

Notes to the Interim Consolidated Financial Statements

For the six months ended September 30, 2006 (\$ 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, 2006, as set out on pages 95 to 128 of the 2006 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, 2006.

2. Allowance for Credit Losses

The allowance for credit 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 off- balance sheet items in ATB's credit portfolio as at the balance sheet date. The continuity of the allowance for credit losses is as follows:

For the three months ended	Specific			General			Total		
	Sep 30 2006	Jun 30 2006	Sep 30 2005	Sep 30 2006	Jun 30 2006	Sep 30 2005	Sep 30 2006	Jun 30 2006	Sep 30 2005
Balance at beginning of the period	\$ 17,810	\$ 19,348	\$ 27,361	\$ 147,951	\$ 145,099	\$ 137,417	\$ 165,761	\$ 164,447	\$ 164,778
Write-offs	(1,610)	(1,450)	(1,542)	-	-	-	(1,610)	(1,450)	(1,542)
Recoveries	1,054	1,405	647	-	-	-	1,054	1,405	647
Provision for (recoveries of) credit losses ¹	(369)	(1,493)	(132)	(19,739)	2,852	(185)	(20,108)	1,359	(317)
Balance at end of the period	\$ 16,885	\$ 17,810	\$ 26,334	\$ 128,212	\$ 147,951	\$ 137,232	145,097	165,761	163,566
Less: Allowance for cost of credit recovery included in other liabilities							2,972	3,207	3,912
Allowance for loan losses							\$ 142,125	\$ 162,554	\$ 159,654

For the six months ended	Specific		General		Total	
	Sep 30 2006	Sep 30 2005	Sep 30 2006	Sep 30 2005	Sep 30 2006	Sep 30 2005
Balance at beginning of the period	\$ 19,348	\$ 32,147	\$ 145,099	\$ 140,829	\$ 164,447	\$ 172,976
Write-offs	(3,060)	(7,097)	-	-	(3,060)	(7,097)
Recoveries	2,459	2,480	-	-	2,459	2,480
Recovery of credit losses ¹	(1,862)	(1,196)	(16,887)	(3,597)	(18,749)	(4,793)
Balance at end of the period	\$ 16,885	\$ 26,334	\$ 128,212	\$ 137,232	145,097	163,566
Less: Allowance for cost of credit recovery included in other liabilities					2,972	3,912
Allowance for loan losses					\$ 142,125	\$ 159,654

¹ During the quarter, ATB implemented a refined methodology for establishing the level of its general loan loss allowance. This represents a change in estimate and was accounted for prospectively. This resulted in a one-time recovery of \$24.3 million.

3. 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 another party based on (a) changes in an asset, liability, or equity the other party holds, (b) 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 customer.

Significant guarantees provided by ATB to third parties include:

- Loan guarantees and standby letters of credit (discussed in Note 15 to the Consolidated Financial Statements for the year ended March 31, 2006) totaling \$193,145 as at September 30, 2006 (June 30, 2006: \$163,138; March 31, 2006: \$144,632; September 30, 2005: \$140,907).

3. Guarantees (Continued)

- b) Foreign exchange forward contracts (discussed in Note 14 to the Consolidated Financial Statements for the year ended March 31, 2006) having notional principal amounts totaling \$5,400 as at September 30, 2006 (June 30, 2006: \$561; March 31, 2006: \$453; September 30, 2005: \$10,803).
- 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 ("CDS") in respect of one of its subsidiaries to support the settlement of investment transactions with CDS.

4. Employee Future Benefits

ATB provides future pension benefits to current and past employees through a combination of defined benefit and defined contribution plans, but does not provide any other employee future benefits (discussed in Note 13 to the Consolidated Financial Statements for year ended March 31, 2006).

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

For the three months ended	September 30, 2006	June 30, 2006	September 30, 2005
Net pension benefit expense	\$ 5,062	\$ 5,078	\$ 3,216

For the six months ended	September 30, 2006	September 30, 2005
Net pension benefit expense	\$ 10,140	\$ 4,855

5. Segmented Information

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

- **Personal and Business Financial Services** comprises the branch, agency, and ABM networks and provides financial services to individuals, independent business and agricultural customers;
- **Corporate Financial Services** provides financial services to medium- and large-sized corporate borrowers; and
- **Investor Services** provides wealth management solutions including retail brokerage, mutual funds, portfolio management and investment advice.

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

Basis of presentation

Results presented in the following schedules 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.

Customer-related assets and liabilities (and the directly related revenues and expenses) are allocated between ATB's lines of business based on management of the client relationship rather than the specific nature of the loan, deposit or other product provided or service rendered.

