ALBERTA TREASURY BRANCHES

Consolidated Financial Statements

YEAR ENDED MARCH 31, 2005

AUDITOR'S REPORT

To the Minister of Finance

I have audited the consolidated balance sheet of Alberta Treasury Branches as at March 31, 2005, and the consolidated statement of income and changes in equity and the consolidated statement of 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, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original Signed]
Fred J. Dunn, FCA
Auditor General

Edmonton, Alberta
May 10, 2005

ALBERTA TREASURY BRANCHES

CONSOLIDATED BALANCE SHEET

As at March 31, 2005 *(thousands)*

	2005	2004
ASSETS		
Cash resources (Note 4)		
Cash and items in transit	$ 26,279	$ 101,281
Interest bearing deposits with financial institutions	927,244	956,727
	953,523	1,058,008
Securities (Note 5)	932,511	854,997
Loans (Notes 6 and 7)		
Residential mortgage	5,818,780	5,378,595
Personal	2,091,904	1,857,028
Credit card	288,772	270,098
Business	5,106,655	4,818,228
Allowance for loan losses	(168,194)	(192,896)
	13,137,917	12,131,053
Other		
Premises and equipment (Note 8)	110,067	93,016
Other assets (Notes 9)	247,214	168,736
	357,281	261,752
	$ 15,381,232	$ 14,305,810
LIABILITIES AND EQUITY		
Deposits (Note 10)		
Personal	$ 8,003,418	$ 7,815,239
Business and other	5,836,614	5,219,881
	13,840,032	13,035,120
Other liabilities (Note 11)	325,207	262,313
Subordinated debentures (Note 12)	65,719	45,416
Equity	1,150,274	962,961
	$ 15,381,232	$ 14,305,810

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

Approved by the Board:

R. Triffo, Chairman of the Board

B. Hesje, Chairman of the Audit Committee

ALBERTA TREASURY BRANCHES

CONSOLIDATED STATEMENT OF INCOME AND CHANGES IN EQUITY

For the years ended March 31 *(thousands)*

	2005	2004	2003
Interest income			
Loans	$ 657,838	$ 695,106	$ 657,374
Securities	20,188	22,268	18,613
Deposits with financial institutions	21,857	23,227	21,537
	699,883	740,601	697,524
Interest expense			
Deposits	297,791	340,627	330,896
Subordinated debentures	3,346	2,690	2,468
	301,137	343,317	333,364
Net interest income	398,746	397,284	364,160
Other income			
Service charges	54,320	53,213	49,699
Credit fees	29,788	28,216	26,520
Other	21,543	10,001	10,423
Card fees	18,336	15,636	13,892
Investor Services	8,632	3,276	1,594
Foreign exchange	6,689	5,930	5,314
	139,308	116,272	107,442
Total operating revenues	538,054	513,556	471,602
Provision for (recovery of) credit losses (Note 7)	(14,594)	15,859	(43,211)
Non-interest expenses			
Salaries and employee benefits (Notes 13 and 16)	189,410	168,028	160,160
Other	63,758	51,872	52,943
Communications and electronic processing	58,094	55,199	55,884
Premises and equipment, including amortization	54,073	50,574	46,922
	365,335	325,673	315,909
Net income	187,313	172,024	198,904
Equity at beginning of year	962,961	790,937	592,033
Equity at end of year	$ 1,150,274	$ 962,961	$ 790,937

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

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended March 31 *(thousands)*

	2005	2004	2003
Cash flows from operating activities			
Net income	$ 187,313	$ 172,024	$ 198,904
Adjustments to determine net cash flows:			
Provision for (recovery of) credit losses	(14,594)	15,859	(43,211)
Amortization	25,862	24,676	20,107
Net changes in accrued interest receivable and payable	(10,263)	9,138	12,604
Other items, net	(5,321)	13,692	(49,779)
Net cash provided by operating activities	182,997	235,389	138,625
Cash flows from financing activities			
Net change in deposits	804,912	938,209	671,701
Payments on maturation of subordinated debentures	(7,519)	-	-
Proceeds on issuance of subordinated debentures	27,822	-	15,234
Net cash provided by financing activities	825,215	938,209	686,935
Cash flows from investing activities			
Net change in interest bearing deposits with financial institutions	29,483	(377,120)	172,662
Purchase of investment securities	(7,910,221)	(7,802,340)	(6,653,500)
Maturity of investment securities	7,832,707	7,526,193	6,882,443
Net change in loans	(992,270)	(455,430)	(1,247,708)
Net purchases of premises and equipment	(42,913)	(36,370)	(26,768)
Net cash provided by (used in) investing activities	(1,083,214)	(1,145,067)	(872,871)
Net (decrease) increase in cash and cash equivalents	(75,002)	28,531	(47,311)
Cash and cash equivalents at beginning of year	101,281	72,750	120,061
Cash and cash equivalents at end of year	$ 26,279	$ 101,281	$ 72,750
Supplementary cash flow information:			
Amount of interest paid during the year	$ 307,942	$ 341,462	$ 335,260

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2005 *(thousands)*

NOTE 1 AUTHORITY

Alberta Treasury Branches ("ATB") is an Agent of the Crown in right of Alberta and operates under the authority of the *Alberta Treasury Branches Act,* Revised Statutes of Alberta, 2000, chapter A-37. Under the Act, ATB was established as a provincial Crown corporation governed by a Board of Directors appointed by the Lieutenant Governor in Council. ATB is exempt from Canadian federal and Alberta provincial income taxes.

ATB's primary business is providing financial services within Alberta.

NOTE 2 BASIS OF PRESENTATION

Management has prepared these Consolidated Financial Statements in accordance with Canadian generally accepted accounting principles (or "GAAP").

Use of estimates

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

The most significant amounts and disclosures where ATB must make estimates include the allowances for credit losses, amortization of premises and equipment, assumptions underlying the accounting for employee future benefit obligations and the fair value of financial instruments, including derivative financial instruments.

Basis of consolidation

These Consolidated Financial Statements include the assets, liabilities and results of operations and cash flows of ATB and its subsidiaries. All inter-company transactions and balances have been eliminated.

The following wholly owned subsidiaries are incorporated under the Business Corporation Act (Alberta) and were established for the purpose of offering investor services:

- ATB Investment Services Inc. established October 3, 1997;
- ATB Investment Management Inc. established August 21, 2002; and
- ATB Securities Inc. established February 6, 2003.

Translation of foreign currencies

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

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NOTE 2 (continued)

Other significant accounting policies

Other significant accounting policies followed in the preparation of these Consolidated Financial Statements are disclosed throughout the following notes along with the related financial disclosures.

Comparative amounts

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

NOTE 3 CHANGES IN ACCOUNTING POLICIES

ATB has adopted the following new accounting policies issued by Canadian standard setters in the current year:

Hedging relationships

See Note 14 for details.

Sources of generally accepted accounting principles

As of December 31, 2004, ATB prospectively adopted the Canadian Institute of Chartered Accountants' (or "CICA's") new accounting standard Section 1100, "Generally Accepted Accounting Principles". This standard provides additional guidance on sources to consult when selecting accounting policies and determining appropriate disclosures on matters not covered explicitly in the primary sources of Canadian accounting standards.

