ATB

FY2020 Q2 Financial Highlights

	For the three months ended			For the six months ended	
	September 30	June 30	September 30	**September 30**	September 30
($ in thousands)	**2019**	2019	2018	**2019**	2018
Operating results					
Net interest income	**$ 295,651**	$ 299,023	$ 299,019	**$ 594,674**	$ 595,800
Other income	**123,578**	134,847	123,228	**258,425**	238,471
Operating revenue	**419,229**	433,870	422,247	**853,099**	834,271
Provision for loan losses	**32,331**	66,088	53,042	**98,419**	103,364
Non-interest expenses	**298,658**	308,395	278,913	**607,053**	566,120
Net income before payment in lieu of tax	**88,240**	59,387	90,292	**147,627**	164,787
Payment in lieu of tax	**20,277**	13,608	20,812	**33,885**	38,011
Net income	**$ 67,963**	$ 45,779	$ 69,480	**$ 113,742**	$ 126,776
Income before provision for loan losses[1]					
Operating revenue	**$ 419,229**	$ 433,870	$ 422,247	**$ 853,099**	$ 834,271
Less: non-interest expenses	**(298,658)**	(308,395)	(278,913)	**(607,053)**	(566,120)
Income before provision for loan losses	**$ 120,571**	$ 125,475	$ 143,334	**$ 246,046**	$ 268,151
Financial position *($ in thousands)*					
Net loans	**$ 46,307,059**	$ 46,528,192	$ 46,078,401	**$ 46,307,059**	$ 46,078,401
Total assets	**$ 53,945,601**	$ 54,196,662	$ 54,289,158	**$ 53,945,601**	$ 54,289,158
Total risk-weighted assets	**$ 36,974,240**	$ 36,940,516	$ 36,988,347	**$ 36,974,240**	$ 36,988,347
Total deposits	**$ 36,213,190**	$ 36,097,811	$ 34,891,423	**$ 36,213,190**	$ 34,891,423
Equity	**$ 3,801,955**	$ 3,723,773	$ 3,434,720	**$ 3,801,955**	$ 3,434,720
Key performance measures *(%)*					
Return on average assets	**0.50**	0.34	0.51	**0.42**	0.48
Return on average risk-weighted assets	**0.73**	0.51	0.76	**0.63**	0.70
Operating revenue change[2]	**(0.72)**	5.3	7.6	**2.3**	9.2
Other income to operating revenue	**29.5**	31.1	29.2	**30.3**	28.6
Operating expense growth[2]	**7.1**	7.4	5.8	**7.2**	6.5
Efficiency ratio	**71.2**	71.1	66.1	**71.2**	67.9
Net interest margin	**2.25**	2.29	2.27	**2.27**	2.30
Loan losses to average loans	**0.28**	0.57	0.46	**0.42**	0.46
Net loan change[3]	**(0.48)**	(1.0)	2.1	**(1.5)**	4.5
Total deposit change[3]	**0.32**	0.49	1.3	**0.81**	6.8
Change in assets under administration[3]	**1.7**	7.1	2.9	**8.9**	6.6
Tier 1 capital ratio[4]	**10.2**	10.0	9.9	**10.2**	9.9
Total capital ratio[4]	**15.7**	15.4	14.5	**15.7**	14.5
Other information					
ATB Wealth assets under administration *($ in thousands)*	**21,068,338**	20,722,688	19,908,122	**21,068,338**	19,908,122
Total customers	**775,705**	771,784	763,611	**775,705**	763,611
Team members[5]	**5,765**	5,773	5,452	**5,765**	5,452

1 A non-GAAP (generally accepted accounting principles) measure, is defined as operating revenue less non-interest expenses.
2 Measures are calculated by comparing current-quarter balances against the same quarter of the previous year.
3 Measures are calculated by comparing current-quarter balances against the prior quarter. The year-to-date measures are calculated by comparing current-year balances against balances at March 31, 2019.
4 Calculated in accordance with the Alberta Superintendent of Financial Institutions (ASFI) capital requirements guidelines.
5 Number of team members includes casual and commissioned.

Caution regarding forward-looking statements

This report may include forward-looking statements. ATB 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 have an adverse effect 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.

This is management's discussion and analysis (MD&A) of the consolidated results of operations and financial position of ATB Financial (ATB) for the six months ended September 30, 2019, and is dated November 14, 2019. The MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements and related notes for the period ended September 30, 2019, as well as the audited consolidated financial statements and MD&A for the year ended March 31, 2019.

Economic Outlook

Alberta's Economy at a Glance

	Calendar year		
	2019	**2020**	**2021**
Real GDP growth *(annual % change)*	0.8	2.0	1.9
Consumer price index *(annual % change)*	1.6	1.7	1.5
Unemployment rate *(%)*	6.9	6.6	6.5
Exchange rate *(Cdn$1 / US$1)*	0.76	0.76	0.77
Bank of Canada overnight lending rate *(%)*	1.75	1.75	1.75

ATB's most recent provincial economic forecast projects real GDP growth of 0.8% in 2019 and 2.0% in 2020. The improvement in 2020 is contingent on the Enbridge Line 3 pipeline replacement project coming online before the end of the year and on positive news for both the Keystone XL and Trans Mountain projects.

Alberta's Economic Challenges

Trade conflicts and a no-deal Brexit are already weighing on global growth, but they could erode it further if tensions deepen or do not resolve. Slower global growth will, in turn, hamper Alberta's manufacturing sector, and trade disputes with China will continue to cause problems in both the agriculture and agri-food sectors.

While always difficult to accurately forecast global oil prices, they are expected to be lower than last year but not to fall precipitously, provided the Organization of the Petroleum Exporting Countries (OPEC) and its partners continue their efforts to keep supply in check. Ongoing oversupply in the North American natural-gas market and transportation challenges in Alberta will continue to keep AECO-C prices low next year.

Alberta's job market will continue to grow, but not fast enough to make a major dent in the unemployment rate. Some oil-field services jobs, however, may come back if investor confidence improves and drilling increases.

The construction sector has been struggling and is unlikely to see much improvement in 2020. With that said, we may see some uptick in residential construction. Consumer spending is expected to pick up next year, but it will be dampened by high unemployment and uncertainty.

Despite these challenges, the Alberta economy has numerous underlying strengths, including a highly educated and relatively young population, a strong agriculture and agri-food sector, a growing petrochemical industry, natural gas that could be exported to hungry Asian markets, and a thriving tourism sector.

While there is reason for optimism going into next year, uncertainty around the global economy and the future of pipeline construction are dark clouds threatening to undermine Alberta's growth.

Net Income

For the quarter ended September 30, 2019, ATB earned net income (NI) of $68.0 million, a $22.2 million (48.5%) increase from the previous quarter, driven by a lower provision for loan losses. Compared to the same time last year, we had a slight decrease in NI with challenging market conditions continuing to compress our net interest income. On a year-to-date basis, NI is $113.7 million, a decrease of $13.0 million (10.3%) compared to this time last year. Although we've seen our non-interest revenue grow, it was more than offset by our investment in team members.

ATB's net contribution to the Government of Alberta—comprised of NI, ATB's portion of payment in lieu of taxes, and deposit guarantee fee for the quarter—was $102.4 million, an increase of $28.5 million (27.4%) from last quarter. Compared to the same quarter last year, net contribution decreased $1.6 million (1.3%). Year-to-date net contribution is $176.3 million, a decrease of $15.5 million (8.1%) from last year.

Income before provision for loan losses this quarter is $120.6 million, a $4.9 million (3.9%) decrease from last quarter, due to lower revenue generated from non-interest revenue sources. Compared to the same quarter last year, results were $22.8 million (15.9%) lower, driven by higher non-interest expenses. Year-to-date, our income before provision for loan losses is $246.0 million, a decrease of $22.1 million (8.2%) from the first six months of last year, driven by the same factors driving our year-to-date NI change.

Operating Revenue

Total operating revenue consists of net interest income (NII) and other income (OI). We ended the quarter at $419.2 million, with NII contributing $295.7 million and $123.5 million from OI. This represents a decrease of $14.6 million (3.4%) from last quarter, primarily driven by lower capital markets revenue, along with lower mark-to-market gains from our risk management portfolios. Compared to the same quarter last year, operating revenue decreased by $3.0 million (0.7%), as our NII margin remains compressed in a competitive interest rate environment.

On a year-to-date basis, operating revenue is $853.1 million, representing a $18.8 million (2.3%) increase over the first six months of last year, supported by OI as we continue our focus on growing our non-interest sources of income.

Net Interest Income

Net interest income (NII) represents the difference between the interest earned on assets (e.g., loans and securities) and interest paid on liabilities (e.g., deposits and wholesale and collateralized borrowings). NII was $295.7 million this quarter, lower than last quarter and this time last year. NII dropped from last quarter due to lower loan balances and having to pay more on deposits. We did, however, rely on fewer alternative funding sources that offset some of the deposit costs we paid. Since last year, despite growing our balance sheet, deposit costs have increased more than what we earned on loans, as we've had to pay more on deposits to not only attract customers, but also to remain competitive in the market.

Net Interest Margin

Net interest margin (NIM) is the ratio of net interest income to average total interest-earning assets for the period. This important metric for ATB measures the profitability of our banking business. For the quarter ended September 30, 2019, NIM was 2.25%, lower than both the 2.29% attained last quarter and the 2.27% achieved during the same quarter last year. Our year-to-date NIM has also decreased from 2.30% to 2.27%. While our quarterly and year-to-date results are lower, it is in large part due to our focus on doing the right business at the right price and risk.

Net Interest Income

	For the three months ended					
	September 30, 2019, vs June 30, 2019			September 30, 2019, vs September 30, 2018		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
($ in thousands)	**volume**	**rate**	**Net change**	volume	rate	Net change
Assets						
Interest-bearing deposits with financial institutions, and securities	**$ 204**	**$ (1,269)**	**$ (1,065)**	$ (2,889)	$ 1,853	$ (1,036)
Loans	**(3,018)**	**1,485**	**(1,533)**	7,217	15,903	23,120
Change in interest income	**(2,814)**	**216**	**(2,598)**	4,328	17,756	22,084
Liabilities						
Deposits	**3,157**	**2,672**	**5,829**	7,162	26,148	33,310
Wholesale borrowings	**(4,917)**	**1,446**	**(3,471)**	(10,880)	3,314	(7,566)
Collateralized borrowings	**(1,252)**	**(277)**	**(1,529)**	611	1,113	1,724
Securities sold under repurchase agreements	**201**	**(5)**	**196**	(1,780)	62	(1,718)
Subordinated debentures	**(272)**	**21**	**(251)**	(276)	(22)	(298)
Change in interest expense	**(3,083)**	**3,857**	**774**	(5,163)	30,615	25,452
Change in net interest income	**$ 269**	**$ (3,641)**	**$ (3,372)**	$ 9,491	$ (12,859)	$ (3,368)

	For the six months ended		
	September 30, 2019, vs September 30, 2018		
	Increase (decrease) due to changes in		
($ in thousands)	**volume**	**rate**	**Net change**
Assets			
Interest-bearing deposits with financial institutions, and securities	**$ (5,593)**	**$ 7,495**	**$ 1,902**
Loans	**27,760**	**45,248**	**73,008**
Change in interest income	**22,167**	**52,743**	**74,910**
Liabilities			
Deposits	**15,178**	**69,096**	**84,274**
Wholesale borrowings	**(17,741)**	**6,520**	**(11,221)**
Collateralized borrowings	**3,281**	**3,729**	**7,010**
Securities sold under repurchase agreements	**(3,868)**	**162**	**(3,706)**
Subordinated debentures	**(230)**	**(91)**	**(321)**
Change in interest expense	**(3,380)**	**79,416**	**76,036**
Change in net interest income	**$ 25,547**	**$ (26,673)**	**$ (1,126)**

Other Income

Other income (OI) consists of all operating revenue not classified as net interest income. ATB earned $123.5 million this quarter, which is $11.3 million (8.4%) lower than last quarter. While we earned more fee- and service-charge revenue, we did not generate as much income in AltaCorp and our risk management portfolios as a result of challenging market conditions this quarter. Compared to the same quarter last year, OI remained consistent, as the additional income generated by ATB Wealth and from credit fees were entirely offset by lower revenue earned from our risk management portfolios.

