ALBERTA TREASURY BRANCHES
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2003

Auditor's Report

Consolidated Balance Sheet

Consolidated Statement of Income

Consolidated Statement of Changes in Equity

Consolidated Statement of Cash Flows

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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, 2003, 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 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, 2003 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

[Original Signed]

Fred J. Dunn, FCA
Auditor General

Edmonton, Alberta
May 13, 2003

ALBERTA TREASURY BRANCHES
CONSOLIDATED BALANCE SHEET
AS AT MARCH 31
($ in thousands)

	2003	2002	2001
ASSETS			
Cash resources (Note 4)			
Cash and non-interest bearing deposits with banks	$ 90,495	$ 104,434	$ 146,550
Interest bearing deposits with banks	579,607	752,269	752,519
Cheques and other items in transit, net	-	15,627	-
	670,102	872,330	899,069
Securities (Note 5)	578,850	807,793	926,180
Loans, net of allowances for credit losses (Notes 6 and 7)			
Residential mortgage	4,956,773	4,423,668	3,977,883
Personal	1,803,170	1,629,781	1,510,325
Business and other	5,077,850	4,485,969	4,189,693
General allowance for credit losses	(146,311)	(138,855)	(123,649)
	11,691,482	10,400,563	9,554,252
Other			
Premises and equipment (Note 8)	81,322	74,661	74,183
Other assets (Notes 9)	179,984	198,463	205,502
	261,306	273,124	279,685
	$ 13,201,740	$ 12,353,810	$ 11,659,186
LIABILITIES AND EQUITY			
Deposits (Note 10)			
Personal	$ 7,508,559	$ 6,978,556	$ 6,307,770
Business and other	4,588,352	4,446,654	4,611,093
	12,096,911	11,425,210	10,918,863
Other			
Other liabilities (Note 11)	250,731	306,385	282,118
Cheques and other items in transit, net (Note 4)	17,745	-	6,654
	268,476	306,385	288,772
Subordinated debentures (Note 12)	45,416	30,182	17,444
Equity	790,937	592,033	434,107
	$ 13,201,740	$ 12,353,810	$ 11,659,186

The accompanying notes are an integral part of the 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
FOR THE YEAR ENDED MARCH 31
($ in thousands)

	2003	2002	2001
Interest income			
Loans	$ 657,374	$ 669,422	$ 726,242
Securities	18,613	34,697	43,355
Deposits with banks	21,537	35,326	40,229
	697,524	739,445	809,826
Interest expense			
Deposits	330,896	372,243	446,959
Subordinated debentures	2,468	1,619	898
	333,364	373,862	447,857
Net interest income	364,160	365,583	361,969
Provision for (recovery of) credit losses (Note 7)	(43,211)	21,095	20,969
Net interest income after provision for (recovery of) credit losses	407,371	344,488	341,000
Other income			
Service charges	49,699	45,751	44,229
Credit fees	26,520	25,581	17,238
Commission and other	12,017	12,045	11,937
Card fees	13,892	12,679	10,182
Foreign exchange	5,314	5,153	5,489
	107,442	101,209	89,075
Net interest and other income	514,813	445,697	430,075
Non-interest expenses			
Salaries and employee benefits (Notes 13 and 14)	160,160	146,789	134,856
Premises and equipment, including amortization	46,922	42,905	42,314
Communications and electronic processing	55,884	52,559	49,695
Other	52,943	45,518	41,741
	315,909	287,771	268,606
Net income	$ 198,904	$ 157,926	$ 161,469

ALBERTA TREASURY BRANCHES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31
($ in thousands)

	2003	2002	2001
Equity at beginning of year	$ 592,033	$ 434,107	$ 272,638
Net income	198,904	157,926	161,469
Equity at end of year	$ 790,937	$ 592,033	$ 434,107

ALBERTA TREASURY BRANCHES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31
($ in thousands)