Following the adoption of this new accounting standard, the following change in accounting policy was applied prospectively:

- Balances payable to other financial institutions arising from the clearing system's processing of items that do not clear overnight, previously presented as a component of "Cash and items in transit" under "Cash resources" are now presented as "Cheques & other items in transit" under "Other liabilities".

Future accounting policy changes

No accounting policy changes have been identified that are expected to impact ATB's financial reporting for the fiscal year ending March 31, 2006.

NOTE 4 CASH RESOURCES

Cash consists of cash on hand, bank notes and coins. Cash resources also include deposits with the Bank of Canada, deposits with other financial institutions and any net amounts receivable for cheques and other items in the clearing systems that settle overnight.

Deposits with the Bank of Canada and financial institutions are recorded at cost, as are items in transit (which generally represent clearing amounts settling overnight with other financial institutions). Interest income on interest bearing deposits is recorded on an accrual basis.

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NOTE 4 (continued)

The Investor Services subsidiaries held restricted cash balances (clients' cash held in trust) amounting to $10,947 as at March 31, 2005 (2004: $11,353).

NOTE 5 SECURITIES

Debt securities are recognized at unamortized acquisition cost and any premiums or discounts are amortized using the effective yield method over the period to maturity. All debt securities held are purchased with the intention to hold them to maturity, or until market conditions render alternative investments more attractive. Equity securities are recognized at acquisition cost, as ATB does not exercise any significant influence over the investee companies.

Dividend and interest income as well as the amortization of premiums and discounts are recorded in "Interest income" in the Consolidated Statement of Income. Gains and losses realized on the disposal of securities, calculated using the average cost method, and any provisions for loss in value that is considered to be other than temporary, are also included in "Interest income" in the period of disposal or impairment.

The carrying value of securities, by remaining term to maturity, is as follows:

	Within one year	Within 1-5 years	2005 Total carrying value	2004 Total carrying value
Issued or guaranteed by the Canadian federal government	$ 13,659	$ -	$ 13,659	$ 13,679
Corporate debt	819,852	99,000	918,852	837,916
Corporate equity	-	-	-	3,402
	$ 833,511	$ 99,000	$ 932,511	$ 854,997

The total carrying value of securities in the preceding schedule includes securities denominated in U.S. funds totaling $51,813 (2004: $9,985).

As described in Note 15, ATB has pledged certain securities as at March 31, 2005 having total carrying value of $215,100 (2004: $234,200).

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NOTE 6 LOANS

Loans are stated net of any unearned fee income and net of specific and general allowances for credit losses. Interest income is recorded on an accrual basis, except for impaired loans.

Impaired loans

Impaired loans, except for credit cards, are classified as such when there is no longer reasonable assurance as to the timely collection of principal and interest, or when principal or interest payments are 90 days past due. Consumer credit card loans are classified as impaired and written off when payments become 180 days past due. Business and agricultural credit card loans that become past due for three consecutive billing cycles (or approximately 90 days) are removed from the credit card portfolio and transferred into the applicable impaired loan category.

When a loan is classified as impaired, the carrying amount of the loan is reduced to its estimated net realizable amount by writing off all or part of the loan or by taking a specific allowance for credit losses and interest income on the loan ceases to be accrued. No cash received on an impaired loan is recorded as interest income until such time as any prior write-offs or specific allowances and external legal fees have been recovered and all past due principal has been paid. Impaired loans are returned to performing status when there is reasonable assurance of the timely collection of all principal and interest, all arrears have been collected, legal fees recovered and allowances for loan losses have been reversed.

Foreclosed assets held for sale in settlement of an impaired loan are measured at estimated fair value at the date of foreclosure and are presented as a component of "Loans" in the Consolidated Balance Sheet.

Loan fees

Loan and commitment fees in excess of $50 are deferred and recognized as "Other income" in the Consolidated Statement of Income over the term of the loan or over the commitment period, as appropriate. The unrecognized portion of loan and commitment fees is netted against "Loans" in the Consolidated Balance Sheet.

Loans consist of the following:

	Gross loans	Specific allowances	General allowances	2005 Net carrying value	2004 Net carrying value
Residential mortgage	$ 5,818,780	$ 2,165	$ 3,184	$ 5,813,431	$ 5,370,928
Personal	2,091,904	2,234	33,540	2,056,130	1,804,850
Credit card	288,772	-	19,027	269,745	270,098
Agricultural	1,283,707	7,573	19,577	1,256,557	1,288,653
Independent business	1,758,443	9,349	35,883	1,713,211	1,623,797
Commercial	2,064,505	6,044	29,618	2,028,843	1,772,727
	$13,306,111	$ 27,365	$ 140,829	$13,137,917	$12,131,053

The total net carrying value of loans above include loans denominated in U.S. funds totalling $55,242 (2004: $56,267).

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NOTE 6 (continued)

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

	Gross impaired loans	Specific allowance	2005 Net carrying value	2004 Net carrying value
Residential mortgage	$ 26,503	$ 2,165	$ 24,338	$ 29,511
Personal	8,214	2,234	5,980	7,281
Credit card	-	-	-	-
Agricultural	29,101	7,573	21,528	22,153
Independent business	18,466	9,349	9,117	13,014
Commercial	7,338	6,044	1,294	1,705
	$ 89,622	$ 27,365	$ 62,257	$ 73,664

Concentration of credit risk

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

Concentrations of credit risk exist where a significant number of credit consumers are located in the same geographic region, engage in similar activities or have similar economic characteristics. Their ability to meet their contractual obligations to ATB would be similarly affected by changes in economic, political or other conditions.

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

As at March 31, 2005 and 2004, no single industry segment represents more than 24.16% of total gross business loans and no single borrower represents more than 0.62% of the total gross loan portfolio.

NOTE 7 ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses is maintained at a level management considers adequate to absorb credit-related losses for all items in its credit portfolio. The allowance relates primarily to loans and other on-balance sheet items but also provides for any credit risk relating to off-balance sheet items such as derivative financial instruments recorded using hedge accounting (see Note 14) and loan guarantees and letters of credit (see Note 15).

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NOTE 7 (continued)

The allowance for credit losses consists of specific allowances for impaired loans and general allowances for credit risks. It is presented in the Consolidated Balance Sheet as either a reduction of the related loan balance or, for amounts provided to cover potential losses from off-balance sheet items and any portion of loan-related allowances in excess of the loan balance, included in "Other liabilities". The allowance is increased by the "Provision for credit losses" that represents ATB's net credit loss experience for the year and is recorded in the Consolidated Statement of Income. The allowance is decreased by the amount of any provision related to loans written-off and is net of any recoveries of previously recognized provisions.

Specific allowances

The specific allowances on non-consumer impaired loans (including credit card balances) are established on an item-by-item basis to reduce the carrying value of the impaired loans to the amount expected to be recovered. Various methods are used to determine the net recoverable value of impaired loans including the 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. No specific allowance is provided for impaired consumer credit card loans, as balances are written off if payment has not been received within 180 days though collection efforts may still continue. Any change in the amount expected to be recovered on an impaired loan is reflected in the "Provision for credit losses" in the Consolidated Statement of Income.