Year-to-date, OI is $258.4 million, an increase of $20.0 million (8.4%) over the first six months of last year. Our total OI grew because all of our OI streams increased, which is a testament to our focus on diversifying our revenue sources.

Credit Quality

The provision for loan losses is recorded to recognize the net of write-offs, recoveries, and required changes to the allowance for Stage 1, 2, and 3 loans over the quarter. This quarter's $32.3 million provision reflects significant payouts and paydowns, specifically in the retail, real estate, construction, transportation, and mining sectors that contributed to the decrease of $33.8 million from last quarter as well as a decrease of $20.7 million from the same quarter last year. A number of our oil and gas as well as exploration and production clients continue to struggle to meet their obligations, which is creating new impairments. These offsetting circumstances continue to reflect uncertain economic conditions; pipeline construction plans remaining stagnant and heavily reliant on political decisions that are difficult to predict at this time.

On a year-to-date basis, the provision for loan losses is $98.4 million, a decrease of $4.9 million (4.8%) from the same time last year. This decrease comes from our non-retail portfolio due to customer payouts received in the year, which resulted in a much lower Stage 3 provision. A higher Stage 2 provision, due to a higher probability of default, offset the lower Stage 3 provision for those same customers.

Despite our provision for loan losses trending downwards, management remains cautiously optimistic in the overall quality of our loans, aided by strong credit and loss-limitation practices and our customer-obsessed culture. As at September 30, 2019, gross impaired loans of $957.4 million make up 2.0% of the total loan portfolio (March 31, 2019: 2.0%, September 30, 2018: 1.1%).

Non-Interest Expenses

Non-interest expenses (NIE) consist of all expenses except for interest expenses and the provision for loan losses. This quarter's total NIE are $298.7 million, down $9.7 million (3.2%) from last quarter, primarily due to lower salaries and employee benefits and to lower general and administrative costs. Salaries and benefits decreased; the most noticeable contributor was team members meeting their maximum employee-contribution limits last quarter. General and administrative spend was lower due to a rebate received and promotional spend.

Compared to the same quarter last year, NIE are up $19.7 million (7.1%), primarily due to salaries and benefits, data processing, and professional and consulting costs. We increased our number of team members as we focus on building Brightside (our digital bank offering) and converted contractors to team members to support service contracts previously outsourced. Incentive pay and severance costs were also higher. Costs for our external experts increased as we continue transforming our tools, technologies, and processes to improve every customer experience and to make banking work for people.

Year-to-date, NIE are $607.1 million, a $40.9 million (7.2%) increase over the first six months of last year—again a result of the year-over-year drivers previously noted.

The efficiency ratio, calculated by dividing NIE by operating revenue, measures how much it costs ATB to generate revenue. A lower ratio indicates higher efficiency at generating income. For the quarter ended September 30, 2019, ATB reported an efficiency ratio of 71.2%, consistent with last quarter, as we were able to reduce our expenses to offset our lower operating revenue. When compared to the same quarter last year, our results are higher (worse) as operating revenues decreased and expenses increased at a higher rate, which drove an increase of 5.1%.

Year-to-date, the efficiency ratio increased to 71.2% from 67.9%. Although our non-interest revenue sources grew, it was not enough to offset our compressed net interest margin and higher expenses.

Review of Business Segments

ATB has organized its operations and activities around the following five areas of expertise.

- **Everyday Financial Services** provides service and support for all personal and digital business customers through our retail branches, agencies, entrepreneur centres, mortgage and broker services, and Client Care (call centre) distribution channels.
- **Business and Agriculture** provides financial services to independent business and agricultural customers.
- **Corporate Financial Services** provides financial services to mid-sized and large corporate borrowers.
- **ATB Wealth** provides wealth management solutions, including retail brokerage, mutual funds, portfolio management, investment advice, and private banking.
- **AltaCorp Capital Inc.** provides advisory and institutional financial services, including corporate mergers and acquisitions, equity financings, debt capital markets, acquisitions and divestitures, equity research, and sales and trading.

ATB's strategic service units (SSUs) provide company-wide expertise and support to our areas of expertise (AoEs) toward being customer obsessed and providing and delivering the best experience, products, and services to our customers. The SSUs comprise business units of a corporate nature, including finance, risk management, treasury operations, human resources, internal assurance, and other functional groups.

Expenses are transferred between the SSUs and AoEs (through intracompany allocations), and any remaining expenses not expressly attributed to any AoE, along with intercompany eliminations, remain in the SSUs. Therefore, results for the SSUs represent all company-wide activities incurred for the benefit of ATB.

Everyday Financial Services (EFS)[1]

($ in thousands)	For the three months ended September 30 2019	June 30 2019	September 30 2018[2]
Net interest income	**$ 123,899**	$ 122,965	$ 111,282
Other income	**27,469**	27,378	22,786
Operating revenue	**151,368**	150,343	134,068
Provision for loan losses	**13,028**	14,717	9,220
Non-interest expenses	**138,335**	139,633	121,259
Net income (loss)	**$ 5**	$ (4,007)	$ 3,589
Total assets	**$ 24,229,236**	$ 23,950,252	$ 22,423,432
Total liabilities	**$ 14,646,340**	$ 14,536,689	$ 12,233,425

($ in thousands)	For the six months ended September 30 2019	September 30 2018[2]
Net interest income	**$ 246,864**	$ 222,498
Other income	**54,847**	43,982
Operating revenue	**301,711**	266,480
Provision for loan losses	**27,745**	10,307
Non-interest expenses	**277,968**	248,446
Net (loss) income	**$ (4,002)**	$ 7,727

1 Effective June 26, 2019, Retail Financial Services announced a new name, Everyday Financial Services (EFS), to better describe the changing work and focus of this group.
2 Effective April 2019, EFS includes ATB 360 [approx. 60,000-plus customers with personal and digital business banking needs served through entrepreneur centres, mortgage and broker services, and Client Care (call centre) distribution channels]. Results for the three and six months ended September 30, 2018, were not restated to include ATB 360. ATB 360 was previously reported under B&Ag.

Although EFS's loan and deposit growth decreased from last quarter, positive pricing changes and reduced expenditure have led to an increase in net income (NI) this quarter. Compared to the same time last year, expense growth outpaced operating revenue, which, combined with a higher provision for loan losses, drove the decrease in NI. On a year-to-date basis, NI decreased, mainly due to a higher provision for loan losses.

Operating revenue increased by $1.0 million (0.8%) from last quarter due to favourable pricing on loan and deposit products, and by $17.3 million (12.9%) from the same time last year due to the business generated by ATB 360, which handles all banking services for entrepreneurial Albertans. Year-to-date, operating revenue increased $35.2 million (13.2%) as a result of business generated from ATB 360, as previously noted.

EFS had a lower provision for loan losses this quarter, resulting from a net Stage 1 and 2 recovery. When compared to the same quarter last year and year-to-date, the provision has increased significantly. Both are due to higher write-offs and the portfolio's quality deteriorating, which resulted in a higher Stage 3 provision. A weakening economic outlook drove the year-to-date increase in the provision.

Non-interest expenses (NIE) decreased by $1.3 million (0.9%) from last quarter due to lower employer contributions and the Mastercard rewards benefit received; the decrease in NIE was partially offset by higher corporate allocations. An increase of $17.1 million (14.1%) from the same time last year occurred due to higher corporate allocations, which were in turn offset not only by the previously noted quarter-over-quarter drivers but also from lower general and administration costs and professional costs. Year-to-date expenses increased by $25.9 million (11.9%) due to higher corporate allocations and lower agency fees.

Loan and deposit balances decreased from last quarter and this time last year due to a very competitive market, new strategic pricing tactics, and the timing of EFS's deposit campaigns.

Business and Agriculture (B&Ag)

	For the three months ended		
($ in thousands)	**September 30 2019**	June 30 2019	September 30 2018[1]
Net interest income	**$ 70,537**	$ 70,252	$ 84,409
Other income	**16,155**	16,058	20,660
Operating revenue	**86,692**	86,310	105,069
Provision for loan losses	**2,181**	18,530	36,996
Non-interest expenses	**56,946**	57,045	65,133
Net income	**$ 27,565**	$ 10,735	$ 2,940
Total assets	**$ 7,605,363**	$ 7,293,757	$ 8,253,421
Total liabilities	**$ 7,515,888**	$ 7,279,485	$ 9,699,920

	For the six months ended	
($ in thousands)	**September 30 2019**	September 30 2018[1]
Net interest income	**$ 140,789**	$ 167,825
Other income	**32,213**	41,257
Operating revenue	**173,002**	209,082
Provision for loan losses	**20,711**	51,843
Non-interest expenses	**113,991**	132,354
Net income	**$ 38,300**	$ 24,885

1 Effective April 2019, results for B&Ag excludes ATB 360. Results for the three months ended March 31, 2019, and June 30, 2018, were not restated to exclude ATB 360. ATB 360 is now reported in EFS.

B&Ag generated higher net income (NI) compared to last quarter and the same time last year, mainly due to lower provision for loan losses. Year-to-date NI is again higher due to lower provision for loan losses, despite lower operating revenue.

Operating revenue remained flat quarter over quarter, but it is $18.4 million less than the same time last year due to both lower net interest income (NII) and other income (OI). The year-over-year and year-to-date revenue have also decreased as loan and deposit growth is down from last year's historic highs, which, along with tough competition compressing loan margins, have contributed to lower NII. OI also decreased from this time last year, with card fees and business service charges dropping due to lower activity.

Provisions for loan losses decreased $16.3 million and $34.8 million from last quarter and this time last year, both resulting from fewer impairments and a lower Stage 2 provision. Year-to-date and from the same time last year, significantly fewer loans became impaired and there was also an improvement in the portfolio's credit quality.

Non-interest expenses (NIE) is in line with last quarter and $8.2 million lower than the same time last year. Excluding ATB 360, NIE is lower due to corporate allocations and general and administrative costs, as B&Ag strategically manages their spending. Year-to-date NIE is $18.4 million lower for the same reasons.

Loans and deposits have contracted from last quarter and from last year, excluding ATB 360. The contraction in loans is due to payouts and challenging market conditions, while the driver for deposits is due to B&Ag ensuring they are paying the appropriate amount for deposits collected.