	2003	2002	2001
Cash flows from operating activities			
Net income	$ 198,904	$ 157,926	$ 161,469
Adjustments to determine net cash flows:			
Provision for (recovery of) credit losses	(43,211)	21,095	20,969
Amortization	20,107	17,419	16,379
Net changes in accrued interest receivable and payable	12,604	4,867	14,233
Other items, net	(49,779)	26,439	1,505
	138,625	227,746	214,555
Cash flows from financing activities			
Net change in deposits	671,701	506,347	994,237
Issue of subordinated debentures	15,234	12,738	9,925
	686,935	519,085	1,004,162
Cash flows from investing activities			
Net change in interest bearing deposits with banks	172,662	250	(257,617)
Purchase of investment securities	(6,653,500)	(8,595,386)	(7,324,304)
Maturity of investment securities	6,882,443	8,713,773	7,090,578
Net change in loans	(1,247,708)	(867,406)	(641,646)
Net purchases of capital assets	(26,768)	(17,897)	(26,946)
	(872,871)	(766,666)	(1,159,935)
Net (decrease) increase in cash and cash equivalents	(47,311)	(19,835)	58,782
Cash and cash equivalents at beginning of year	120,061	139,896	81,114
Cash and cash equivalents at end of year	$ 72,750	$ 120,061	$ 139,896
Represented by:			
Cash and non-interest bearing deposits with banks	$ 90,495	$ 104,434	$ 146,550
Cheques and other items in transit, net	(17,745)	15,627	(6,654)
	$ 72,750	$ 120,061	$ 139,896
Supplementary cash flow information:			
Amount of interest paid during the year	$ 335,260	$ 378,411	$ 401,759

ALBERTA TREASURY BRANCHES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2003

($ in 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's primary business is providing financial services within Alberta.

NOTE 2 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 subsidiaries (Note 22). 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.

- Specific accounting policies

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

NOTE 3 MEASUREMENT UNCERTAINTY

In preparing the Consolidated Financial Statements, management must make estimates and assumptions concerning values of certain assets and liabilities, net income and related disclosures such as credit loss allowances, pension liability, accrued liabilities and amortization. Actual results could differ from these estimates.

NOTE 4 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 on the Consolidated Balance Sheet.

NOTE 5 SECURITIES

Securities are comprised of debt and equity securities and 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 debt securities approximates the market value of securities. The market value of equity securities is $11,528 as per quoted market price at March 31, 2003.

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

	Within one year	No specific maturity	2003 Total carrying value	2002 Total carrying value	2001 Total carrying value
Issued or guaranteed by the					
Canadian federal government	$ 8,728	$ -	$ 8,728	$ 31,959	$ 106,756
Corporate debt	558,144	-	558,144	775,834	819,424
Equity	-	11,978	11,978	-	-
	$566,872	$ 11,978	$ 578,850	$ 807,793	$ 926,180

Securities pledged at March 31, 2003 totalled $172,940 (2002: $41,625; 2001: $91,600)(Note 16).

NOTE 6 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 consist of the following:

	Gross Loans	Specific Allowances	General Allowances	2003 Net Carrying Value	2002 Net Carrying Value	2001 Net Carrying Value
Residential mortgage	$ 4,961,458	$ 4,685	$ 4,899	$ 4,951,874	$ 4,417,971	$ 3,970,420
Personal	1,806,125	2,955	46,447	1,756,723	1,583,409	1,461,446
Agricultural	1,325,923	2,634	10,796	1,312,493	1,264,358	1,216,503
Independent business, commercial and other	3,772,709	18,148	84,169	3,670,392	3,134,825	2,905,883
	$ 11,866,215	$ 28,422	$ 146,311	$ 11,691,482	$ 10,400,563	$ 9,554,252

Total net loans include loans of $49,908 (2002: $5,781; 2001: $10,343) denominated in U.S. funds.