General allowance

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

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

The general allowance is reassessed quarterly and will normally fluctuate as a result of changes in credit portfolio levels, composition and risk profile. Trends in probability of loss, severity of loss and eventual exposure on default are also considered, as is management's assessment of other factors that may affect the losses inherent in the credit portfolio such as business mix, economic and credit market conditions and trends.

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NOTE 7 (continued)

Special general allowance

In the event certain industry sectors experience specific changes in economic conditions or adverse events that are considered to increase credit risk, an additional special general allowance may be established. Such allowances are established to provide for losses inherent in the credit portfolio that have not been specifically identified and that the general allowance is not considered sufficient to provide for. The amount of any special general allowance is reassessed quarterly using expected loss methodologies that consider the probability of further changes in the conditions or adverse event that gave rise to the initial establishment of the allowance. The follow-on probability of default, potential loss given default and the level of expected recoveries, if any, are also considered.

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

	Specific 2005	2004	2003	General 2005	2004	2003	Total 2005	2004	2003
Balance at beginning of year	$39,935	$35,012	$89,588	$ 157,719	$ 146,311	$ 138,855	$ 197,654	$181,323	$228,443
Write-offs	(16,213)	(12,394)	(29,459)	-	-	-	(16,213)	(12,394)	(29,459)
Recoveries	6,129	12,866	25,550	-	-	-	6,129	12,866	25,550
Provision for (recovery of) credit losses	2,296	4,451	(50,667)	(16,890)	11,408	7,456	(14,594)	15,859	(43,211)
Balance at end of year	$32,147	$39,935	$35,012	$ 140,829	$ 157,719	$ 146,311	$ 172,976	$197,654	$181,323
Less: Allowance for cost of credit recovery included in other liabilities							4,782	4,758	6,590
Allowance for loan losses							$ 168,194	$192,896	$174,733

The specific allowance for credit losses as at March 31 consists of the following :

	2005	2004
Specific loan losses	$ 27,365	$ 35,177
Credit recovery costs	4,782	4,758
	$ 32,147	$ 39,935

The general allowance for credit losses presented above includes a special allowance of $8.0 million for losses related to Bovine Spongiform Encephalopathy (or "BSE") (2004: $17.5 million). This special general allowance was first established as at June 30, 2003.

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NOTE 8 PREMISES AND EQUIPMENT

Premises and equipment are carried at cost less accumulated amortization except for land, which is carried at cost. Premises, computer equipment and software, other equipment and leasehold improvements are amortized on a straight-line basis over their estimated useful lives. The estimated useful lives for the various asset classes are as follows:

· Premises	Up to 20 years
· Computer equipment and software	3 to 5 years
· Other equipment	5 to 10 years
· Leases hold improvements	Lease term plus first renewal period, to a maximum of 10 years

			2005	2004
	Cost	Accumulated amortization	Net carrying value	Net carrying value
Land	$ 7,618	$ -	$ 7,618	$ 7,382
Buildings	70,098	51,274	18,824	14,755
Computer equipment and software	101,239	58,429	42,810	26,824
Other equipment	32,759	22,025	10,734	10,938
Leasehold improvements	73,940	43,859	30,081	33,117
	$ 285,654	$ 175,587	$ 110,067	$ 93,016

Amortization expense charged to the Consolidated Statement of Income for the year ended March 31, 2005, in respect of the above assets was $25,862 (2004: $24,676; 2003: $20,107).

Gains and losses on the disposal of assets are recorded in the Consolidated Statement of Income in the year of disposal. When events or changes in circumstances indicate that the carrying value of premises and equipment may not be recoverable, we assess whether the asset may have been impaired. The net carrying value of any such impaired assets are written-down to their estimated fair value. $4,525 of such impairment write-downs were recognized during the year ended March 31, 2005 (2004: $ 4,728; 2003: $0). These amounts are recorded in "Premises and equipment, including amortization" in the Consolidated Statement of Income.

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NOTE 9 OTHER ASSETS

Other assets are comprised as follows:

	2005	2004
Accrued interest receivable	$ 126,272	$ 122,814
Cheques & other items in transit	70,000	-
Premiums paid on derivative instruments (see Note 14)	25,869	32,197
Prepaid expenses and other receivables	8,590	2,571
Accrued pension benefit asset (see Note 13)	7,974	9,912
Fair value of derivative instruments ineligible for hedge accounting (see Note 14)	6,551	-
Other	1,958	1,242
	$ 247,214	$ 168,736

NOTE 10 DEPOSITS

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 against ATB. For the year ended March 31, 2005, the fee assessed was $15,784 (2004: $11,836; 2003: $15,985).

Deposit balances are comprised as follows:

				2005	2004
	Payable on demand	Payable after notice	Payable on a fixed date	Total	Total
Personal	$ 1,377,381	$ 1,007,625	$ 5,618,412	$ 8,003,418	$ 7,815,239
Business	2,219,271	351,133	2,119,907	4,690,311	4,421,069
Financial institutions	-	-	1,146,303	1,146,303	798,812
	$ 3,596,652	$ 1,358,758	$ 8,884,622	$13,840,032	$13,035,120

Total deposits presented above include $171,321 (2004: $132,126) denominated in U.S. funds.

As at March 31, 2005, deposits by various departments and agencies of the government of the Province of Alberta included in the preceding schedule total $4,000 (2004: $6,596) and include deposits for loans made under the Alberta Farm Credit Stability Program in the amount of $2,579 (2004: $4,927).

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NOTE 11 OTHER LIABILITIES

Other liabilities are comprised as follows:

	2005	2004
Accrued interest payable	$ 137,058	$ 143,863
Accounts payable and accrued liabilities	96,249	84,461
Cheques & other items in transit	69,000	-
Deposit guarantee fee payable	15,784	27,822
Due to clients, brokers and dealers	2,755	3,837
Accrued pension benefit liability (see Note 13)	2,504	2,330
Other	1,857	-
	$ 325,207	$ 262,313

NOTE 12 SUBORDINATED DEBENTURES

ATB privately places debentures with the Crown in right of Alberta. These debentures, which are unsecured and subordinated to deposits and other liabilities, are issued in respect of ATB's obligation for the cost of the deposit guarantee to March 31, 2004. ATB's obligation for the deposit guarantee in respect of the year ended March 31, 2005 is recorded in "Other liabilities" in the Consolidated Balance Sheet (see Note 11).

These subordinated debentures are non-convertible, non-redeemable, non-transferrable, and bear a fixed rate of interest payable semi-annually.

Subordinated debentures are comprised as follows:

Maturity Date	Interest Rate	2005	2004
June 30, 2004	5.475%	$ -	$ 7,519
June 30, 2005	6.540%	9,925	9,925
June 30, 2006	5.840%	12,738	12,738
June 30, 2007	5.810%	15,234	15,234
June 30, 2008	4.287%	15,985	-
June 30, 2009	3.800%	11,837	-
		$ 65,719	$ 45,416

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NOTE 13 EMPLOYEE FUTURE BENEFITS

ATB provides future benefits to current and past employees through a combination of defined benefit and defined contribution pension plans but does not provide any other employee future benefits.