Corporate Financial Services (CFS)

	For the three months ended		
($ in thousands)	**September 30 2019**	June 30 2019	September 30 2018
Net interest income	**$ 78,630**	$ 82,112	$ 85,962
Other income	**22,057**	20,050	21,589
Operating revenue	**100,687**	102,162	107,551
Provision for loan losses	**17,515**	32,208	4,602
Non-interest expenses	**34,593**	35,128	30,523
Net income	**$ 48,579**	$ 34,826	$ 72,426
Total assets	**$ 14,118,285**	$ 14,308,254	$ 13,308,817
Total liabilities	**$ 10,665,406**	$ 10,926,707	$ 10,257,420

	For the six months ended	
($ in thousands)	**September 30 2019**	September 30 2018
Net interest income	**$ 160,742**	$ 171,478
Other income	**42,107**	39,949
Operating revenue	**202,849**	211,427
Provision for loan losses	**49,723**	38,990
Non-interest expenses	**69,721**	62,967
Net income	**$ 83,405**	$ 109,470

CFS's net income (NI) grew from last quarter, mainly driven by lower provision for loan losses. Compared to the same time last year, NI decreased due to provision for loan losses increasing, while operating revenues are down. These same factors drove the lower year-to-date NI.

Operating revenue was mainly flat quarter-over-quarter as growth in other income was offset by a decrease in net interest income (NII), primarily due to loan balances contracting. When compared to the same quarter last year, operating revenue is down $6.9 million (6.4%), attributed to the lower NII previously noted. Similarly, on a year-to-date basis, operating revenue decreased and is again the result of lower NII.

CFS's provision for loan losses has decreased $14.7 million (45.6%) from last quarter due to a significant payment received on an impaired loan. CFS did, however, have a higher Stage 2 provision due to a higher probability of default. Conversely, the quarterly and year-to-date provision is higher than this time last year, driven by the Stage 2 provision previously noted.

Non-interest expenses remained consistent with last quarter, but increased $4.1 million (13.3%) over the same quarter last year as CFS invested more in team members. Corporate allocations also drove the year-to-date increase over last year.

As CFS continues to face stiff pricing competition, they recorded quarterly declines for both their loan and deposit portfolio. However, both have increased compared to this time last year, through not only successful attraction and retention of customers, but also from smart pricing and business practices.

ATB Wealth

	For the three months ended		
($ in thousands)	**September 30 2019**	June 30 2019	September 30 2018
Net interest income	**$ 5,392**	$ 4,737	$ 3,843
Other income	**56,434**	55,667	53,915
Operating revenue	**61,826**	60,404	57,758
(Recovery of) Provision for loan losses	**(393)**	633	2,224
Non-interest expenses	**55,721**	54,149	50,153
Net income before payment in lieu of tax	**6,498**	5,623	5,381
Payment in lieu of tax	**3,600**	3,616	3,301
Net income	**$ 2,898**	$ 2,006	$ 2,080
Total assets	**$ 1,059,076**	$ 1,090,201	$ 872,128
Total liabilities	**$ 1,070,088**	$ 1,100,368	$ 892,947
Assets under administration	**$ 21,068,338**	$ 20,722,688	$ 19,908,122

	For the six months ended	
($ in thousands)	**September 30 2019**	September 30 2018
Net interest income	**$ 10,129**	$ 7,436
Other income	**112,101**	105,637
Operating revenue	**122,230**	113,073
Provision for loan losses	**240**	2,224
Non-interest expenses	**109,870**	100,499
Net income before payment in lieu of tax	**12,120**	10,350
Payment in lieu of tax	**7,216**	6,384
Net income	**$ 4,904**	$ 3,966

ATB Wealth's assets under administration (AUA) continues to grow, with a $0.3 billion (1.7%) increase from last quarter and a $1.2 billion (5.8%) increase from this time last year. For both periods, although market volatility has created challenges, net assets gathered, the difference between new AUA brought on by ATB Wealth less AUA removed by customers, account for approximately 40% of the increase, and market growth accounts for the remainder.

Net income (NI) increased from last quarter, due primarily to a recovery in the provision for loan losses. This quarter and year-to-date NI is higher compared with the same time last year due to a recovery in the provision for loan losses and to higher operating revenue, factors that are both partially offset by higher expenses.

Operating revenue this quarter has increased from last quarter and this time last year and is the result of higher AUA and an increase in private banking loans related to strong consumer demand for the ATB Wealth credit offering. For the six months ended, ATB Wealth achieved operating revenue of $122.2 million, a $9.2 million (8.1%) increase, driven by the factors previously noted.

During the current quarter, there was a Stage 2 recovery in the provision for loan losses as certain loans are no longer delinquent and moved back to Stage 1 from Stage 2.

Non-interest expenses increased from last quarter, due primarily to higher variable costs associated with increased AUA and corporate allocations. For the three- and six-month periods ended September 30, 2019, expenses are again higher compared to the same periods in the prior year, due to the factors previously noted and to higher team-member salaries as ATB Wealth's business continues to grow.

AltaCorp Capital Inc. (AltaCorp)

	For the three months ended		
($ in thousands)	**September 30 2019**	June 30 2019	September 30 2018
Net interest income (loss)	**$ 122**	$ 133	$ 284
Other income	**3,647**	6,898	5,148
Operating revenue	**3,769**	7,031	5,432
Non-interest expenses	**5,282**	9,967	5,267
Net (loss) income before income taxes	**(1,513)**	(2,936)	165
Income taxes (recovery)	**(315)**	(634)	73
Net (loss) income	**$ (1,198)**	$ (2,302)	$ 92
Total assets	**$ 24,639**	$ 26,571	$ 29,425
Total liabilities	**$ 18,677**	$ 20,011	$ 18,530

	For the six months ended	
($ in thousands)	**September 30 2019**	September 30 2018
Net interest income	**$ 255**	$ 251
Other income	**10,545**	11,006
Operating revenue	**10,800**	11,257
Non-interest expenses	**15,249**	11,332
Net loss before income taxes	**(4,449)**	(75)
Income taxes (recovery)	**(949)**	137
Net loss	**$ (3,500)**	$ (212)

AltaCorp's net income (NI) increased compared to last quarter but decreased from the same quarter last year. Year-to-date, NI has decreased. All three changes reflect the challenging market conditions.

Operating revenue decreased by $3.3 million (46.4%) from last quarter and $1.7 million (30.6%) from the same quarter last year. In addition, year-to-date operating revenue decreased by $0.5 million (4.1%). All three decreases were driven by a lower number of advisory deals closed.

Non-interest expenses decreased by $4.7 million (47.0%) from last quarter and remain consistent with the same quarter last year. The decrease this quarter is driven by lower commissions paid out due to fewer advisory deals closing. Year-to-date, expenses increased by $3.9 million (34.6%) due to investing in team members to help them successfully close advisory deals.

Statement of Financial Position

Total Assets

The change from last quarter is a direct result of loans contracting. Although we grew loans from this time last year, assets have shrunk as we held less in our liquidity risk management portfolio.

Loans

Net loans contracted again this quarter as we focus on doing the right business at the right risk and price. However, compared to the same quarter last year, net loans grew, driven by higher commercial loans partly offset by lower retail loans.

Total Liabilities

ATB has three principal sources of funding: deposits, wholesale borrowings, and collateralized borrowings.

Total liabilities stood at $50.1 billion for the quarter, a $0.3 billion decrease from last quarter, as we have relied less on alternative funding sources with loan balances contracting. Compared to the same quarter last year, total liabilities also decreased, by $0.7 billion (1.4%), mainly because we utilized our wholesale borrowing line less as we funded loans through our deposit growth.

Deposits

Deposits are $36.2 billion, up slightly from last quarter and $1.3 billion (3.8%) higher than the same time last year. Both reflect the success of the Deposit Yourself Here campaign and demonstrate that we continue to find ways to make banking work for our customers.

Wholesale Borrowings

Wholesale borrowings, consisting primarily of bearer-deposit and mid-term notes issued by the Government of Alberta, can fluctuate quarter to quarter. The agreement with the Government of Alberta currently limits the total volume of such borrowings to $7.0 billion. The balance this quarter is $2.6 billion, a sharp drop from last quarter and this time last year: $0.8 billion (21.4%) and $2.1 billion (44.2%), respectively. The drop is a direct result of loan balances remaining relatively consistent and from deposits continuing to grow.

Collateralized Borrowings

Collateralized borrowings, also used to supplement customer deposits, represent ATB's participation in the Canada Mortgage Bonds (CMB) program, securitization of credit card receivables, and other mortgage loan securitization. As at September 30, 2019, balances were $8.9 billion, $0.2 billion (2.7%) higher than last quarter and consistent with this time last year. The increase from last quarter is due to relying less on our wholesale borrowing line and instead securitizing more of our mortgage book.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income (AOCI) includes unrealized gains and losses, which are only recorded on the consolidated statement of operations when realized. AOCI increased compared to last quarter and the same quarter last year, with this quarter's increase the result of a lower pension obligation with asset returns greater than expected. The sharp increase from this time last year is mainly driven by the effective portion for our interest-rate-management products designated for hedge accounting.

Capital Management

ATB measures, manages, and reports capital to ensure that it meets the minimum levels set out by its regulator, the Alberta Superintendent of Financial Institutions (ASFI), while supporting the continued growth of its business and building value for its owner.

As a Crown corporation, ATB and its subsidiaries operate under a regulatory framework established pursuant to the *ATB Act* and associated regulations and guidelines. The capital adequacy requirements for ATB are defined in a guideline authorized by the Government of Alberta's President of Treasury Board and Minister of Finance, which was modelled after guidelines governing other Canadian deposit-taking institutions. ATB's minimum Tier 1 capital requirement is 7.0%, and the total capital requirement is the greater of 10.0% of risk-weighted assets or 5.0% of total assets. As at September 30, 2019, ATB had a Tier 1 capital ratio of 10.2% and a total capital ratio of 15.7%, both exceeding our regulatory requirements.

In addition, ATB has established and maintains an Internal Capital Adequacy Assessment Process (ICAAP) Framework that complies with the Office of the Superintendent of Financial Institutions' (OSFI) guideline on ICAAP for Deposit-Taking Institutions. This ensures that ATB has adequate capital to meet its strategic and business objectives.

Credit Risk

Credit risk is the potential for financial loss in the event that a borrower or counterparty fails to repay a loan or otherwise honour their financial or contractual obligations. Credit risk typically poses the greatest inherent risk of financial loss to lending institutions and is further amplified given ATB's concentration in Alberta. Examples of typical products bearing credit risk include retail and commercial loans, guarantees, and letters of credit.

Key measures as at September 30, 2019, are outlined as follows.

Total Credit Exposure

The amounts shown in the following table best represent ATB's maximum exposure to credit risk, which is primarily driven by loan balances changing. (Refer to note 5 for more details.)

As at *($ in thousands)*	**September 30** **2019**	March 31 2019
Financial assets[(1)]	**$ 52,784,864**	$ 53,310,653
Other commitments and off-balance sheet items	**18,680,092**	19,309,154
Total credit risk	**$ 71,464,956**	$ 72,619,807

1 Includes derivatives stated net of collateral held and master netting-agreements.

Industry Concentration

ATB is inherently exposed to significant concentrations of credit risk, as its customers all participate in the Alberta economy. In the past, this economy has shown strong growth and occasional sharp declines. ATB manages credit through diversification of its credit portfolio by limiting concentrations to single borrowers, industries, and geographic regions of Alberta. The following table presents a breakdown of the three largest single-industry segments and single-largest borrower.

($ in thousands)		**September 30 2019 Percentage of total gross loans**		March 31 2019 Percentage of total gross loans
Commercial real estate	**$5,942,402**	**12.6%**	$6,087,599	12.8%
Agriculture, forestry, fishing, and hunting	**3,956,006**	**8.4%**	3,737,297	7.8%
Mining and oil and gas extraction	**3,894,436**	**8.3%**	3,426,250	7.2%
Largest borrower	**$105,378**	**0.22%**	$156,954	0.33%

Residential Real Estate Secured Lending

Residential mortgages and home equity lines of credit (HELOCs) are secured by residential properties. The following table presents a breakdown of the amounts and percentages of insured and uninsured residential mortgages and HELOCs.

