

Notes to the Interim Consolidated Financial Statements

For the three months ended June 30, 2005 (\$ in thousands)

(unaudited)

1. Basis of Presentation

These unaudited interim Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements for the year ended March 31, 2005, as set out on pages 89 to 119 of the 2005 Annual Report.

These interim Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles using the same significant accounting policies outlined in the notes to the Consolidated Financial Statements for the year ended March 31, 2005 except as described in Note 2 following.

2. New Accounting Policies

Generally Accepted Accounting Principles

As of December 31, 2004 ATB prospectively adopted the Canadian Institute of Chartered Accountants' (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 receivable from or 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 under "Other Assets" or "Other Liabilities" respectively.

3. Allowance for Loan Losses

The allowance for loan losses recorded in the Consolidated Balance Sheet is maintained at the level which management considers adequate to absorb credit-related losses for all on- and of- balance sheet items. Changes in the allowance for loan losses are as follows:

For the three months ended	Specific			General			Total		
	June 30 2005	March 31 2005	June 30 2004	June 30 2005	March 31 2005	June 30 2004	June 30 2005	March 31 2005	June 30 2004
Balance at beginning of the period	\$ 32,147	\$ 38,410	\$ 39,935	\$ 140,829	\$ 143,043	\$ 157,719	\$ 172,976	\$ 181,453	\$ 197,654
Write-offs	(5,555)	(7,133)	(2,258)	-	-	-	(5,555)	(7,133)	(2,258)
Recoveries	1,833	1,341	1,995	-	-	-	1,833	1,341	1,995
Recoveries of credit losses	(1,064)	(471)	(75)	(3,412)	(2,214)	(9,754)	(4,476)	(2,685)	(9,829)
Balance at end of the period	\$ 27,361	\$ 32,147	\$ 39,597	\$ 137,417	\$ 140,829	\$ 147,965	164,778	172,976	187,562
Less: Allowance for cost of credit recovery included in other liabilities							5,345	4,782	4,887
Allowance for loan losses							\$ 159,433	\$ 168,194	\$ 182,675

4. Guarantees

Guarantees 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 value 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.

Significant guarantees provided by ATB to third parties include:

- a) Loan guarantees and standby letters of credit (discussed in Note 15 to the Consolidated Financial Statements for the year ended March 31, 2005) totaling \$142,387 as at June 30, 2005 (March 31, 2005: \$132,708; June 30, 2004: \$107,053).
- b) Foreign exchange forward contracts (discussed in Note 14 to the Consolidated Financial Statements for the year ended March 31, 2005) totaling \$6,798 as at June 30, 2005 (March 31, 2005: \$7,273; June 30, 2004: \$5,903).
- c) Indemnification agreements entered into in the ordinary course of business, such as purchase contracts, service agreements, or sale of assets. A maximum potential liability cannot be readily estimated, but historically ATB has not made any significant payments under such guarantees.

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.

5. Employee Future Benefits

ATB provides future benefits to current and past employees through a combination of defined benefit pension plan and a defined contribution pension plan but does not provide any other employee future benefits (discussed in Note 13 to the Consolidated Financial Statements for year ended March 31, 2005).

The net pension benefit expense is included in Salaries and employee benefits expense in the Consolidated Statement of Income.

For the three months ended	June 30, 2005		March 31, 2005		June 30, 2004	
Net pension benefit expense	\$	1,639	\$	3,986	\$	3,274

6. 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. Beginning this quarter, ATB has prospectively refined its method of allocating certain costs between the reporting segments, incorporating better estimates of indirect cost allocation.

For the three months ended:	Personal and Business Financial Services	Corporate Financial Services	Investor Services	Other Business Units*	Total
June 30, 2005					
Net interest income	\$ 86,798	\$ 11,351	\$ -	\$ 8,674	\$ 106,823
Other income	27,274	3,699	4,015	2,015	37,003
Total operating revenues	114,072	15,050	4,015	10,689	143,826
(Recovery of) provision for credit losses	(413)	494	-	(4,557)	(4,476)
Non-interest expenses	77,290	2,311	7,187	10,537	97,325
Net income (loss)	\$ 37,195	\$ 12,245	\$ (3,172)	\$ 4,709	\$ 50,977
Total assets	\$ 11,568,712	\$ 2,134,705	\$ 40,971	\$ 2,347,237	\$ 16,091,625
March 31, 2005					
Net interest income	\$ 81,664	\$ 10,697	\$ -	\$ 11,880	\$ 104,241
Other income	32,399	2,353	3,735	(1,414)	37,073
Total operating revenues	114,063	13,050	3,735	10,466	141,314
Provision for (recovery of) credit losses	4,087	360	-	(7,132)	(2,685)
Non-interest expenses	79,819	3,847	6,975	8,677	99,318
Net income (loss)	\$ 30,157	\$ 8,843	\$ (3,240)	\$ 8,921	\$ 44,681
Total assets	\$ 11,249,427	\$ 1,956,059	\$ 35,672	\$ 2,140,074	\$ 15,381,232
June 30, 2004					
Net interest income	\$ 79,366	\$ 9,222	\$ -	\$ 4,753	\$ 93,341
Other income	24,264	2,713	1,888	3,126	31,991
Total operating revenues	103,630	11,935	1,888	7,879	125,332
Provision for (recovery of) credit losses	(2,174)	(527)	-	(7,128)	(9,829)
Non-interest expenses	78,379	3,012	4,861	4,081	90,333
Net income (loss)	\$ 27,425	\$ 9,450	\$ (2,973)	\$ 10,926	\$ 44,828
Total assets	\$ 10,886,683	\$ 1,598,773	\$ 23,661	\$ 2,040,792	\$ 14,549,909

* 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.

7. Comparative amounts

Certain comparative amounts have been reclassified to conform with the current period's presentation.