ATB participates in the Public Service Pension Plan (or "PSPP") with other Alberta public sector employers. The PSPP is a defined benefit pension plan that 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 PSPP on a defined contribution basis. Expenses related to this plan for the year ended March 31, 2005 were $4,136 (2004: $3,475; 2003: $2,845) 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 "Salaries and employee benefits" in the Consolidated Statement of Income. For the year ended March 31, 2005, expenses related to this plan were $5,009 (2004: $3,668; 2003: $3,929).

The future employee benefits under the defined benefit and supplemental pension plans are based on years of service and highest average salary. Actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service, which incorporates management's best estimate of long-term investment returns, salary growth and other cost escalation factors, retirement ages of employees, mortality and other actuarial factors.

The significant accounting policies for the components of the change year to year in the accrued pension benefit obligation for the defined benefit provisions of the registered plan and the defined benefit supplemental plan and the related components of net pension benefit expense are as follows:

- Current service cost represents the cost of benefits earned by the subject employees in the current year. They are actuarially determined as the present value of the future benefits the employees will be entitled to upon retirement and are based upon the current provisions of ATB's benefit plans.

- Interest cost on benefit liabilities represents the increase in ATB's benefit obligations due to the passage of time.

- Expected return on plan assets represents management's best estimate of the long-term rate of return, net of investment expenses, that will be earned by the plan's assets based on a market-related value of those assets.

- The market-related value of plan assets is a calculated amount that recognizes changes in the fair value of assets in a systematic and rational manner over a period of four years, using a four-year moving average for all classes of assets, and is applied consistently from year to year.

ALBERTA TREASURY BRANCHES

NOTE 13 (continued)

- The long-term rate of return estimate is established based on the fund's target asset allocation and management's estimates of future inflation and the real rates of return each asset class will earn. The inflation estimate is derived by reference to the implied market spread between government long bond yields and real return bond yields. The real rate of return that debt securities are expected to earn is determined by reference to real return yields on bonds of duration similar to the plan's obligations. The real rate of return expected from equity securities is then determined by adding a reasonable estimate of equity risk premium.

- Actuarial experience gains or losses may arise in two ways. After each valuation our actuarial consultants recalculate the plans' benefit obligations and compare them to the estimated obligations extrapolated from the preceding valuation. Any difference between the expected accrued benefit obligation and the actual accrued benefit obligation is considered an actuarial gain or loss. In addition, any change in the accrued benefit obligation that arises from a change in assumptions is also classified as an actuarial gain or loss. Differences between actual and expected returns on plan assets will also give rise to an actuarial gain or loss.

- Each year, if the plan's net accumulated unrecognized actuarial gain or loss exceeds 10 per cent of the greater of (i) the accrued benefit obligations or (ii) the market-related value of plan assets, that excess amount is amortized over the average remaining service period of active employees for that plan. The first 10% of the net accumulated actuarial gain or loss continues to not be recognized for accounting purposes.

- An initial transition asset arose as of March 31, 1999 when ATB prospectively adopted the then-new accounting standard on employee future benefits. The transitional asset recognized is being amortized on a straight-line basis over 10 years, the expected average remaining service period of active employees expected to receive benefits as at that time.

- A past service amendment arose as of April 1, 2003 when the Supplemental Plan was amended to include limits to pensionable earnings. This amendment resulted in a reduction to the accrued benefit obligation related to then past-services. The effect of the past service amendment is being amortized on a straight-line basis over 14 years, the expected average remaining service period of active employees expected to receive supplemental benefits as at that time.

Plan valuation, funding and asset allocation

ATB measures its accrued benefit obligations and the market-related values of plan assets for accounting purposes as at March 31 each year. The most recent actuarial valuation of the registered pension plan and the supplemental plan for funding purposes was as of December 31, 2003, and the next required valuation date for funding purposes is December 31, 2006.

ALBERTA TREASURY BRANCHES

NOTE 13 (continued)

ATB makes regular funding contributions to the registered defined benefit plan in accordance with the most recent valuation for funding purposes. The plan's investment policy sets targets for an acceptable range for the allocation of plan assets between equity, debt and other assets. The policy targets in effect as at March 31, 2005 were unchanged from 2004 and 2003. The plan's actual and target asset allocations are set out below.

(in percent)	Normal	Target 2005 Max-Min	Actual 2005	Actual 2004	Actual 2003
Equities					
Canadian	40	30 - 50	43	43	45
Foreign	30	20 - 40	26	26	20
	70	60 - 75	69	69	65
Fixed income					
Canadian	30	25 - 40	31	31	35
Cash	0	00 - 15	0	0	0
	100		100	100	100

Net accrued pension benefit asset (liability)

The funded status and net accrued pension benefit asset (liability) for the defined benefit provisions of the registered pension plan and the supplemental plan are comprised as follows:

	2005	2004
Registered plan		
Fair value of plan assets	$ 78,170	$ 71,463
Projected benefit obligation	(95,894)	(85,424)
Plan funding suplus (deficit)	(17,724)	(13,961)
Unamortized initial transition asset	(1,576)	(1,970)
Unamortized actuarial net loss (gain)	27,274	25,843
Accrued pension benefit asset	$ 7,974	$ 9,912
Supplemental plan		
Fair value of plan assets	$ -	$ -
Projected benefit obligation	(1,541)	(1,117)
Plan funding surplus (deficit)	(1,541)	(1,117)
Unamortized actuarial net loss (gain)	74	(90)
Unamortized past service amendment (gain)	(1,037)	(1,123)
Accrued pension benefit liability	$ (2,504)	$ (2,330)

The net accrued pension benefit asset (liability) is included in "Other assets" or "Other liabilities" in the Consolidated Balance Sheet as appropriate. See Notes 9 or 11, respectively.

ALBERTA TREASURY BRANCHES

NOTE 13 (continued)

Change in plan assets and benefit obligations

Changes in the estimated financial position of the defined benefit provisions of the registered pension plan and the supplemental plan are comprised as follows:

	Registered plan			Supplemental plan		
	2005	**2004**	**2003**	**2005**	**2004**	**2003**
Change in fair value of plan assets						
Fair value of plan assets at beginning of year	$71,463	$50,324	$56,435	$ -	$ -	$ -
Contributions from ATB	1,611	10,974	1,252	19	19	54
Contributions from employees	1,042	987	935	-	-	-
Actual return on plan assets	5,896	10,602	(6,861)	-	-	-
Benefits paid	(1,842)	(1,424)	(1,437)	(19)	(19)	(54)
Fair value of plan assets at end of year	$78,170	$71,463	$50,324	$ -	$ -	$ -
Change in projected benefit obligation						
Projected benefit obligation at beginning of year	$85,424	$68,441	$63,740	$1,117	$1,851	$1,850
Past service amendment	-	-	-	-	(1,210)	-
Actuarial loss (gain)	3,975	11,048	(691)	164	282	(766)
Current service cost	2,119	2,530	2,491	207	163	675
Employees' contributions	1,042	-	-	-	-	-
Interest cost	5,176	4,829	4,338	72	50	146
Benefits paid	(1,842)	(1,424)	(1,437)	(19)	(19)	(54)
Projected benefit obligation at end of year	$95,894	$85,424	$68,441	$1,541	$1,117	$1,851

Cash payments

Total cash paid or payable for employee future benefits for the year ended March 31, 2005, consisting of cash contributed by ATB to its funded registered pension plan, cash payments directly to beneficiaries for its unfunded supplementary pension plan, and cash contributed to its defined contribution plan and the PSPP plan, was $10,775 (2004: $18,136; 2003: $8,080).