As at *($ in thousands)*		**September 30, 2019**		March 31, 2019	
Residential mortgages	Insured[1]	**$ 7,378,744**	**45.4%**	$ 7,442,028	45.3%
	Uninsured	**8,883,968**	**54.6%**	8,996,711	54.7%
Total residential mortgages		**16,262,712**	**100.0%**	16,438,739	100.0%
Home equity lines of credit	Uninsured	**3,174,235**	**100.0%**	3,234,005	100.0%
Total home equity lines of credit		**3,174,235**	**100.0%**	3,234,005	100.0%
Total	**Insured[1]**	**$ 7,378,744**	**38.0%**	$ 7,442,028	37.8%
	Uninsured	**$ 12,058,203**	**62.0%**	$ 12,230,716	62.2%

1 Insured residential mortgages includes mortgages insured by CMHC, Genworth Canada, and Canada Guaranty Mortgage Insurance.

The following table shows the percentages of our residential mortgage portfolio that falls within various amortization period ranges.

As at	**September 30 2019**	March 31 2019
< 25 years	**85.1%**	83.1%
25–30 years	**14.7%**	16.6%
30–35 years	**0.2%**	0.3%
Total	**100.0%**	100.0%

The following table provides a summary of our average loan-to-value ratio for newly originated and acquired uninsured residential mortgages and HELOC products during the quarter.

As at	**September 30 2019**	March 31 2019
Residential mortgages	**0.68**	0.69
Home equity lines of credit	**0.56**	0.56

ATB performs stress-testing on its residential mortgage portfolio as part of its overall stress-testing program to assess the impact of an economic downturn. Severe changes in house prices, interest rates, and unemployment levels are among the factors considered in our testing. ATB considers potential losses in its residential mortgage portfolio under such scenarios to be manageable given the portfolio's high proportion of insured mortgages and low loan-to-value ratio.

Market Risk

Market risk is the risk that ATB may incur a loss due to adverse changes in interest rates, foreign-exchange rates, and equity or commodity market prices. ATB's risk management practices and key measures are disclosed in note 24 to the consolidated financial statements for the year ended March 31, 2019, and the Risk Management section of the MD&A in the 2019 annual and corporate social responsibility report.

The following describes ATB's key market risks and their measurement as at September 30, 2019.

Interest Rate Risk

Interest rate risk is the risk of a negative impact on ATB's financial position due to changes in market interest rates. This risk occurs when there is a mismatch in the repricing characteristics of interest-rate-sensitive assets (such as loans and investments) and interest-rate-sensitive liabilities (such as deposits).

Interest Rate Sensitivity

The following table provides the potential impact of an immediate and sustained 100- and 200-basis-point increase and decrease in interest rates on ATB's net interest income as applied against ATB's core balance sheet over 12 months.

As at ($ in thousands)	**September 30 2019**	March 31 2019
Increase in interest rates of:		
100 basis points	**$ 26,869**	$ 38,645
200 basis points	**50,902**	75,765
Decrease in interest rates of:		
100 basis points[1]	**(36,632)**	(50,147)
200 basis points[1]	**(84,721)**	(117,534)

1 Certain aspects of the decrease in interest rate scenarios are constrained by interest rate floors when appropriate.

The potential impact of a 100- and 200-basis-point change is well within our interest-rate-risk-management policy.

Foreign-Exchange Risk

Foreign-exchange risk is the potential risk of loss resulting from fluctuations in foreign-exchange rates. This risk arises from the existence of a net asset or liability position denominated in foreign currencies and/or a difference in maturity profiles for purchases and sales of a given currency. ATB manages its foreign currency exposure through foreign-exchange forward contracts. ATB is within its board-approved minimum limit as at September 30, 2019.

Liquidity Risk

Liquidity risk is the risk that ATB may not meet all of its financial commitments quickly and at reasonable prices. ATB manages this liquidity risk to ensure it has timely access to cost-effective funds to meet its financial obligations as they become due, in both routine and crisis situations, by monitoring cash flows, diversifying our funding sources, stress-testing, and regularly reporting our current and forecasted liquidity position.

ATB determines and manages its liquidity needs using a wide range of financial products and borrowing programs to ensure stable and well-diversified sources of funding.

On September 30, 2019, the liquidity coverage ratio (LCR) is 131.1% (March 31, 2019: 144.0%), which is well above board-approved minimum limits.

The estimated timing of cash outflows for ATB's sources of funding are as follows.

As at ***($ in thousands)***	**Within 1 year**	**1–2 years**	**2–3 years**	**3–4 years**	**4–5 years**	**Over 5 years**	**September 30 2019 total**	March 31 2019 total
Mid-term notes	**$ 199,900**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 1,965,197**	**$ 2,165,097**	$ 2,247,288
Bearer deposit notes	**474,126**	**-**	**-**	**-**	**-**	**-**	**474,126**	1,371,778
Mortgage-backed securities	**1,236,974**	**1,095,265**	**2,493,976**	**-**	**1,740,135**	**1,827,344**	**8,393,694**	8,580,829
Credit card securitization	**500,000**	**-**	**-**	**-**	**-**	**-**	**500,000**	385,000
Securities sold under repurchase agreements	**197,159**	**-**	**-**	**-**	**-**	**-**	**197,159**	-
Subordinated debentures	**98,177**	**32,298**	**45,038**	**81,063**	**41,612**	**-**	**298,188**	339,140
Total long-term funding	**$ 2,706,336**	**$ 1,127,563**	**$ 2,539,014**	**$ 81,063**	**$ 1,781,747**	**$ 3,792,541**	**$ 12,028,264**	$ 12,924,035
Of which are:								
Secured	**$ 1,934,133**	**$ 1,095,265**	**$ 2,493,976**	**$ -**	**$ 1,740,135**	**$ 1,827,344**	**$ 9,090,853**	$ 8,965,829
Unsecured	**772,203**	**32,298**	**45,038**	**81,063**	**41,612**	**1,965,197**	**2,937,411**	3,958,206
Total long-term funding	**$ 2,706,336**	**$ 1,127,563**	**$ 2,539,014**	**$ 81,063**	**$ 1,781,747**	**$ 3,792,541**	**$ 12,028,264**	$ 12,924,035

ATB

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Interim Condensed Consolidated Statement of Financial Position

(Unaudited)

As at *($ in thousands)*	Note	**September 30 2019**	June 30 2019	March 31 2019	September 30 2018
Cash		**$ 160,938**	$ 70,684	$ 200,002	$ 119,402
Interest-bearing deposits with financial institutions		**731,793**	485,446	1,097,307	1,290,546
Total cash resources		**892,731**	556,130	1,297,309	1,409,948
Securities measured at fair value through profit or loss (FVTPL)		**52,749**	56,023	68,502	80,557
Securities measured at fair value through other comprehensive income(FVOCI)		**4,510,150**	3,756,604	3,911,796	4,908,282
Securities purchased under reverse repurchase agreements		**400,267**	1,554,384	400,355	249,726
Total securities	7	**4,963,166**	5,367,011	4,380,653	5,238,565
Business		**23,383,492**	23,469,882	23,833,674	22,784,390
Residential mortgages		**16,262,712**	16,376,125	16,438,739	16,276,248
Personal		**6,560,226**	6,604,019	6,667,543	6,760,456
Credit card		**772,763**	757,858	730,681	749,049
		46,979,193	47,207,884	47,670,637	46,570,143
Allowance for loan losses	9	**(672,134)**	(679,692)	(664,913)	(491,742)
Total net loans	8	**46,307,059**	46,528,192	47,005,724	46,078,401
Derivative financial instruments	10	**656,492**	686,545	642,070	616,994
Property and equipment		**282,282**	286,360	285,634	319,866
Software and other intangibles		**292,824**	297,314	302,865	296,334
Other assets		**551,047**	475,110	429,896	329,050
Total other assets		**1,782,646**	1,745,329	1,660,465	1,562,244
Total assets		**$ 53,945,601**	$ 54,196,662	$ 54,344,151	$ 54,289,158
Redeemable fixed-date deposits		**1,730,724**	2,334,566	2,047,475	2,394,453
Non-redeemable fixed-date deposits		**9,017,774**	9,011,799	9,176,459	8,793,709
Saving accounts		**9,538,501**	9,346,901	10,004,043	9,323,213
Transaction accounts		**8,490,339**	7,976,607	7,574,046	7,704,040
Notice accounts		**7,435,852**	7,427,938	7,119,926	6,676,008
Total deposits		**36,213,190**	36,097,811	35,921,949	34,891,423
Securities sold under repurchase agreements		**197,159**	98,379	-	348,836
Wholesale borrowings		**2,639,223**	3,355,897	3,619,066	4,730,966
Collateralized borrowings	11	**8,893,694**	8,662,082	8,965,829	8,834,997
Derivative financial instruments	10	**450,929**	494,459	507,146	795,304
Other liabilities		**1,451,263**	1,466,073	1,346,904	913,398
Total other liabilities		**13,632,268**	14,076,890	14,438,945	15,623,501
Subordinated debentures		**298,188**	298,188	339,140	339,514
Total liabilities		**50,143,646**	50,472,889	50,700,034	50,854,438
Retained earnings		**3,768,203**	3,699,527	3,652,955	3,642,820
Non-controlling interest		**3,080**	3,532	4,314	4,254
Accumulated other comprehensive income (loss)		**30,672**	20,714	(13,152)	(212,354)
Total equity		**3,801,955**	3,723,773	3,644,117	3,434,720
Total liabilities and equity		**$ 53,945,601**	$ 54,196,662	$ 54,344,151	$ 54,289,158

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

Curtis Stange
President and Chief Executive Officer

Bob McGee
Chief Financial Officer

Interim Condensed Consolidated Statement of Income

(Unaudited)