Impaired loans (included in the preceding schedule):

	Specific			General			
	2003	2002	2001	2003	2002	2001	2003
Balance at beginning of year	$ 89,588	$ 93,240	$100,894	$138,855	$123,649	$111,639	$228,443
Write-offs*	(29,459)	(19,635)	(27,553)	-	-	-	(29,459)
Recoveries	25,550	10,094	10,940	-	-	-	25,550
Provision for (recovery of) credit losses	(50,667)	5,889	8,959	7,456	15,206	12,010	(43,211)
Balance at end of year	$ 35,012	$ 89,588	$ 93,240	$146,311	$138,855	$123,649	$181,323

The total recorded investment at March 31, 2003 in assets acquired in satisfaction of problem loans was $128, with an allowance for losses of $97 and a net carrying value of $31. (2002: $99; 2001: $171). These amounts are included in the preceding schedules.

NOTE 7 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		
	2003	2002	2001	2003	2002	2001	2003	2002	2001
Balance at beginning of year	$ 89,588	$ 93,240	$100,894	$138,855	$123,649	$111,639	$228,443	$216,889	$212,533
Write-offs*	(29,459)	(19,635)	(27,553)	-	-	-	(29,459)	(19,635)	(27,553)
Recoveries	25,550	10,094	10,940	-	-	-	25,550	10,094	10,940
Provision for (recovery of) credit losses	(50,667)	5,889	8,959	7,456	15,206	12,010	(43,211)	21,095	20,969
Balance at end of year	$ 35,012	$ 89,588	$ 93,240	$146,311	$138,855	$123,649	$181,323	$228,443	$216,889

* Includes $7,000 (2002: $0; 2001: $0) relating to loans restructured during the year.

The specific allowance at the end of year consists of the following:

	2003	2002	2001
Loan losses	$ 28,422	$ 34,875	$ 36,297
Guarantees/losses	-	45,000	45,000
Cost of credit recovery	6,590	9,713	11,943
	$ 35,012	$ 89,588	$ 93,240

NOTE 8 PREMISES AND EQUIPMENT

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 classes are as follows:

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

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

As at March 31, 2003, the balances are as follows:

			2003	2002	2001
	Cost	Accumulated amortization	Net carrying value	Net carrying value	Net carrying value
Land	$ 7,531	$ -	$ 7,531	$ 7,649	$ 7,186
Buildings	63,453	49,189	14,264	15,100	15,119
Equipment and software	98,127	70,516	27,611	27,642	28,078
Leasehold improvements	67,313	35,397	31,916	24,270	23,800
	$ 236,424	$ 155,102	$ 81,322	$ 74,661	$ 74,183

Amortization charged to the Consolidated Statement of Income for the year ended March 31, 2003, in respect to the above assets was $20,107 (2002: $17,419; 2001: $16,379)

NOTE 9 OTHER ASSETS

	2003	2002	2001
Accrued interest receivable	$ 130,097	$ 144,597	$ 154,013
Other items, including accounts receivable, accrued pension benefit asset and prepaid items	49,887	53,866	51,489
	$ 179,984	$ 198,463	$ 205,502

NOTE 10 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, 2003 the fee was $15,985 (2002: $15,234; 2001: $12,738).

Deposits are summarized as follows:

				2003	2002	2001
	Payable on demand	Payable after notice	Payable on a fixed date	Total	Total	Total
Personal	$ 765,101	$ 1,218,245	$ 5,525,213	$ 7,508,559	$ 6,978,556	$ 6,307,770
Business and other	1,631,829	288,988	2,667,535	4,588,352	4,446,654	4,611,093
	$ 2,396,930	$ 1,507,233	$ 8,192,748	$ 12,096,911	$ 11,425,210	$ 10,918,863

Total deposits include $127,485 (2002: $124,139; 2001: $96,574) denominated in U. S. funds.

As at March 31, 2002, deposits by the Province of Alberta total $8,880 (2002: $16,963; 2001: $33,307) and include deposits for loans made under the Alberta Farm Credit Stability Program in the amount of $7,888 (2002: $15,972; 2001: $32,165).