ALBERTA TREASURY BRANCHES

NOTE 13 (continued)

Defined benefit pension expense

Pension benefit expense for the defined benefit provisions of the registered plan and for the supplemental plan is comprised as follows:

	Registered plan			Supplemental plan		
	2005	**2004**	**2003**	**2005**	**2004**	**2003**
Current service cost	$ 2,119	$ 1,543	$ 1,556	$ 207	$ 163	$ 675
Interest cost on projected benefit obligation	5,176	4,829	4,338	72	50	146
Plan amendments	-	-	-	-	(1,210)	-
Actual return on plan assets	(5,896)	(10,602)	6,861	-	-	-
Actuarial experience (gains) losses	3,975	11,048	(691)	164	282	(766)
	5,374	6,818	12,064	443	(715)	55
Adjustments to recognize the long-term nature of employee future benefit costs:						
Difference between actual and expected return on plan assets	606	6,438	(11,164)	-	-	-
Difference between actual actuarial experience (gains) losses arising and actuarial (gains) losses amortized	(2,037)	(9,878)	1,316	(164)	(306)	780
Difference between actual and recognized plan amendments	-	-	-	-	1,124	-
Amortization of initial transition asset	(394)	(394)	(394)	-	-	-
Amortization of past service amendment	-	-	-	(86)	-	-
Net pension benefit expense recognized	$ 3,549	$ 2,984	$ 1,822	$ 193	$ 103	$ 835

ALBERTA TREASURY BRANCHES

NOTE 13 (continued)

Key assumptions and sensitivities

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

	Registered plan			Supplemental plan		
	2005	**2004**	**2003**	**2005**	**2004**	**2003**
Accrued benefit obligation as at March 31						
Discount rate at end of year	5.90%	6.00%	7.00%	5.90%	6.00%	7.00%
Rate of compensation increase	4.45%	4.25%	4.75%	4.50%	4.50%	5.00%
Defined benefit expense for the year ended						
Discount rate at beginning of year	6.00%	7.00%	6.75%	6.00%	7.00%	6.75%
Expected long-term return on plan assets	7.35%	7.35%	7.50%	-	-	-
Rate of compensation increase	4.25%	4.25%	4.75%	4.50%	4.50%	5.00%
Avg. remaining service period of active employees	9 years	9 years	9 years	14 years	14 years	14 years

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, 2005 and the related expense for the year then ended.

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 changes to a number of key assumptions at the same time. Changes in one factor could result in changes to another that may serve to amplify or reduce certain sensitivities.

	Registered plan		Supplemental plan	
	Benefit Obligation	**Benefit Expense**	**Benefit Obligation**	**Benefit Expense**
Discount rate (%)				
Impact of: 1.0% increase	$ (14,174)	$ (1,654)	$ (220)	$ (46)
1.0% decrease	18,099	2,275	275	43
Inflation rate (%)				
Impact of: 1.0% increase	11,674	1,999	(153)	(46)
1.0% decrease	(9,938)	(1,497)	233	52
Rate of compensation increase (%)				
Impact of: 0.25% increase	827	248	-	-
0.25% decrease	(817)	(41)	-	-
Expected long-term rate of return on plan assets (%)				
Impact of: 1.0% increase	-	(720)	-	-
1.0% decrease	-	720	-	-

ALBERTA TREASURY BRANCHES

NOTE 14 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are financial contracts whose value is derived from an underlying reference rate such as an interest rate, currency exchange rate, the price of an equity or debt security or a credit instrument, or an equity or commodity index. ATB uses these instruments for risk management purposes and does not act as an intermediary in this market except insofar as ATB enters into derivative contracts with its customers where the purpose of the transaction is for the customer to hedge its own exposure to risks relating to interest rates, commodity prices and exchange rates. ATB does not accept any net exposure to such derivative contracts as it enters into offsetting contracts with other counterparties.

The main derivative financial instruments used by ATB include swaps, options and foreign exchange forward contracts.

Swaps

- Swaps are contractual arrangements whereby two parties agree to exchange a series of cash flows having specific characteristics in terms of interest rates (i.e. fixed or floating), currency exchange rates, commodity price, index values, etc. based on a notional principal amount for a specified period of time.
- The main risks associated with swaps are related to the exposure to movements in the underlying rate, price, value, etc. and the potential inability of the counterparty to meet its commitments under the terms of the contract.
- ATB uses interest rate swaps whereby it exchanges fixed and floating rate interest rate payments with a counterparty based on an agreed notional principal amount denominated in a single currency. These are used to manage exposure to interest rate fluctuations, primarily arising from the loan and deposit portfolios. Any resultant cash flows are recognized on an accrual basis in "Other assets" or "Other liabilities" in the Consolidated Balance Sheet, as appropriate.

Options

- Options are contractual arrangements where the party that writes an option contract conveys to the buyer the right, but not the obligation, to either buy or sell a specified amount of currency, commodities or financial instruments at a specified price on a future date or within a specified period of time. The writer charges a premium to the buyer as compensation for accepting the related market risk.
- The main risk to the buyer associated with non-exchange traded options is the potential credit risk if the writer of the contract fails to fulfill the conditions of the contract if the buyer exercises its right.
- ATB buys specialized forms of option contracts such as interest rate caps, collars and swap options as well as equity-linked and commodity-linked options direct from counterparties in the "over-the-counter" market. These are used to manage exposure to interest rate, equity and commodity fluctuations, primarily arising from the loan and deposit portfolios. Premiums paid are recognized in "Other assets" in the Consolidated Balance Sheet and are amortized over the term of the contract on a straight-line basis with the resultant expense recorded in "Interest expense" in the Consolidated Statement of Income.
- ATB does not write options except for those inherent to the structure of interest rate collars.

ALBERTA TREASURY BRANCHES

NOTE 14 (continued)

Foreign exchange forward contracts

- Forwards are contractual agreements transacted in the "over-the-counter" markets (i.e. not purchased on market exchanges) to either buy or sell a specified amount of a currency, commodity or security at a specific price and date in the future.
- The main risks associated with forwards relate to the potential inability of the counter-party to meet the terms of the contract and from movements in the underlying currency, commodity or security process, as applicable.
- ATB uses foreign exchange forward contracts to manage currency exposure, either arising from its own foreign-currency denominated loans and deposits or for its customers.

Derivatives held for asset/liability management

ATB enters into a variety of derivative instruments for asset/liability management purposes, that is, to manage our interest rate, foreign exchange and commodity and equity-related exposures. These instruments, from April 1, 2004 onwards, are recorded using hedge accounting, when appropriate.