5. Segmented Information (continued)

Net interest income (“NII”) is attributed to each line of business according to ATB’s internal funds transfer pricing (“FTP”) system whereby assets “earn” NII to the extent external revenues exceed internal FTP expense and liabilities earn NII to the extent internal FTP revenues exceed external interest expense. Specific provisions for credit losses are allocated based on the individual underlying impaired loan balances and general provisions (excepting any special general provisions) are allocated pro-rata, based on total performing loan balances.

Direct expenses are attributed between lines as incurred. Certain indirect expenses are allocated between Investor Services and the other lines on the basis of inter-line service agreements. Certain other costs are allocated between the reporting segments using cost allocation methodologies that incorporate activity-based estimates of indirect cost allocation. Indirect expenses not allocated and direct expenses of a corporate or support nature are reported under the “Other Business Units” segment.

For the three months ended:	Personal and Business Financial Services		Corporate Financial Services		Investor Services		Other Business Units*		Total
September 30, 2006									
Net interest income	\$	106,752	\$	14,737	\$	1,073	\$	20,475	\$ 143,037
Other income		31,740		3,795		6,795		458	42,788
Total operating revenues		138,492		18,532		7,868		20,933	185,825
Provision for (recovery of) credit losses		(18,471)		478		-		(2,115)	(20,108)
Non-interest expenses		91,979		4,315		8,472		7,248	112,014
Net income (loss)	\$	64,984	\$	13,739	\$	(604)	\$	15,800	\$ 93,919
Total assets	\$	13,035,425	\$	2,933,455	\$	2,785	\$	3,349,072	\$ 19,320,737
Total liabilities	\$	13,811,116	\$	1,674,362	\$	373,044	\$	1,957,243	\$ 17,815,765
June 30, 2006									
Net interest income	\$	101,636	\$	13,690	\$	1,000	\$	17,806	\$ 134,132
Other income		28,277		3,744		6,251		4,141	42,413
Total operating revenues		129,913		17,434		7,251		21,947	176,545
Provision for (recovery of) credit losses		2,098		1,914		-		(2,653)	1,359
Non-interest expenses		91,254		4,129		7,897		9,848	113,128
Net income (loss)	\$	36,561	\$	11,391	\$	(646)	\$	14,752	\$ 62,058
Total assets	\$	12,653,677	\$	2,592,388	\$	2,010	\$	3,545,815	\$ 18,793,890
Total liabilities	\$	13,533,112	\$	1,739,535	\$	282,285	\$	1,827,905	\$ 17,382,837
September 30, 2005									
Net interest income	\$	89,751	\$	11,826	\$	698	\$	9,470	\$ 111,745
Other income		28,133		2,832		4,001		3,059	38,025
Total operating revenues		117,884		14,658		4,699		12,529	149,770
Provision for (recovery of) credit losses		6,504		1,672		-		(8,493)	(317)
Non-interest expenses		78,980		5,350		8,005		3,374	95,709
Net income (loss)	\$	32,400	\$	7,636	\$	(3,306)	\$	17,648	\$ 54,378
Total assets	\$	11,805,810	\$	2,082,623	\$	1,373	\$	2,700,035	\$ 16,589,841
Total liabilities	\$	12,155,341	\$	1,259,993	\$	159,916	\$	1,758,962	\$ 15,334,212

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

5. Segmented Information (continued)

For the six months ended:	Personal and Business Financial Services	Corporate Financial Services	Investor Services	Other Business Units*	Total
September 30, 2006					
Net interest income	\$ 208,388	\$ 28,427	\$ 2,073	\$ 38,281	\$ 277,169
Other income	60,017	7,539	13,046	4,599	85,201
Total operating revenues	268,405	35,966	15,119	42,880	362,370
Provision for (recovery of) credit losses	(16,373)	2,392	-	(4,768)	(18,749)
Non-interest expenses	183,233	8,444	16,369	17,096	225,142
Net income (loss)	\$ 101,545	\$ 25,130	\$ (1,250)	\$ 30,552	\$ 155,977
September 30, 2005					
Net interest income	\$ 176,549	\$ 23,177	\$ 698	\$ 18,144	\$ 218,568
Other income	55,407	6,531	8,016	5,074	75,028
Total operating revenues	231,956	29,708	8,714	23,218	293,596
Provision for (recovery of) credit losses	6,091	2,166	-	(13,050)	(4,793)
Non-interest expenses	156,270	7,661	15,192	13,911	193,034
Net income (loss)	\$ 69,595	\$ 19,881	\$ (6,478)	\$ 22,357	\$ 105,355

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

6. Comparative amounts

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

Caution regarding forward-looking statements

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

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

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

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