NOTE 11 OTHER LIABILITIES

	2003	2002	2001
Accrued interest payable	$ 142,008	$ 143,904	$ 148,453
Allowance for credit losses on loan guarantees	-	45,000	45,000
Other items, including accounts payable, deposit guarantee fee payable, accrued pension benefit liability and other accrued liabilities	108,723	117,481	88,665
	$ 250,731	$ 306,385	$ 282,118

NOTE 12 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 2003. These debentures are non-convertible, non-redeemable, non-transferrable, and bear a fixed interest rate payable semi-annually.

Maturity Date	Interest Rate	2003	2002	2001
June 30, 2004	5.475%	$ 7,519	$ 7,519	$ 7,519
June 30, 2005	6.540%	9,925	9,925	9,925
June 30, 2006	5.840%	12,738	12,738	-
June 30, 2007	5.485%	15,234	-	-
		$ 45,416	$ 30,182	$ 17,444

NOTE 13 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 $2,845 (2002: $2,699; 2001: $2,492) 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, 2003 the expense was $3,929 (2002: $2, 773; 2001: $2,479).

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		
	2003	2002	2001	2003	2002	2001
Change in fair value of plan assets						
Fair value of plan assets at beginning of year	$ 56,435	$ 58,316	$ 54,448	$ -	$ -	$ -
Contributions from ATB	1,252	948	-	54	7	-
Contributions from employees	935	904	977	-	-	-
Actual return on plan assets	(6,861)	2,059	3,988	-	-	-
Benefits paid	(1,437)	(1,120)	(399)	(54)	(7)	-
Transfers to other plans	-	(4,672)	(698)	-	-	-
Fair value of plan assets at end of year	$ 50,324	$ 56,435	$ 58,316	$ -	$ -	$ -
Change in projected benefit obligation						
Projected benefit obligation at beginning of year	$ 63,740	$ 57,326	$ 51,817	$ 1,850	$ 1,028	$ 415
Actuarial loss (gain)	(691)	5,381	(215)	(766)	156	125
Current service cost	2,491	2,233	2,483	675	578	429
Interest cost	4,338	3,907	3,640	146	95	59
Benefits paid	(1,437)	(1,120)	(399)	(54)	(7)	-
Transfers to other plans	-	(3,987)	-	-	-	-
Projected benefit obligation at end of year	$ 68,441	$ 63,740	$ 57,326	$ 1,851	$ 1,850	$ 1,028
Funded status						
Plan (deficit) surplus	$ (18,117)	$ (7,305)	$ 990	$ (1,851)	$ (1,850)	$ (1,028)
Unamortized initial transition asset	(2,364)	(2,758)	(3,389)	-	-	-
Unamortized actuarial net loss (gain)	22,403	12,557	5,314	(395)	385	239
Accrued benefit asset (liability)	$ 1,922	$ 2,494	$ 2,915	$ (2,246)	$ (1,465)	$ (789)
Annual benefit expense						
Service cost, net of employee contributions	$ 1,556	$ 1,329	$ 1,506	$ 675	$ 578	$ 429
Interest cost	4,338	3,907	3,640	146	95	59
Expected return on plan assets	(4,303)	(4,305)	(4,609)	-	-	-
Amortization of initial transition asset	(394)	(394)	(424)	-	-	
Amortization of unrecognized experience losses	625	-	-	14	10	-
Loss on transfers to other plans	-	832	-	-	-	-
Net pension benefit expense	$ 1,822	$ 1,369	$ 113	$ 835	$ 683	$ 488
Actuarial assumptions used in actuarial valuations						
Discount rate at beginning of year(1)	6.75%	7.25%	7.00%	6.75%	7.25%	7.00%
Discount rate at end of year	7.00%	6.75%	7.25%	7.00%	6.75%	7.25%
Return on plan assets	7.50%	8.00%	9.00%	-	-	-
Rate of inflation(2)	3.00%	2.75%	2.50%	3.00%	2.75%	2.50%
Rate of increase in future compensation (3)	4.75%	4.50%	4.00%	5.00%	4.75%	4.75%

(1) A decrease of one percentage point in discount rate would have increased the 2003 net pension benefit expense of the registered plan by $1,815 and of the supplemental plan by $220.