In order for a specific derivative instrument to qualify for hedge accounting under AcG-13, ATB must designate and formally document the hedge relationship at the inception of the agreement. The hedge relationship must also meet certain effectiveness criteria - changes in the fair value of the derivative instrument must be highly effective in offsetting either changes in the amount of future cash flows or changes in the fair values of the on-balance sheet items being hedged. Hedge effectiveness is evaluated both at the inception of the relationship and on a quarterly basis thereafter, primarily using quantitative measures of correlation with the item(s) the derivative is intended to hedge.

Hedging relationships that meet the conditions of AcG-13 qualify for hedge accounting whereby income and expenses on hedging instruments designated within qualifying hedges are recognized in the Consolidated Statement of Income in the same category and period as the related hedged items.

Any realized gains and losses from the early termination of a derivative financial instrument that qualified for hedge accounting are amortized over the remaining original life of the contract with the corresponding deferred gains or losses recorded in "Other assets" or "Other liabilities" in the Consolidated Balance Sheet, as appropriate.

Derivatives ineligible for hedge accounting

Derivatives used for asset/liability management purposes since April 1, 2004 that, either at inception or subsequently, do not meet the criteria for hedge accounting are accounted for as if they are "trading" derivatives. ATB does not enter into derivative contracts for trading purposes except to accommodate the foreign currency needs of its clients in managing their risk exposures. In such instances, the resultant exposure to ATB of any such derivative contract is simultaneously offset with another derivative contracts.

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NOTE 14 (continued)

Derivatives that do not meet the criteria for hedge accounting, either at inception or subsequently, are measured at fair value (or "marked to market") and are recorded as derivative financial instrument assets or liabilities on the Consolidated Balance Sheet with any subsequent unrealized changes in value recorded in "Other income" on the Consolidated Statement of Income.

When an effective hedging relationship becomes ineffective

A hedging relationship is terminated if it or an identifiable portion of it ceases to be highly effective, if the underlying asset or liability is terminated and the derivative is still outstanding, or if the derivative is no longer designated as a hedging instrument. When this occurs, the derivative instrument (or ineffective portion thereof) is marked to market and the resultant realized or unrealized gain or loss is deferred in "Other liabilities" or "Other assets" in the Consolidated Balance Sheet, as appropriate and then amortized into "Other income" over the remaining term of the instrument.

Change in accounting policy

As of April 1, 2004, ATB prospectively adopted the CICA Accounting Guideline 13 "Hedging Relationships" (AcG-13) and the Emerging Issues Committee abstract 128 "Accounting for Trading, Speculative or Non-Hedging Derivative Financial Instruments" (EIC-128). AcG-13 provides detailed guidance and more stringent conditions for the use of hedge accounting, including the identification, designation, documentation and effectiveness of hedging relationships.

AcG-13 requires that the relationship between any hedging instrument and the hedged item(s) be specifically identified and documented. Prior to April 1, 2004, ATB hedged a significant portion of its interest rate risk on a net basis, a practice commonly referred to as "macro" or "economic" hedging. As AcG-13 does not allow for hedge accounting for these types of hedges, these hedges were replaced with AcG-13 compliant hedges that are identified with specific hedged items.

ATB reviewed and assessed each of its hedging relationships as of April 1, 2004. Hedge accounting was discontinued as of that date for those hedging relationships that failed to meet the AcG-13 criteria. AcG-13 requires that on transition, the difference between the carrying value and the fair value of these discontinued hedges be deferred and amortized over the remaining life of the hedging relationship. The impact of this transition was the recognition of an unrealized gain of $2,114 and an unrealized liability of $541 as of April 1, 2004. These amounts have been deferred in "Other assets" and "Other liabilities" in the Consolidated Balance Sheet, as appropriate, and will be amortized into "Interest expense" and "Interest income", respectively, over the original hedge terms, which range from one to five years. The net amount taken into income for the year ended March 31, 2005 was $1,132.

Fair value of derivatives

Fair value represents an estimate as at that point in time that may change in subsequent reporting periods due to changing market conditions or other factors. Fair value estimates of derivative financial instruments are determined using pricing models that 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.

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NOTE 14 (continued)

Fair value for over-the-counter interest rate derivatives is determined using generally accepted valuation techniques. When fair valuing over-the-counter fixed income derivative, zero coupon curves are created using underlying instruments such as cash, bonds, futures (exchange traded forward agreements) and off-balance sheet prices observable in the market. Option implied volatilities, a significant input to certain valuation models, are either obtained direct from market sources or calculated from market prices.

Fair value for over-the-counter equity and commodity derivatives is determined in a similar manner using generally accepted valuation techniques including consideration of option implied volatilities, correlations to market prices of the underlying and off-balance sheet prices observable in the market.

Fair value of derivative financial instruments, segregated between contracts in a favourable position (i.e. having positive fair value) and contracts in an unfavourable position (i.e. having negative fair value) is comprised as follows:

			2005			**2004**
	Favourable position	**Unfavourable position**	**Net**	**Favourable position**	**Unfavourable position**	**Net**
Contracts ineligible for hedge accounting Interest rate contracts						
Options	$ 923	$ (92)	$ 831	$ -	$ -	$ -
Swaps	1,471	(63)	1,408	-	-	-
	2,394	(155)	2,239	-	-	-
Foreign exchange contracts						
Forward foreign exchange contracts	76	(70)	6	-	-	-
Equity & commodity contracts						
Options	5,176	-	5,176	-	-	-
Total fair value	$ 7,646	$ (225)	$ 7,421	$ -	$ -	$ -
Contracts eligible for hedge accounting						
Interest rate contracts						
Options	$ 743	$ (75)	$ 668	$ 2,301	$ -	$ 2,301
Swaps	41	(432)	(391)	1,530	(2,023)	(493)
	784	(507)	277	3,831	(2,023)	1,808
Foreign exchange contracts						
Forwards	-	-	-	-	(677)	(677)
Forward foreign exchange contracts	-	-	-	53	(57)	(4)
Equity & commodity contracts						
Options	50,100	-	50,100	37,225	-	37,225
Total fair value	$50,884	$ (507)	$ 50,377	$41,109	$ (2,757)	$ 38,352
Total book value - contracts eligible for hedge accounting			1,346,551			1,826,523

ALBERTA TREASURY BRANCHES

NOTE 14 (continued)

Financial statement presentation

Derivative financial instruments recorded in the Consolidated Balance Sheet as at March 31 are comprised as follows:

	Assets		Liabilities	
	2005	2004	2005	2004
Fair value of derivatives ineligible for hedge accounting	$ 6,551	$ -	$ -	$ -
Book value of derivatives eligible for hedge accounting	387,501	516,446	959,050	1,310,077
	$ 394,052	$ 516,446	$ 959,050	$ 1,310,077

Notional principal amounts

The notional amounts of derivative instruments represent the underlying principal amount to which the specified rate or price is applied in order to calculate the amount of cash flows to be exchanged. Notional amounts do not represent assets or liabilities and are not recorded in the Consolidated Balance Sheet.

