	9,112,680	-	-	-	1,361,373	10,474,053
Total assets	-	5,468,753	1,206,379	2,932,195	2,051,859	11,659,186

2000	Deposit business	Lending business: Individual	Lending business: Agricultural	Lending business: Independent business and commercial	Other *1	Total
Net interest income	$ 135,058	$ 69,726	$ 25,055	$ 67,251	$ 34,781	$ 331,871
Other income	31,533	4,912	1,710	11,055	45,350	94,560
Total revenue	166,591	74,638	26,765	78,306	80,131	426,431
Provision for (recovery of) credit losses	-	3,668	682	10,541	(56,712)	(41,821)
Net interest and other income	166,591	70,970	26,083	67,765	136,843	468,252
Non-interest expenses						239,762
Net income						$ 228,490
Average loans	$ -	$ 4,743,410	$ 1,062,809	$ 2,705,505	$ (48,937)	$ 8,462,787
Average deposits	8,210,056	-	-	-	1,373,391	9,583,447
Total assets	-	5,041,219	1,121,082	2,874,029	1,404,497	10,440,827

* 1 Comprised of business of a corporate nature such as investment, risk management, asset liability management and treasury operations, as well as revenue, expenses and general allowances and recoveries for credit losses not expressly attributed to the market segments. It also includes the financial implications of the West Edmonton Mall guarantee (Note 14), which is not typical of normal business activities of ATB.