(2) An increase of one percentage point in inflation rate would have increased the 2003 net pension benefit expense of the registered plan by $1,365 and of the supplemental plan by $204.

(3) The assumed compensation increase trend for the registered plan was based on an estimated increase of 5.00% per annum for four years and 3.50% thereafter, and for the supplemental plan on an estimated increase of 5.00% per annum. An increase of one percentage point in compensation trends would have increased the 2003 net pension benefit expense of the registered plan by $530 and of the supplemental plan by $133.

NOTE 14 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.

						2003	2002
	Base salary	Variable pay (1)	Deferred variable pay (2)	Total salary	Benefits and allowances	Total	Total
Chairman of Board	$ 48	$ -	$ -	$ 48	-	$ 48	$ 58
Board Members (11)	394	-	-	394	-	394	358
President and Chief Executive Officer	263	159	170	592	139	731	464
Chief Operating Officer (3)	210	113	123	446	58	504	172
Executive Vice-President Marketing	175	58	68	301	65	366	331
Executive Vice-President Credit	167	56	65	288	67	355	321
Chief Financial Officer	193	51	60	304	57	361	286
Vice President Human Resources	139	46	53	238	52	290	250

(1) Variable pay is determined based on goal attainment in the fiscal year and will be paid in June 2003.

(2) Deferred variable pay is reported as earned in the year. Payment is deferred for up to 2.9 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 established 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 (2003: $0; 2002: $4), the Executive Vice-President credit (2003: $0; 2002: $6) and the Chief Financial Officer (2003: $38; 2002: $0). 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.

NOTE 15 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 10).

On June 30, 2002 a subordinated debenture issue was privately placed with the Crown in right of Alberta (Note 12).

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, 2003, the total outstanding balances of loans and residential mortgages to these parties were $164,321 (2002: $150,187; 2001: $164,534).

NOTE 16 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.

Contractual amounts as at March 31 were:

	2003	2002	2001
Guarantees	$ 91,710	$ 440,744	$ 410,579
Letters of credit	9,501	3,026	4,904
Commitments to extend credit	2,764,923	2,245,554	2,098,536
	$ 2,866,134	$ 2,689,324	$ 2,514,019

- 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:

2004	$ 18,502
2005	17,527
2006	16,858
2007	15,880
2008	14,616
2009 and thereafter	35,173
	$ 118,556

The total lease expense charged to the Consolidated Statement of Income for the year ended March 31, 2003, is $18,246 (2002: $16,016; 2001: $16,599).

- 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 5.

- West Edmonton Mall loan guarantee

  During the year, ATB reached an out-of-court resolution of its legal dispute with the owners of the West Edmonton Mall. The parties have exchanged formal releases as part of the settlement and have agreed to the discontinuance of the actions commenced against each other without costs. As a result $45,000 of previously reported credit losses on this account was reversed and recognized in income.

NOTE 17 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. Forward contracts are carried at cost. Realized gains and losses are recorded as an adjustment to gains and losses on related hedged instruments. 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, 2003 is $39,825 (2002: $38,652; 2001: $30,650) 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:

	Term to maturity		2003	2002	2001
	Within 1 year	1 to 5 years	Total	Total	Total
Interest rate contracts					
Interest rate swaps	$ 750,000	$ 150,000	$ 900,000	$ 2,140,000	$ 1,555,000
Interest rate caps	30,000	531,250	561,250	35,000	35,000
Interest rate floors	-	-	-	100,000	-
Interest rate collars	800,000	-	800,000	-	-
Interest rate swap options	-	14,888	14,888	-	-
	1,580,000	696,138	2,276,138	2,275,000	1,590,000
Equity and commodity linked contracts	126,700	330,500	457,200	455,050	330,650
Foreign exchange forward contracts	4,247	366	4,613	2,152	5,141
Forward contracts	8,960	-	8,960	-	-
	$ 1,719,907	$ 1,027,004	$ 2,746,911	$ 2,732,202	$ 1,925,791