		For the three months ended			For the six months ended	
($ in thousands)	Note	**September 30 2019**	June 30 2019	September 30 2018	**September 30 2019**	September 30 2018
Loans		**$ 497,229**	$ 498,762	$ 474,109	**$ 995,991**	$ 922,983
Securities		**22,612**	22,811	22,492	**45,423**	43,171
Interest-bearing deposits with financial institutions		**3,602**	4,468	4,758	**8,070**	8,420
Interest income		**523,443**	526,041	501,359	**1,049,484**	974,574
Deposits		**160,658**	154,633	129,066	**315,291**	234,723
Wholesale borrowings		**18,149**	21,620	25,715	**39,769**	50,990
Collateralized borrowings		**46,964**	48,493	45,240	**95,457**	88,447
Subordinated debentures		**2,021**	2,272	2,319	**4,293**	4,614
Interest expense		**227,792**	227,018	202,340	**454,810**	378,774
Net interest income		**295,651**	299,023	299,019	**594,674**	595,800
Wealth management		**55,057**	53,935	52,117	**108,992**	101,949
Service charges		**19,117**	18,901	19,260	**38,018**	38,088
Card fees		**16,576**	16,268	16,669	**32,844**	32,598
Credit fees		**12,192**	10,726	10,796	**22,918**	22,673
Insurance		**6,073**	5,582	5,522	**11,655**	10,190
Capital markets revenue		**3,607**	6,989	5,359	**10,596**	11,050
Foreign exchange		**(790)**	10,030	4,658	**9,240**	2,664
Net gains on derivative financial instruments		**8,283**	7,769	7,178	**16,052**	13,985
Net gains on securities		**902**	5,099	406	**6,001**	3,083
Sundry		**2,561**	(452)	1,263	**2,109**	2,191
Other income		**123,578**	134,847	123,228	**258,425**	238,471
Operating revenue		**419,229**	433,870	422,247	**853,099**	834,271
Provision for loan losses	9	**32,331**	66,088	53,042	**98,419**	103,364
Salaries and employee benefits		**160,503**	166,540	146,862	**327,043**	297,679
Data processing		**32,280**	30,131	29,078	**62,411**	60,202
Premises and occupancy, including depreciation		**20,646**	20,798	20,346	**41,444**	42,627
Professional and consulting costs		**15,883**	13,869	12,764	**29,752**	25,961
Deposit guarantee fee		**11,952**	12,273	11,576	**24,225**	22,904
Equipment, including depreciation		**5,719**	6,829	6,509	**12,548**	12,283
Software and other intangibles amortization		**19,380**	19,101	19,967	**38,481**	38,716
General and administrative		**18,911**	22,504	17,938	**41,415**	38,450
ATB agencies		**3,416**	3,349	3,274	**6,765**	6,469
Other		**9,968**	13,001	10,599	**22,969**	20,829
Non-interest expense		**298,658**	308,395	278,913	**607,053**	566,120
Net income before payment in lieu of tax		**88,240**	59,387	90,292	**147,627**	164,787
Payment in lieu of tax	12	**20,277**	13,608	20,812	**33,885**	38,011
Net income		**$ 67,963**	$ 45,779	$ 69,480	**$ 113,742**	$ 126,776
Net income attributable to ATB Financial		**$ 68,414**	$ 46,561	$ 69,408	**$ 114,975**	$ 126,758
Net loss (income) attributable to non-controlling interests		**$ (451)**	$ (782)	$ 72	**$ (1,233)**	$ 18

Interim Condensed Consolidated Statement of Comprehensive Income

(Unaudited)

	For the three months ended			For the six months ended	
($ in thousands)	**September 30 2019**	June 30 2019	September 30 2018	**September 30 2019**	September 30 2018
Net income (loss)	**$ 67,963**	$ 45,779	$ 69,480	**$ 113,742**	$ 126,776
Items that may be reclassified subsequently to profit or loss:					
Unrealized net losses on securities measured at FVOCI:					
Unrealized net losses arising during the period	**(1,026)**	(1,744)	(5,435)	**(2,770)**	(3,628)
Net losses (gains) reclassified to net income	**75**	(3,070)	(284)	**(2,995)**	(2,968)
Unrealized net gains on derivative financial instruments designated as cash flow hedges:					
Unrealized net gains arising during the period	**9,606**	48,153	(63,362)	**57,759**	(69,522)
Net losses (gains) reclassified to net income	**(8,328)**	14,538	(8,479)	**6,210**	5,148
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit plan liabilities	**9,631**	(24,011)	15,166	**(14,380)**	36,812
Other comprehensive income	**9,958**	33,866	(62,394)	**43,824**	(34,158)
Comprehensive income	**$ 77,921**	$79,645	$7,086	**$ 157,566**	$92,618
Comprehensive income attributable to:					
ATB Financial	**$ 78,372**	$80,427	$7,014	**$ 158,799**	$92,600
Non-controlling interests	**(451)**	(782)	72	**(1,233)**	18

Interim Condensed Consolidated Statement of Changes in Equity

(Unaudited)

	For the three months ended			For the six months ended	
($ in thousands)	**September 30 2019**	June 30 2019	September 30 2018	**September 30 2019**	September 30 2018
Retained earnings					
Balance at the beginning of the period	**$ 3,699,525**	$ 3,652,955	$ 3,573,624	**$ 3,652,955**	$ 3,453,844
Net income (loss)	**67,963**	45,779	69,480	**113,742**	126,776
Transition adjustment (IFRS 9 and 15)	**-**	-	-	**-**	62,394
Other	**715**	791	(284)	**1,506**	(194)
Balance at the end of the period	**3,768,203**	3,699,525	3,642,820	**3,768,203**	3,642,820
Non-controlling interest					
Balance at the beginning of the period	**3,532**	4,314	2,460	**4,314**	3,508
Net (loss) income attributable to non-controlling interests in subsidiaries	**(451)**	(782)	72	**(1,233)**	18
Other[1]	**-**	-	1,722	**-**	728
Balance at the end of the period	**3,081**	3,532	4,254	**3,081**	4,254
Accumulated other comprehensive income (loss)					
Securities measured at fair value through other comprehensive income					
Balance at the beginning of the period	**(6,631)**	(1,817)	(877)	**(1,817)**	-
Other comprehensive loss	**(950)**	(4,814)	(5,719)	**(5,764)**	(6,596)
Balance at the end of the period	**(7,581)**	(6,631)	(6,596)	**(7,581)**	(6,596)
Derivative financial instruments designated as cash flow hedges					
Balance at beginning of the period	**116,273**	53,582	(118,895)	**53,582**	(126,362)
Other comprehensive income (loss)	**1,277**	62,691	(71,841)	**63,968**	(64,374)
Balance at the end of the period	**117,550**	116,273	(190,736)	**117,550**	(190,736)
Defined benefit plan liabilities					
Balance at the beginning of the period	**(88,928)**	(64,917)	(30,188)	**(64,917)**	(51,834)
Other comprehensive income (loss)	**9,631**	(24,011)	15,166	**(14,380)**	36,812
Balance at the end of the period	**(79,297)**	(88,928)	(15,022)	**(79,297)**	(15,022)
Accumulated other comprehensive income (loss)	**30,671**	20,714	(212,354)	**30,671**	(212,354)
Equity	**$ 3,801,955**	$ 3,723,771	$ 3,434,720	**$ 3,801,955**	$ 3,434,720

1 Amount relates to the change in Class B shares during the period. (Refer to note 14 for more details.)

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

ATB

Interim Condensed Consolidated Statement of Cash Flows

(Unaudited)

	For the three months ended			For the six months ended	
($ in thousands)	**September 30 2019**	June 30 2019	September 30 2018	**September 30 2019**	September 30 2018
Cash flows from operating activities:					
Net income	**$ 67,963**	$ 45,779	$ 69,480	**$ 113,742**	$ 126,776
Adjustments for non-cash items and others:					
Provision for loan losses	**32,331**	66,088	53,042	**98,419**	103,364
Depreciation and amortization	**30,917**	30,399	33,392	**61,316**	65,992
Net gains on securities	**902**	5,099	(406)	**6,001**	(3,083)
Adjustments for net changes in operating assets and liabilities:				-	-
Loans	**252,442**	472,847	(1,018,911)	**725,289**	(1,973,077)
Deposits	**115,604**	175,578	438,065	**291,182**	2,208,064
Derivative financial instruments	**(13,413)**	955	27,842	**(12,459)**	12,369
Prepayments and other receivables	**1,630**	(28,827)	6,347	**(27,198)**	(38,978)
Due to clients, brokers and dealers	**590**	348	903	**937**	(13,284)
Deposit guarantee fee payable	**13,989**	(39,631)	13,767	**(25,642)**	(22,239)
Accounts payable and accrued liabilities	**(66,824)**	178,415	(72,190)	**111,591**	(66,282)
Liability for payment in lieu of tax	**20,556**	(27,339)	20,541	**(6,784)**	(43,937)
Net interest receivable and payable	**41,727**	(15,437)	35,548	**26,290**	14,401
Change in accrued pension-benefit liability	**(8,805)**	24,929	(14,889)	**16,124**	(36,090)
Others, net	**(136,824)**	(67,771)	(3,445)	**(204,595)**	95,196
Net cash provided by (used in) operating activities	**352,785**	821,432	(410,914)	**1,174,217**	429,192
Cash flows from investing activities:					
Change in securities measured at FVTPL	**(761,669)**	126,481	9,716	**(635,188)**	(227,263)
Change in securities purchased under reverse repurchase agreements	**1,154,117**	(1,154,029)	49,755	**88**	(199,630)
Change in interest-bearing deposits with financial institutions	**(246,347)**	611,861	(162,643)	**365,514**	(179,698)
Purchases and disposals of property and equipment, software, and other intangibles	**(22,349)**	(25,575)	(31,842)	**(47,924)**	(56,305)
Net cash provided by (used in) investing activities	**123,752**	(441,262)	(135,014)	**(317,510)**	(662,896)
Cash flows from financing activities:					
Issuance of wholesale borrowings	**1,113,326**	1,935,524	2,281,337	**3,048,850**	5,063,773
Repayment of wholesale borrowings	**(1,830,000)**	(2,198,693)	(2,010,003)	**(4,028,693)**	(4,989,276)
Issuance of collateralized borrowings	**231,612**	207,280	308,093	**438,892**	668,324
Repayment of collateralized borrowings	**-**	(511,026)	-	**(511,026)**	(241,780)
Change in securities sold under repurchase agreements	**98,779**	98,379	(97,599)	**197,158**	(441,991)
Issuance of subordinated debentures	**-**	41,612	-	**41,612**	81,651
Repayment of subordinated debentures	**-**	(82,564)	-	**(82,564)**	(73,122)
Net cash (used in) provided by financing activities	**(386,283)**	(509,488)	481,828	**(895,771)**	67,579
Net increase (decrease) in cash and cash equivalents	**90,254**	(129,318)	(64,100)	**(39,064)**	(166,125)
Cash at the beginning of the period	**70,684**	200,002	183,502	**200,002**	285,527
Cash at the end of the period	**$ 160,938**	$ 70,684	$ 119,402	**$ 160,938**	$ 119,402
Net cash (used in) provided by operating activities include:					
Interest paid	**(202,106)**	(244,572)	(163,899)	**(446,678)**	(353,595)
Interest received	**$ 539,485**	$ 528,158	$ 498,465	**$ 1,067,643**	$ 963,759

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended September 30, 2019

1 Nature of Operations

ATB Financial (ATB) is an Alberta-based financial services provider engaged in retail and commercial banking, credit cards, digital banking, wealth management, and investment management services. ATB is an agent of the Crown in right of Alberta and operates under the authority of the *ATB Financial Act* (the *ATB Act*), Revised Statutes of Alberta, 2000, chapter A-37. Under the *ATB Act*, ATB was established as a provincial Crown corporation governed by a board of directors appointed by the Lieutenant-Governor in Council. The address of the head office is 2100, 10020-100 Street, Edmonton, Alberta, Canada, T5J 0N3.

ATB is for the most part exempt from Canadian federal and Alberta provincial income taxes but pays an amount to the provincial government designed to be in lieu of such a charge. (Refer to note 12.)

2 Significant Accounting Policies

Basis of Preparation

These interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the accounting requirements of the Alberta Superintendent of Financial Institutions (ASFI). The interim condensed consolidated financial statements do not include all of the information required for complete annual consolidated financial statements and should be read in conjunction with ATB's 2019 annual consolidated financial statements. The accounting policies, methods of computation, and presentation of these interim condensed consolidated financial statements are consistent with the most recent annual consolidated financial statements. These interim condensed consolidated financial statements were approved by the Audit Committee on November 14, 2019.

The interim condensed consolidated financial statements are presented in Canadian dollars, and all values are rounded to the nearest thousand dollars, except when otherwise indicated.