	2005			2004
	Ineligible for Hedge Accounting	Eligible for Hedge Accounting	Total	Net
Interest rate contracts				
Options	$ 159,690	$ 587,501	$ 747,191	$ 761,174
Swaps	850,000	450,000	1,300,000	635,000
	1,009,690	1,037,501	2,047,191	1,396,174
Foreign exchange contracts				
Forwards	-	-	-	2,377
Forward foreign exchange contracts	7,273	-	7,273	5,272
Equity & commodity contracts				
Options	28,160	309,050	337,210	422,700
	$ 1,045,123	$ 1,346,551	$ 2,391,674	$ 1,826,523

Derivative-related credit risk

Derivative financial instruments traded in the "over-the-counter" market are subject to credit risk in that there is a risk of a financial loss occurring if a counterparty defaults on its contractual obligation. This credit risk is normally a small fraction of the notional amount of the derivative instrument. ATB's maximum credit risk in respect of such derivatives is the positive fair value, or replacement cost, of all over-the-counter derivatives.

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NOTE 14 (continued)

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. The exposure to credit risk on derivatives is also reduced by entering into master netting agreements with counterparties. To the extent any unfavourable contracts with the counterparty are not settled, they reduce ATB's net exposure in respect of favourable contracts with the same counterparty.

Exchange-traded derivative contracts are not considered to represent potential credit risk as they are settled net with each exchange rather than direct with the counterparties. ATB did not hold any such contracts during the years ended March 31, 2005, 2004 and 2003.

Credit risk exposure on the derivative portfolio is comprised as follows:

	2005			2004
	Ineligible for Hedge Accounting	Eligible for Hedge Accounting	Total	Net
Interest rate contracts				
Options	$ 923	$ 743	$ 1,666	$ 2,301
Swaps	1,471	41	1,512	1,530
	2,394	784	3,178	3,831
Foreign exchange contracts				
Forwards	-	-	-	-
Forward foreign exchange contracts	76	-	76	53
Equity & commodity contracts				
Options	5,176	50,100	55,276	37,225
Total derivative exposure - gross	$ 7,646	$ 50,884	$ 58,530	$ 41,109
Less impact of master netting agreements			(991)	(296)
Residual credit exposure on derivatives			$ 57,539	$ 40,813

Term to maturity

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

	2005					2004
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Total
Interest rate contracts						
Options	$ -	$ 305,000	$ 442,191	$ -	$ 747,191	$ 761,174
Swaps	200,000	1,100,000	-	-	1,300,000	635,000
Foreign exchange contracts						
Forwards	-	-	-	-	-	2,377
Forward foreign exchange contracts	4,306	2,967	-	-	7,273	5,272
Equity & commodity contracts						
Options	-	86,200	251,010	-	337,210	422,700
Total	$ 204,306	$ 1,494,167	$ 693,201	$ -	$ 2,391,674	$ 1,826,523

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NOTE 15 COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

Credit instruments

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

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

Letters of credit

Stand-by 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.

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 a counterparty based on (a) changes in an underlying related to an asset, liability or equity the counterparty hold, (b) the failure of a third party to perform under an obligating agreement, or (c) failure of a third party to pay its indebtedness when due. Again, in the event of a call on such commitments, ATB has recourse against the customers.

ATB has also issued a $5.0 million guarantee to Canadian Depository for Securities (or "CDS") in respect of one its subsidiaries to support the settlement of investment transactions with CDS.

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.

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NOTE 15 (continued)

The contractual amounts of all such credit instruments as at March 31 are:

	2005	2004
Guarantees	$ 104,405	$ 95,168
Letters of credit	28,303	12,618
Commitments to extend credit	4,342,729	3,565,364
	$ 4,475,437	$ 3,673,150

The amounts presented above in the current and comparative year for commitments to extend credit include un-drawn lines of credit.

Indemnification agreements

In the normal course of operations, ATB enters in various agreements that provide general indemnification to the counterparty. Examples of such agreements would include service agreements, leasing agreements, clearing arrangements and service contracts. These indemnifications may require ATB, in certain circumstances, to compensate the counterparty 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 counterparties. Historically, any such amounts have not been significant. No amount has been accrued in the Consolidated Balance Sheet as at March 31, 2005, 2004 or 2003 in respect of such indemnifications.

Contractual Obligations

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

2006	$ 48,013
2007	47,164
2008	44,230
2009	34,353
2010	19,801
2011 and thereafter	33,134
	$ 226,695

The total expense in respect of operating leases charged to the Consolidated Statement of Income for the year ended March 31, 2005 is $45,662 (2004: $43,748; 2003: $43,839).

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NOTE 15 (continued)

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. ATB also pledges securities to the CDS in order to participate in a settlement agent credit ring. The total amount of securities so pledged at March 31, 2005 is provided in Note 5.

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.

NOTE 16 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, as amended July 6, 2004, 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.

	2005						2004
	Base salary	Variable pay Current (1)	Variable pay Deferred (2)	Other cash benefits	Other non-cash benefits	Total	Total
Chairman of Board	$ 48	$ -	$ -	$ -	$ -	$ 48	$ 44
Board Members (3)	406	-	-	-	-	406	358
President and Chief Executive Officer	367	250	281	67	81	1,046	779
Chief Operating Officer	242	126	146	107	29	650	548
Executive Vice-President Marketing (4)	137	-	-	14	21	172	336
Executive Vice-President Credit	181	59	69	14	30	353	346
Executive Vice-President Treasurer (5)	168	55	64	14	32	333	26
Chief Financial Officer (6)	171	55	56	14	32	328	308
Vice President Human Resources	160	52	60	13	20	305	277

Notes:
(1) Variable pay is accrued based on goal attainment for the fiscal year but is paid following the fiscal year-end.
(2) Deferred variable pay is reported as earned in the year though payment is deferred for up to 2.5 years and is dependent upon the employee's continued employment with ATB. The actual amount each employee will receive will appreciate or depreciate from the amount reported above based on a specified methodology to reflect ATB's actual financial performance over the next two fiscal years.

ALBERTA TREASURY BRANCHES

NOTE 16 (continued)

(3) The Board consists of eleven members plus the Chairman who is disclosed separately.

(4) This position was abolished effective October 22, 2004 and amounts presented do not include severance.

(5) This position was established effective March 1, 2004.

(6) Two incumbents occupied this position during the fiscal 2003-04 year.

Base salary consists of all regular pensionable base pay earned.

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

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

NOTE 17 RELATED PARTY TRANSACTIONS

In the ordinary course of business, ATB provides normal banking services to various departments and agencies of the government of the Province of Alberta on terms similar to those offered to non-related parties (also see Note 10).

ATB provides banking services to its directors on terms similar to those offered to non-related parties and to its officers and employees at preferential rates. The total outstanding balances of residential mortgages and loans to all of these parties as at March 31 are as follows:

	2005	2004
Residential mortgage	$ 133,229	$ 118,942
Personal loans	$ 52,846	$ 46,804
Credit card	8,448	7,256
Business	5,672	5,737
	$ 200,195	$ 178,739

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NOTE 18 ESTIMATED FAIR VALUE OF BALANCE SHEET FINANCIAL INSTRUMENTS

The following table presents management's best estimates of the fair value of its on-balance sheet financial instruments (except for derivative instruments which are presented separately in Note 14). The fair values are determined as at the balance sheet date using the valuation methods and assumptions described below. These values may change in subsequent reporting periods due to market conditions or other factors.