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

			Current Replacement Cost	
2003	Notional amount	Net fair value	Favourable position	Unfavourable position
Interest rate contracts				
Interest rate swaps	$ 900,000	$ (6,880)	$ 1,901	$ (8,781)
Interest rate caps	561,250	3,633	3,633	-
Interest rate floors	800,000	(544)	46	(590)
Interest rate collars	14,888	385	385	-
Interest rate swap options				
Equity linked contracts	457,200	10,805	11,091	(286)
Forward contracts	8,960	290	290	-
Foreign exchange forward contracts	4,613	8	132	(124)
Total	$ 2,746,911	$ 7,697	$ 17,478	$ (9,781)
2002 Total	$ 2,732,202	$ 24,391	$ 39,042	$ (14,651)
2001 Total	$ 1,925,791	$ 49,942	$ 53,903	$ 3,961

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 limits its credit exposure by dealing with counterparties believed to be credit worthy.

NOTE 18 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, debt securities, other assets and other liabilities.

For equity securities, fair value is equal to the quoted market price at March 31, 2003. 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 premises and equipment.

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

			2003			2002			2001
	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 carrying value
Assets									
Cash resources	$ 670,102	$ 670,102	$ -	$ 872,330	$ 872,330	$ -	$ 899,069	$ 899,069	$ -
Securities	578,850	578,400	(450)	807,793	807,793	-	926,180	926,180	-
Loans	11,691,482	12,001,997	310,515	10,400,563	10,661,762	261,199	9,554,252	9,720,444	166,192
Other	179,984	179,984	-	198,463	198,463	-	205,502	205,502	-
Liabilities									
Deposits	12,096,911	12,114,362	17,451	11,425,210	11,446,659	21,449	10,918,863	11,066,983	148,120
Other	313,892	313,892	-	336,567	336,567	-	306,216	306,216	-

NOTE 19 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							
2003	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	$ 90,495	$ -	$ -	$ 90,495	$ -	$ -	$ -	$ 90,495
Effective interest rate	3.13%	-	-	3.13%	-	-	-	3.13%
Securities and interest bearing deposits with banks	1,055,851	51,569	51,037	1,158,457	-	-	-	1,158,457
Effective interest rate	2.84%	3.15%	3.12%	2.87%	-	-	-	2.87%
Loans	6,375,956	397,026	1,080,408	7,853,390	3,882,060	37,381	(81,349)	11,691,482
Effective interest rate	5.63%	6.62%	6.42%	5.79%	6.30%	7.38%	-	6.01%
Other	-	-	-	-	-	-	261,306	261,306
	7,522,302	448,595	1,131,445	9,102,342	3,882,060	37,381	179,957	13,201,740
Liabilities and Equity								
Deposits	6,718,440	618,603	1,495,255	8,832,298	3,262,852	1,543	218	12,096,911
Effective interest rate	1.38%	3.79%	3.46%	1.90%	4.52%	8.95%	-	2.61%
Other liabilities and equity	-	-	-	-	-	-	1,059,413	1,059,413
Subordinated debentures	-	-	-	-	-	-	45,416	45,416
Effective interest rate	-	-	-	-	-	-	5.81%	5.81%
	6,718,440	618,603	1,495,255	8,832,298	3,262,852	1,543	1,105,047	13,201,740
On-balance sheet gap	803,862	(170,008)	(363,810)	270,044	619,208	35,838	(925,090)	-
Derivatives used for asset/liability gap management (notional amounts)								
Pay side swaps	(500,000)	(50,000)	(200,000)	(750,000)	(150,000)	-	-	(900,000)
Effective interest rate	3.03%	5.40%	5.25%	3.78%	5.49%	-	-	-
Receive side swaps	850,000	50,000	-	900,000	-	-	-	900,000
Effective interest rate	3.19%	3.43%	-	3.20%	-	-	-	-
Off-balance sheet gap	350,000	-	(200,000)	150,000	(150,000)	-	-	-
Net gap	$ 1,153,862	$ (170,008)	$ (563,810)	$ 420,044	$ 469,208	$35,838	$ (925,090)	$ -
% of assets	8.74%	(1.29%)	(4.27%)	3.18%	3.55%	0.27%	(7.01%)	-
2002								
Net gap	$ (590,366)	$ (50,724)	$ 454,270	$ (186,820)	$ 865,320	$41,169	$ (719,669)	$ -
% of assets	(4.78%)	(0.41%)	3.68%	(1.52%)	7.00%	0.33%	(5.82%)	-
2001								
Net gap	$ (589,081)	$ 259,170	$ 72,190	$ (257,721)	$ 753,121	$22,712	$ (518,112)	$ -
% of assets	5.05%	2.22%	0.62%	2.21%	6.46%	0.19%	(4.44%)	-