These interim condensed consolidated financial statements include the assets, liabilities, and results of operations and cash flows of ATB and its subsidiaries. All intercompany transactions and balances have been eliminated from the consolidated results.

Significant Accounting Judgments, Estimates, and Assumptions

In the process of applying ATB's accounting policies, management has exercised judgment and made estimates in determining amounts recognized in the interim condensed consolidated financial statements. The most significant judgments and estimates include the allowance for loan losses, the fair value of financial instruments, income taxes and deferred taxes, the depreciation of premises and equipment, the amortization of software, and the assumptions underlying the accounting for employee benefit obligations as described in note 2 to ATB's 2019 annual consolidated financial statements. Actual results could differ significantly from these estimates, and the impact of any such differences will be recorded in future periods.

3 Summary of Accounting Policy Changes

Change in Accounting Policies and Disclosures

In addition to the accounting policies disclosed in the 2019 annual consolidated financial statements, the following standards are required to be applied for periods beginning on or after January 1, 2019.

IFRS 16 Leases

Effective April 1, 2019, ATB adopted IFRS 16 *Leases* (IFRS 16), which replaces IAS 17 *Leases* (IAS 17). IFRS 16 provides a single lessee accounting model, requiring all leases to be finance leases and included on the consolidated statement of financial position. This differs from IAS 17, where leases were either classified as operating (off balance sheet) or finance (on balance sheet).

ATB has applied the modified retrospective transition approach. The comparative figures were not restated, with any adjustments to the carrying amounts of assets and liabilities recognized in opening retained earnings on the consolidated statement of financial position in the current period. Therefore, the comparative information is not comparable to the information presented for the current period.

IFRS 16 has also permitted certain exemptions to be elected if they are met. ATB has elected these exemptions:

- To not recognize right-of-use assets and lease liabilities that are either low value or have a lease term less than 12 months and
- Leases previously classified as a finance lease will continue to be classified as a lease under IFRS 16.

Accounting Policies Applicable Beginning April 1, 2019 (IFRS 16)

Lessee Accounting

Classification

ATB assesses at the start of a contract if the contract is, or contains, a lease. If the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, a right-of-use asset and a lease liability is recognized. The right-of-use asset is presented under property and equipment, and the lease liability is presented under other liabilities on the consolidated statement of financial position.

Measurement

Measuring the lease liability includes the following components:

- Fixed lease payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts ATB expects to pay for residual value guarantees;
- The amount paid for a purchase option if ATB is reasonably certain it will exercise the option; and
- Penalties for terminating the lease if the term includes the option to terminate and is exercised.

The lease liability is measured at amortized cost using the effective interest method and is remeasured when:

- Future lease payments change due to an index or rate change;
- The amount expected to collect for a residual value guarantee change; or
- The likelihood of exercising a purchase, extension, or termination option change.

Remeasurements are recorded to the carrying amount of the right-of-use asset or to profit or loss if the carrying amount of the right-of-use asset is zero.

Lease payments are discounted over the non-cancellable term, using the interest rate implicit in the lease. However, if not readily determined, the incremental borrowing rate is used. For ATB, the incremental borrowing rate is based on our wholesale borrowing costs.

The right-of-use asset is initially measured to be equal to the right-of-use liability. The assets are depreciated until the earlier of:

- The end of the useful life of the right-of-use asset or
- The lease term.

The straight-line method is applied, as it best reflects the expected pattern of consumption of the future economic benefits. In addition, right-of-use assets may be reduced by impairment losses, if any, or for certain remeasurements made to the lease liability.

If the contract does not contain a lease, no asset or liability is recorded on the consolidated statement of financial position. Instead, payments are recognized in profit or loss on a straight-line basis over the term of the contract.

Lessor Accounting

Classification

The classification of leases for a lessor remains largely unchanged from IAS 17. Refer to the lessor accounting policy before April 1, 2019 (IAS 17). Additional guidance on subleases for lessors was included in IFRS 16.

Measurement

Similar to the classification for lessors, IFRS 16's measurement guidance remains largely unchanged. Refer to the lessor accounting policy before April 1, 2019 (IAS 17).

Subleases

IFRS 16 defines subleases as a transaction where an underlying asset is leased by a lessee ("intermediate lessor") to a third party. The lease ("head lease") between the head lessor and lessee remains unchanged.

If a transaction fits this criteria, the sublease is classified as either a finance or operating lease based on the right-of-use asset arising from the head lease. However, if the head lease has a shorter term than the entity, as a lessee, has accounted for, the sublease shall be classified as an operating lease.

Accounting Policies Applicable Before April 1, 2019 (IAS 17)

Lessee Accounting

Classification

ATB classified leases that transferred substantially all of the risks and rewards of ownership to ATB as finance leases. Leases that did not meet this requirement were classified as operating.

Measurement

Finance leases were initially measured and recognized on the consolidated statement of financial position at an amount equal to the lower of their fair value of the leased property or the present value of minimum lease payments. The corresponding liability to the lessor is included in other liabilities in the consolidated statement of financial position. The discount rate used in calculating the present value of the minimum lease payments is either the interest rate implicit in the lease, if it is practicable to determine, or the incremental borrowing rate. Contingent rentals are recognized as an expense in the periods in which they are incurred.

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Operating lease rentals payable are recognized as an expense on a straight-line basis over the lease term, which commences when the lessee controls the physical use of the property. Lease incentives or inducements are treated as a reduction of rental expense and recognized over the lease term on a straight-line basis. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

Lessor Accounting

Classification

A lease is classified as a finance lease if it transfers substantially all the risks and rewards related to the underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards related to the underlying asset.

The classification is determined at inception and only reassessed if a lease modification occurs. Changes in estimates (e.g., of the economic life or the residual value of the underlying asset) or changes in circumstances (e.g., by default by the lessee) do not change a lease's classification.

Measurement

A lessor shall recognize a finance lease on its consolidated statement of financial position (presented as a receivable at an amount equal to the net investment in the lease). The lease receivable includes:

- Fixed payments (including in-substance fixed payments), less any lease incentives payable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts ATB expects to receive for residual value guarantees;
- The amount received for a purchase option if the lessee is reasonably certain to exercise; and
- Penalties for terminating the lease if the term includes the option to terminate and the lessee is expected to exercise the option.

For operating leases, the monthly revenue is based on the payments received for the lease, with any cost, including depreciation, paid for earning the revenue recorded to non-interest expenses.

IAS 23 Borrowing Costs

In December 2017, the IASB issued the *Annual Improvements to IFRS Standards 2015–2017 Cycle* that amends IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes*, and IAS 23 *Borrowing Costs*. The amendment to IAS 23 *Borrowing Costs* is the only amendment applicable to ATB. The amendment clarifies that once an asset is ready for use or sale, any outstanding borrowing costs to obtain the asset are included when calculating the capitalization borrowing rate.

ATB implemented the interpretation with no impact on our financial performance.

IAS 19 Employee Benefits

In February 2018, the IASB issued *Plan Amendment, Curtailment or Settlement* for IAS 19 *Employee Benefits*. The amendment clarifies that if a plan amendment, curtailment, or settlement occurs, the calculation of the current service cost and net interest for the period following the remeasurement is based on assumptions used when the plan's net defined liability or asset is remeasured.

ATB implemented the amendment with no impact on our financial performance.

Future Accounting Changes

The following standards have been issued but are not yet effective on the date of issuance of ATB's interim condensed consolidated financial statements. ATB is currently assessing the impact of the application of these standards and will adopt them when they become effective.

IFRS 3 Business Combinations

In October 2018, the IASB issued *Definition of a Business (Amendments to IFRS 3)*. It clarifies the definition of a business and reveals additional factors to consider when determining if the entity has acquired a business or a group of assets.

ATB is currently assessing the impact of the new amendment, which is applicable for acquisitions that occur on or after the first period beginning on or after January 1, 2020. The amendments to IFRS 3 will be in effect starting April 1, 2020, which is ATB's 2021 fiscal year.

Definition of Material (Amendments to IAS 1 Presentation of Financial Statements *and 8* Accounting Policies, Changes in Accounting Estimates and Errors*)*

In October 2018, the IASB issued *Definition of Material (Amendments to IAS 1 and IAS 8)* amending the definition of material in IAS 1 and IAS 8, replacing past definitions to be used when applying the two standards. The new definition considers information as material "if omitting, misstating, or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make" based on a specific reporting entity's financial statements.

ATB is currently assessing the impact of the new definition, which is effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. The amendments to IAS 1 and 8 will be in effect starting April 1, 2020, the first day of ATB's 2021 fiscal year.

4 IFRS 16 Transition

The following table summarizes the impact of adopting IFRS 16 on ATB's consolidated balance sheet at April 1, 2019. Prior period amounts have not been restated.

	As at March 31, 2019		As at April 1, 2019
($ in thousands)	IAS 17 carrying amount	Impact of adoption	IFRS 16 carrying amount
Property and equipment	285,634	12,620	298,254
Other liabilities	1,346,904	12,620	1,359,524

5 Financial Instruments

a. Classification and Carrying Value

The following tables summarize the classification, carrying value and fair value of ATB's financial instruments as at September 30, 2019, and March 31, 2019.

	Carrying value						
As at September 30, 2019 ($ in thousands)	**Financial instruments classified as at FVTPL**	**Financial instruments designated as at FVTPL**	**Financial instruments classified as at FVOCI**	**Financial instruments designated as at FVOCI**	**Financial instruments measured at amortized cost**	**Total carrying value**	
Financial assets							
Cash	**$ -**	**$ -**	**$ -**	**$ -**	**$ 160,938**	**$ 160,938**	[1]
Interest-bearing deposits with financial institutions	**-**	**731,793**	**-**	**-**	**-**	**731,793**	[1]
Securities measured at fair value through profit or loss (FVTPL)	**39,710**	**13,039**	**-**	**-**	**-**	**52,749**	
Securities measured at fair value through other comprehensive income (FVOCI)	**-**	**-**	**4,505,615**	**4,535**	**-**	**4,510,150**	
Securities purchased under reverse repurchase agreements	**-**	**-**	**-**	**-**	**400,267**	**400,267**	
Total securities	**39,710**	**13,039**	**4,505,615**	**4,535**	**400,267**	**4,963,166**	[1]
Business	**-**	**-**	**-**	**-**	**23,383,492**	**23,383,492**	
Residential mortgages	**-**	**-**	**-**	**-**	**16,262,712**	**16,262,712**	
Personal	**-**	**-**	**-**	**-**	**6,560,226**	**6,560,226**	
Credit card	**-**	**-**	**-**	**-**	**772,763**	**772,763**	
Allowance for loan losses	**-**	**-**	**-**	**-**	**(672,134)**	**(672,134)**	
Total loans	**-**	**-**	**-**	**-**	**46,307,059**	**46,307,059**	[2]
Derivative financial instruments	**656,492**	**-**	**-**	**-**	**-**	**656,492**	
Other assets	**-**	**-**	**-**	**-**	**317,371**	**317,371**	
Total other assets	**656,492**	**-**	**-**	**-**	**317,371**	**973,863**	[1]
Financial liabilities							
Redeemable fixed-date deposits	**$ -**	**$ -**	**$ -**	**$ -**	**$ 1,730,724**	**$ 1,730,724**	
Non-redeemable fixed-date deposits	**-**	**-**	**-**	**-**	**9,017,774**	**9,017,774**	
Saving accounts	**-**	**-**	**-**	**-**	**9,538,501**	**9,538,501**	
Transaction accounts	**-**	**-**	**-**	**-**	**8,490,339**	**8,490,339**	
Notice accounts	**-**	**-**	**-**	**-**	**7,435,852**	**7,435,852**	
Total deposits	**-**	**-**	**-**	**-**	**36,213,190**	**36,213,190**	[3]
Securities sold under repurchase agreements	**-**	**-**	**-**	**-**	**197,159**	**197,159**	[1]
Wholesale borrowings	**-**	**283,319**	**-**	**-**	**2,355,904**	**2,639,223**	[4]
Collateralized borrowings	**-**	**-**	**-**	**-**	**8,893,694**	**8,893,694**	[5]
Derivative financial instruments	**450,929**	**-**	**-**	**-**	**-**	**450,929**	[1]
Other liabilities	**-**	**-**	**-**	**-**	**1,347,966**	**1,347,966**	[1]
Total other liabilities	**450,929**	**283,319**	**-**	-	**12,794,723**	**13,528,971**	
Subordinated debentures	**-**	-	**-**	-	**298,188**	**298,188**	[6]