Estimated fair value

Estimated fair value represents the amount at which ATB would exchange a financial instrument in an arm's length transaction with a willing party under no compulsion to act. For those instruments with an available market price, fair value is established by reference to the last traded price prior to the balance sheet date. Many of ATB's financial instruments lack such an available trading market and the associated fair values presented represent management's best estimates of the current value of the instruments, taking into account changes in market rates (principally interest rates) or credit risk that have occurred since their origination.

Premises and equipment and accrued pension benefit asset and liability are not considered financial instruments and have been excluded from the estimates of fair value. The net carrying value of such amounts excluded totalled $115,537 as at March 31, 2005 (2004: $100,598).

Financial instruments whose book value approximates fair value

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

Securities

The fair value of equity securities is determined by reference to quoted marked prices. The fair value of debt securities is considered approximately equal to their carrying value, as their remaining terms to maturity are short enough that their value is effectively immune to changes in the interest rate environment.

Loans and deposits

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

Subordinated debentures

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

ALBERTA TREASURY BRANCHES

NOTE 18 (continued)

Estimated fair value

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

			2005			2004
	Carrying value	Fair value	Fair value over carrying value	Carrying value	Fair value	Fair value over carrying value
Assets						
Cash resources	$ 953,523	$ 953,523	$ -	$1,058,008	$1,058,008	$ -
Securities	932,511	932,511	-	854,997	854,997	-
Loans	13,137,917	13,462,963	325,046	12,131,053	12,472,755	341,702
Other	247,214	247,214	-	168,736	168,736	-
Liabilities						
Deposits	13,840,032	13,925,228	85,196	13,035,120	13,135,449	100,329
Other	325,207	325,207	-	262,313	262,313	-
Subord. Debent.	65,719	67,346	1,627	45,416	48,232	2,816

NOTE 19 INTEREST RATE RISK

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

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

ALBERTA TREASURY BRANCHES

NOTE 19 (continued)

The gap position presented in the following schedule is as of the close of the business on March 31, 2005. It represents the position of ATB as at that point in time only and may change significantly from day to day due to customer preferences and risk management policies.

	Term to maturity/repricing							
	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
2005								
Assets								
Cash	$ 26,279	$ -	$ -	$ 26,279	$ -	$ -	$ -	$ 26,279
Effective interest rate	2.59%	-	-	2.59%	-	-	-	2.59%
Securities and interest bearing deposits with financial institutions	1,781,208	42,554	35,994	1,859,755	-	-	-	1,859,755
Effective interest rate	2.61%	2.73%	2.86%	2.61%	-	-	-	2.61%
Loans	7,677,466	331,690	649,465	8,658,621	4,520,016	34,793	(75,513)	13,137,917
Effective interest rate	4.99%	6.20%	5.95%	5.11%	5.45%	4.54%	-	5.25%
Other	-	-	-	-	-	-	357,281	357,281
	9,484,953	374,244	685,459	10,544,655	4,520,016	34,793	281,768	15,381,232
Liabilities and Equity								
Deposits	8,415,967	460,201	1,339,151	10,215,319	3,624,713	-	-	13,840,032
Effective interest rate	1.06%	2.48%	3.80%	1.48%	3.67%	-	-	2.05%
Other liabilities and equity	-	-	-	-	-	-	1,475,481	1,475,481
Subordinated debentures	-	-	-	-	-	-	65,719	65,719
Effective interest rate	-	-	-	-	-	-	5.19%	5.19%
	8,415,967	460,201	1,339,151	10,215,319	3,624,713	-	1,541,200	15,381,232
On-balance sheet gap	1,068,986	(85,957)	(653,692)	329,336	895,303	34,793	(1,259,432)	14,305,810
Derivatives used for asset/liability gap management (notional amounts)								
Pay side swaps	(1,300,000)	-	-	(1,300,000)	-	-	-	(1,300,000)
Effective interest rate	3.54%	-	-	3.54%	-	-	-	-
Receive side swaps	200,000	400,000	700,000	1,300,000	-	-	-	1,300,000
Effective interest rate	2.39%	2.81%	2.96%	2.83%	-	-	-	-
Off-balance sheet gap	(1,100,000)	400,000	700,000	-	-	-	-	-
Net gap	$ (31,014)	$ 314,043	$ 46,308	$ 329,336	$ 895,303	$ 34,793	$(1,259,432)	$ -
As % of assets	(0.20%)	2.04%	0.30%	2.14%	5.82%	0.23%	(8.19%)	-
2004								
Assets	8,647,932	435,040	742,398	9,825,370	4,247,721	48,394	184,325	14,305,810
Liabilities	7,509,107	1,039,500	1,233,329	9,781,936	3,253,059	125	1,270,690	14,305,810
Off-balance sheet gap	(400,000)	300,000	100,000	-	-	-	-	-
Net gap	$ 738,825	$(304,460)	$(390,931)	$ 43,434	$ 994,662	$ 48,269	$(1,086,365)	$ -
As % of assets	5.17%	(2.13%)	(2.73%)	0.30%	6.96%	0.34%	(7.60%)	-

ALBERTA TREASURY BRANCHES

NOTE 20 SEGMENTED INFORMATION

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

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

ATB's operating activities are not considered to be geographically distributed for external reporting purposes, as all its operations are essentially limited to customers within the province of Alberta.

Basis of presentation

Results presented in the following schedule are based on ATB's internal financial reporting systems. The accounting policies used in these groupings are consistent with those followed in the preparation of the consolidated financial statements as disclosed in the other notes to the consolidated financial statements. As these lines of business are based on ATB's internal management structure, they may not be comparable to those of other financial institutions. Comparable information for the fiscal year ended March 31, 2003 is not available since ATB re-organized its operations into the three lines of business during that fiscal year.

ALBERTA TREASURY BRANCHES

NOTE 20 (continued)

	Personal and Business	Corporate	Investor Services	Other Business Units *	Total
2005					
Net interest income	$ 323,441	$ 40,395	$ -	$ 34,910	$ 398,746
Other income	105,973	10,913	10,337	12,085	139,308
Total operating revenues	429,414	51,308	10,337	46,995	538,054
Provision for (recovery of) credit losses	8,392	(215)	-	(22,771)	(14,594)
Non-interest expenses	300,954	13,703	22,301	28,377	365,335
Net income (loss)	$ 120,068	$ 37,820	$ (11,964)	$ 41,389	$ 187,313
Total assets	$ 11,249,427	$ 1,956,059	$ 35,672	$ 2,140,074	$ 15,381,232
2004					
Net interest income	$ 351,014	$ 34,232	$ -	$ 12,038	$ 397,284
Other income	97,136	6,615	3,970	8,551	116,272
Total operating revenues	448,150	40,847	3,970	20,589	513,556
Provision for (recovery of) credit losses	20,139	5,504	-	(9,784)	15,859
Non-interest expenses	283,004	7,189	12,084	23,396	325,673
Net income (loss)	$ 145,007	$ 28,154	$ (8,114)	$ 6,977	$ 172,024
Total assets	$ 10,759,963	$ 1,441,411	$ 27,859	$ 2,076,577	$ 14,305,810

* Comprised of business units of a corporate nature such as investment, risk management, asset liability management and treasury operations, as well as expenses and general allowances and recoveries for credit losses not expressly attributed to the three lines of business.