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.

NOTE 20 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 West Edmonton Mall financing (Note 16) is an exception. The total credit exposure as at March 31, 2003 was $321,779 in loans and commitments to extend credit (2002: $345,951 in guarantees; 2001: $345,951 in guarantees). Further, policies and procedures are established to promote sound lending practices and ensure prompt attention to problem loans.

NOTE 21 MARKET SEGMENT INFORMATION

ATB conducts its business through market segments that offer different products and services: individual agricultural and independent and commercial business. Results for these market segments presented in the following tables are based on ATB's internal financial reporting systems, and are consistent with the accounting policies followed in the presentation of ATB's Consolidated Financial Statements. The net interest income is determined based on the nature and term of the assets and liabilities for each segment. Other income and provision for credit losses are captured for each group. Non-interest expenses are allocated to the market segments based on management's estimates.

SEGMENTED INCOME STATEMENTS
FOR THE TWELVE MONTHS ENDED
($in thousands)

	Individual	Agricultural	Independent business and commercial	Other *	Total
March 31, 2003					
Net interest income	$ 177,958	$ 36,168	$ 138,820	$ 11,214	$ 364,160
Other income	53,371	3,490	39,852	10,729	107,442
Total revenue	231,329	39,658	178,672	21,943	471,602
Provision for credit losses	6,085	1,495	9,035	(59,826)	(43,211)
Net interest and other income	225,244	38,163	169,637	81,769	514,813
Non-interest expenses	159,487	25,880	95,886	34,656	315,909
Net income	$ 65,757	$ 12,283	$ 73,751	$ 47,113	$ 198,904
Average loans	$ 6,425,282	$ 1,299,224	$ 3,363,645	$ (135,768)	$ 10,952,383
Average deposits	6,524,668	388,248	4,094,542	788,671	11,796,129
Total assets	6,708,597	1,298,332	3,684,552	1,510,259	13,201,740

SEGMENTED INCOME STATEMENTS
FOR THE TWELVE MONTHS ENDED
($in thousands)

	Individual	Agricultural	Independent business and commercial	Other *	Total
March 31, 2002					
Net interest income	$ 176,220	$ 33,767	$ 143,057	$ 12,539	$ 365,583
Other income	49,480	3,108	37,678	10,943	101,209
Total revenue	225,700	36,875	180,735	23,482	466,792
Provision for credit losses	5,140	329	8,202	7,424	21,095
Net interest and other income	220,560	36,546	172,533	16,058	445,697
Non-interest expenses	143,036	24,114	89,417	31,204	287,771
Net income (loss)	$ 77,524	$ 12,432	$ 83,116	$ (15,146)	$ 157,926
Average loans	$ 5,752,463	$ 1,244,882	$ 3,096,683	$ (132,859)	$ 9,961,169
Average deposits	5,995,905	343,286	3,892,345	1,133,501	11,365,037
Total assets	6,001,380	1,258,428	3,140,773	1,953,229	12,353,810

* Comprised of business 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 market segments.

NOTE 22 SUBSIDIARIES

At March 31, 2003 ATB wholly owns the following subsidiaries for the purpose of offering investor services to its customers. These subsidiaries are incorporated under the Business Corporation Act (Alberta).

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