1 Fair value is estimated to equal carrying value.

2 Fair value of loans is estimated at $48,084,546.

3 Fair value of deposits is estimated at $36,101,807.

4 Fair value of wholesale borrowings is estimated at $2,709,587.

5 Fair value of collateralized borrowings is estimated at $9,027,530.

6 Fair value of subordinated debentures is estimated at $302,481.

As at March 31, 2019 ($ in thousands)	Financial instruments classified as at FVTPL	Financial instruments designated as at FVTPL	Carrying value Financial instruments classified as at FVOCI	Financial instruments designated as at FVOCI	Financial instruments measured at amortized cost	Total carrying value	
Financial assets							
Cash	$ -	$ -	$ -	$ -	$ 200,002	$ 200,002	(1)
Interest-bearing deposits with financial institutions	-	1,097,307	-	-	-	1,097,307	(1)
Securities measured at FVTPL	53,502	15,000	-	-	-	68,502	
Securities measured at FVOCI	-	-	3,910,168	1,628	-	3,911,796	
Securities purchased under reverse repurchase agreements	-	-	-	-	400,355	400,355	
Total securities	53,502	15,000	3,910,168	1,628	400,355	4,380,653	(1)
Business	-	-	-	-	23,833,674	23,833,674	
Residential mortgages	-	-	-	-	16,438,739	16,438,739	
Personal	-	-	-	-	6,667,543	6,667,543	
Credit card	-	-	-	-	730,681	730,681	
Allowance for loan losses	-	-	-	-	(664,913)	(664,913)	
Total loans	-	-	-	-	47,005,724	47,005,724	(2)
Derivative financial instruments	642,070	-	-	-	-	642,070	
Other assets	-	-	-	-	223,418	223,418	
Total other assets	642,070	-	-	-	223,418	865,488	(1)
Financial liabilities							
Redeemable fixed-date deposits	$ -	$ -	$ -	$ -	$ 2,047,475	$ 2,047,475	
Non-redeemable fixed-date deposits	-	-	-	-	9,176,459	9,176,459	
Saving accounts	-	-	-	-	10,004,043	10,004,043	
Transaction accounts	-	-	-	-	7,574,046	7,574,046	
Notice accounts	-	-	-	-	7,119,926	7,119,926	
Total deposits	-	-	-	-	35,921,949	35,921,949	(3)
Securities sold under repurchase agreements	-	-	-	-	-	-	(1)
Wholesale borrowings	-	279,908	-	-	3,339,158	3,619,066	(4)
Collateralized borrowings	-	-	-	-	8,965,829	8,965,829	(5)
Derivative financial instruments	507,146	-	-	-	-	507,146	(1)
Other liabilities	-	-	-	-	1,255,742	1,255,742	(1)
Total other liabilities	507,146	279,908	-	-	13,560,729	14,347,783	
Subordinated debentures	-	-	-	-	339,140	339,140	(6)

1 Fair value is estimated to equal carrying value.
2 Fair value of loans is estimated at $48,675,761.
3 Fair value of deposits is estimated at $35,788,176.
4 Fair value of wholesale borrowings is estimated at $3,675,152.
5 Fair value of collateralized borrowings is estimated at $8,960,825.
6 Fair value of subordinated debentures is estimated at $342,249.

b. Fair-Value Hierarchy

The following tables present the financial instruments ATB has recognized at fair value, classified using the fair-value hierarchy described in note 5 to the consolidated financial statements for the year ended March 31, 2019. Transfers between fair-value levels can result from additional, changes in, or new information regarding the availability of quoted market prices or observable market inputs. For the six months ended September 30, 2019, and the year ended March 31, 2019, there were no transfers of financial instruments between Levels 1 and 2 or into and out of Level 3.

As at September 30, 2019 *($ in thousands)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Interest-bearing deposits with financial institutions	**$ -**	**$ 731,793**	**$ -**	**$ 731,793**
Securities				
Securities measured at FVTPL	**13,037**	**-**	**39,712**	**52,749**
Securities measured at FVOCI	**4,505,615**	**-**	**4,535**	**4,510,150**
Other assets				
Derivative financial instruments	-	**656,492**	**-**	**656,492**
Total financial assets	**$ 4,518,652**	**$ 1,388,285**	**$ 44,247**	**$ 5,951,184**
Financial liabilities				
Wholesale borrowings	**-**	**283,319**	**-**	**283,319**
Other liabilities				
Derivative financial instruments	**1,377**	**449,552**	**-**	**450,929**
Total financial liabilities	**$ 1,377**	**$ 732,870**	**$ -**	**$ 734,247**

As at March 31, 2019 *($ in thousands)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Interest-bearing deposits with financial institutions	$ -	$ 1,097,307	$ -	$ 1,097,307
Securities				
Securities measured at FVTPL	33,062	-	35,440	68,502
Securities measured at FVOCI	3,910,168	-	1,628	3,911,796
Other assets				
Derivative financial instruments	1,860	640,210	-	642,070
Total financial assets	$ 3,945,090	$ 1,737,517	$ 37,068	$ 5,719,675
Financial liabilities				
Wholesale borrowings	-	279,908	-	279,908
Other liabilities				
Derivative financial instruments	2,803	504,343	-	507,146
Total financial liabilities	$ 2,803	$ 784,251	$ -	$ 787,054

ATB performs a sensitivity analysis for fair-value measurements classified as Level 3, substituting one or more reasonably possible alternative assumptions for the unobservable inputs. The sensitivity analysis is detailed in note 7 for other securities designated at fair value through profit and loss (FVTPL).

The following table presents the changes in fair value of Level 3 financial instruments for the six months ended September 30, 2019.

($ in thousands)	**Securities designated as at FVOCI**	**Securities classified as at FVTPL**
Fair value as at March 31, 2019	$ 1,628	$ 35,440
Total realized and unrealized gains included in net income	-	2,846
Total realized and unrealized losses included in other comprehensive income	(310)	-
Purchases and issuances	3,217	6,224
Sales and settlements	-	(4,798)
Fair value as at September 30, 2019	$ 4,535	$ 39,712
Change in unrealized gains included in income with respect to financial instruments held as at September 30, 2019	$ -	$ 2,846

The interim condensed consolidated statement of income-line-item net gains on securities captures both realized and unrealized fair-value movements on all financial instruments classified and designated at FVTPL and realized gains on securities measured at fair value through other comprehensive income (FVOCI).

6 Financial Instruments – Risk Management

ATB has included certain disclosures required by IFRS 7 in the Risk Management section of the MD&A, which is an integral part of the interim condensed consolidated financial statements. The use of financial instruments exposes ATB to credit, liquidity, market, interest rate, and foreign-exchange risk. ATB's risk management practices and key measures are disclosed in the Risk Management section of the MD&A in the 2019 annual and corporate social responsibility report.

7 Securities

The following table shows the carrying value of securities by remaining term to maturity and net of valuation provisions.

As at *($ in thousands)*				**September 30 2019**	March 31 2019
	Within 1 year	**1–5 years**	**Over 5 years**	**Total carrying value**	Total carrying value
Securities measured at FVTPL					
Issued or guaranteed by the Canadian federal or provincial governments	**$ 13,037**	**$ -**	**$ -**	**$ 13,037**	$ 15,000
Other securities	**-**	**34,073**	**5,639**	**39,712**	53,502
Total securities measured at FVTPL	**$ 13,037**	**$ 34,073**	**$ 5,639**	**$ 52,749**	$ 68,502
Securities measured at FVOCI					
Issued or guaranteed by the Canadian federal or provincial governments	**$ 2,046,228**	**$ 2,396,541**	**$ 62,845**	**$ 4,505,615**	$ 3,910,168
Other securities	**-**	**-**	**4,535**	**4,535**	1,628
Total securities measured at FVOCI	**$ 2,046,228**	**$ 2,396,541**	**$ 67,380**	**$ 4,510,150**	$ 3,911,796
Securities purchased under reverse repurchase agreements					
Issued or guaranteed by the Canadian federal or provincial governments	**$ 400,267**	**$ -**	**$ -**	**$ 400,267**	$ 400,355
Total securities purchased under reverse repurchase agreements	**$ 400,267**	**$ -**	**$ -**	**$ 400,267**	$ 400,355

Securities Measured at Fair Value Through Profit and Loss – Other Securities

These securities in the current year relate to investments made by AltaCorp and investments made by ATB into a broad range of private Alberta companies. There is no observable market price for the investments made in these private Alberta companies as at the balance sheet date. ATB estimated the fair value using a combination of discounted cash flows and market multiples derived from quoted prices of comparative companies, specifically the expected earnings before interest, income tax, depreciation, and amortization (EBITDA). The key assumptions in this model are the exit multiple of 6.0 to 8.0, the weighted average cost of capital of 20.0% to 21.0%, and the EBITDA multiple of 3.34 to 11.62. A 0.5 increase in the exit multiple, a 1.0% decrease in the weighted average cost of capital, and a 0.5 increase in the EBITDA multiple would increase the fair value by $3.1 million (June 2019: $3.4 million; September 2018: $2.7 million). The estimate is also adjusted for the effect of the non-marketability of these investments.

8 Loans

In the performing retail portfolio, the credit quality of each borrower is assessed based on their Beacon score. The following table outlines the borrower's score assigned to each range.

Risk assessment	Beacon score range
Very low risk	800–900
Low risk	700–799
Medium risk	620–699
High risk	619 or lower

For performing non-retail loans, the credit quality of each borrower is assessed and assigned a borrower risk rating (BRR), with the following table outlining the BRR assigned to each range.

Risk assessment	BRR range
Very low risk	1–4
Low risk	5–7
Medium risk	8–9
High risk	10–13

Credit Quality

The following table presents the gross carrying amount of loans and the full contractual amount of undrawn loan commitments subject to the impairment requirements under IFRS 9.

As at				**September 30 2019**				March 31 2019
	Performing		**Impaired**		Performing		Impaired	
($ in thousands)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Very low risk	**$ 2,928,295**	**$ 406,834**	**$ -**	**$ 3,335,129**	$ 3,051,685	$ 329,503	$ -	$ 3,381,188
Low risk	**6,157,092**	**7,972,320**	**-**	**14,129,412**	6,975,076	7,571,098	-	14,546,174
Medium risk	**1,405,008**	**3,072,343**	**-**	**4,477,351**	1,574,296	2,774,313	-	4,348,609
High risk	**-**	**544,602**	**-**	**544,602**	3,408	532,346	-	535,754
Not rated	**25,686**	**87,130**	**-**	**112,816**	186,953	13,986	-	200,939
Impaired	**-**	**-**	**784,182**	**784,182**	-	-	821,010	821,010
Total business	**10,516,081**	**12,083,229**	**784,182**	**23,383,492**	11,791,418	11,221,246	821,010	23,833,674
Very low risk	**6,502,354**	**14,229**	**-**	**6,516,583**	6,663,812	14,392	-	6,678,204
Low risk	**5,773,426**	**25,427**	**-**	**5,798,853**	5,842,586	25,892	-	5,868,478
Medium risk	**2,767,169**	**42,792**	**-**	**2,809,961**	2,779,640	37,595	-	2,817,235
High risk	**665,329**	**357,053**	**-**	**1,022,382**	634,932	339,389	-	974,321
Not rated	**16,544**	**4,067**	**-**	**20,611**	18,176	850	-	19,026
Impaired	**-**	**-**	**94,322**	**94,322**	-	-	81,475	81,475
Total residential mortgages	**15,724,822**	**443,568**	**94,322**	**16,262,712**	15,939,146	418,118	81,475	16,438,739
Very low risk	**2,563,022**	**12,215**	**-**	**2,575,237**	2,571,482	15,264	-	2,586,746
Low risk	**2,191,274**	**76,825**	**-**	**2,268,099**	2,063,146	224,641	-	2,287,787
Medium risk	**936,426**	**231,576**	**-**	**1,168,002**	958,758	264,940	-	1,223,698
High risk	**261,458**	**187,197**	**-**	**448,655**	280,698	187,243	-	467,941
Not rated	**24,489**	**3,754**	**-**	**28,243**	28,847	7,206	-	36,053
Impaired	**-**	**-**	**71,990**	**71,990**	-	-	65,318	65,318
Total personal	**5,976,669**	**511,567**	**71,990**	**6,560,226**	5,902,931	699,294	65,318	6,667,543
Very low risk	**78,540**	**14,681**	**-**	**93,221**	70,167	14,246	-	84,413
Low risk	**199,999**	**78,986**	**-**	**278,985**	182,586	77,615	-	260,201
Medium risk	**154,366**	**61,310**	**-**	**215,676**	134,752	74,598	-	209,350
High risk	**35,376**	**59,265**	**-**	**94,641**	24,806	67,151	-	91,957
Not rated	**13,406**	**69,960**	**-**	**83,366**	9,419	68,207	-	77,626
Impaired	**-**	**-**	**6,874**	**6,874**	-	-	7,134	7,134
Total credit card	**481,687**	**284,202**	**6,874**	**772,763**	421,730	301,817	7,134	730,681
Total loans	**32,699,259**	**13,322,566**	**957,368**	**46,979,193**	34,055,225	12,640,475	974,937	47,670,637
Total allowance for loan losses	**(69,830)**	**(155,264)**	**(447,040)**	**(672,134)**	(73,273)	(116,620)	(475,019)	(664,912)
Total net loans	**$ 32,629,429**	**$ 13,167,302**	**$ 510,328**	**$ 46,307,059**	$ 33,981,952	$ 12,523,855	$ 499,918	$ 47,005,725

As at				September 30 2019				March 31 2019
	Performing		**Impaired**		Performing		Impaired	
($ in thousands)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Very low risk	**4,156,531**	**13,423**	**-**	**4,169,954**	4,196,800	25,059	-	4,221,859
Low risk	**1,036,439**	**36,363**	**-**	**1,072,802**	969,986	85,306	-	1,055,292
Medium risk	**130,846**	**39,706**	**-**	**170,552**	133,182	43,728	-	176,910
High risk	**14,172**	**23,410**	**-**	**37,582**	15,328	28,796	-	44,124
Not rated	**48,169**	**5,717**	**-**	**53,886**	12,544	10,275	-	22,819
Total undrawn loan commitments – retail	**$ 5,386,157**	**$ 118,619**	**-**	**$ 5,504,776**	$ 5,327,840	$ 193,164	$ -	$ 5,521,004
Very low risk	**4,256,376**	**286,060**	**-**	**4,542,436**	4,770,110	292,746	-	5,062,856
Low risk	**2,946,298**	**2,808,849**	**-**	**5,755,147**	3,258,313	3,485,152	-	6,743,465
Medium risk	**241,403**	**531,585**	**-**	**772,988**	254,893	675,335	-	930,228
High risk	**49**	**110,406**	**-**	**110,455**	180	297,076	-	297,256
Not rated	**37,136**	**230,877**	**-**	**268,013**	39,034	206,142	-	245,176
Total undrawn loan commitments – non-retail	**$ 7,481,262**	**$ 3,967,777**	**-**	**$ 11,449,039**	8322530	$ 4,956,451	$ -	$ 13,278,981

Loans Past Due

The following are the loans past due but not impaired because they are less than 90 days past due or because it is otherwise reasonable to expect timely collection of principal and interest.

As at September 30, 2019 *($ in thousands)*	**Residential mortgages**	**Business**	**Personal**	**Credit card**	**Total**	**Percentage of total gross loans**
Up to 1 month[1]	**$ 110,575**	**$ 39,578**	**$ 58,304**	**$ 40,835**	**$ 249,292**	**0.53%**
Over 1 month, up to 2 months	**105,535**	**86,727**	**64,325**	**9,719**	**266,306**	**0.57%**
Over 2 months, up to 3 months	**33,334**	**39,222**	**16,887**	**4,518**	**93,961**	**0.20%**
Over 3 months	**1,985**	**10,250**	**539**	**6,886**	**19,660**	**0.04%**
Total past due but not impaired	**$ 251,429**	**$ 175,777**	**$ 140,055**	**$ 61,958**	**$ 629,219**	**1.3%**

As at March 31, 2019 *($ in thousands)*	Residential mortgages	Business	Personal	Credit card	Total	Percentage of total gross loans
Up to 1 month[1]	$ 106,851	$ 20,177	$ 55,575	$ 41,340	$ 223,943	0.47%
Over 1 month, up to 2 months	113,344	107,037	55,719	9,456	285,556	0.60%
Over 2 months, up to 3 months	14,869	21,635	16,754	3,870	57,128	0.12%
Over 3 months	2,148	13,846	2,239	6,205	24,438	0.05%
Total past due but not impaired	$ 237,212	$ 162,695	$ 130,287	$ 60,871	$ 591,065	1.2%

1 Loans past due by one day are not disclosed, as they are not administratively considered past due.

9 Allowance for Loan Losses

Key Inputs and Assumptions

Measuring expected credit losses is based on a complex calculation that involves a number of variables and assumptions. The key inputs for determining expected credit losses are:

- A borrower's credit quality, reflected through changes in risk ratings;
- Forward-looking macroeconomic conditions;
- Changes to the probability-weighted scenarios; and
- Stage migration as a result of the inputs noted above.

	For the three months ended September 30, 2019				
($ in thousands)	**Balance at beginning of period**	**Provision for loan losses**	**Net Write-offs**	**Discounted cash flows on impaired loans and other**	**Balance at end of period**
Business	**$ 553,247**	**$ 18,587**	**$ (22,934)**	**$ (3,996)**	**$ 544,904**
Residential mortgages	**6,928**	**878**	**(895)**	**39**	**6,950**
Personal	**76,162**	**10,861**	**(9,927)**	**(132)**	**76,964**
Credit card	**43,355**	**2,005**	**(2,044)**	**-**	**43,316**
Total	**$ 679,692**	**$ 32,331**	**$ (35,800)**	**$ (4,089)**	**$ 672,134**

	For the three months ended September 30, 2018				
($ in thousands)	Balance at beginning of period	Provision for loan losses	Net Write-offs	Discounted cash flows on impaired loans and other	Balance at end of period
Business	$ 384,565	$ 33,077	$ (20,438)	$ (1,277)	$ 395,927
Residential mortgages	4,203	(480)	(121)	102	3,704
Personal	57,882	7,246	(7,991)	(63)	57,074
Credit card	25,460	13,199	(3,608)	(14)	35,037
Total	$ 472,110	$ 53,042	$ (32,158)	$ (1,252)	$ 491,742

($ in thousands)	Balance at beginning of period	Provision for loan losses	Net Write-offs	Discounted cash flows on impaired loans and other	Balance at end of period
	For the six months ended September 30, 2019				
Business	**$ 546,825**	**$ 60,487**	**$ (55,220)**	**$ (7,188)**	**$ 544,904**
Residential mortgages	**5,493**	**2,685**	**(1,229)**	**1**	**6,950**
Personal	**71,498**	**25,451**	**(19,758)**	**(227)**	**76,964**
Credit card	**41,097**	**9,796**	**(7,530)**	**(47)**	**43,316**
Total	**$ 664,913**	**$ 98,419**	**$ (83,737)**	**$ (7,461)**	**$ 672,134**

($ in thousands)	Balance at beginning of period	Provision for loan losses	Net Write-offs	Discounted cash flows on impaired loans and other	Balance at end of period
	For the six months ended September 30, 2018				
Business	$ 342,366	$ 85,962	$ (28,502)	$ (3,899)	$ 395,927
Residential mortgages	5,406	(1,153)	(486)	(63)	3,704
Personal	59,201	17,305	(19,211)	(221)	57,074
Credit card	39,657	1,250	(5,876)	6	35,037
Total	$ 446,630	$ 103,364	$ (54,075)	$ (4,177)	$ 491,742

The following tables reconcile the opening and closing allowances for loans by stage for each major category.

Allowance for loan losses – business	**For the three months ended September 30, 2019**				For the three months ended September 30, 2018			
	Performing		**Impaired**		Performing		Impaired	
($ in thousands)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	**$ 11,157**	**$ 95,966**	**$ 446,124**	**$ 553,247**	$ 23,545	$ 37,018	$ 324,002	$ 384,565
Provision for loan losses								
Transfers into (out of) Stage 1[1]	**1,925**	**(1,930)**	**5**	**-**	(2,505)	2,415	90	-
Transfers into (out of) Stage 2[1]	**3,733**	**(6,107)**	**2,374**	**-**	(8,129)	6,098	2,031	-
Transfers into (out of) Stage 3[1]	**3,011**	**(19,308)**	**16,297**	**-**	(2,497)	(15,287)	17,784	-
New originations[2]	**4,890**	**14,915**	**17,622**	**37,427**	3,369	3,131	4,531	11,031
Repayments[3]	**(774)**	**(8,874)**	**(12,987)**	**(22,635)**	(1,161)	(2,490)	(157)	(3,808)
Remeasurements[4]	**(8,163)**	**36,254**	**(24,296)**	**3,795**	10,713	11,615	3,526	25,854
Write-offs	**-**	**-**	**(25,398)**	**(25,398)**	-	-	(21,279)	(21,279)
Recoveries	**-**	**-**	**2,464**	**2,464**	-	-	841	841
Discounted cash flows on impaired loans and other	**1**	**(14)**	**(3,983)**	**(3,996)**	(13)	(48)	(1,216)	(1,277)
Balance at end of period	**$ 15,780**	**$ 110,902**	**$ 418,222**	**$ 544,904**	$ 23,322	$ 42,452	$ 330,153	$ 395,927

Allowance for loan losses – residential mortgages	For the three months ended September 30, 2019				For the three months ended September 30, 2018			
	Performing		**Impaired**		Performing		Impaired	
($ in thousands)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	**$ 2,148**	**$ 1,646**	**$ 3,134**	**$ 6,928**	$ 1,727	$ 1,007	$ 1,469	$ 4,203
Provision for loan losses								
Transfers into (out of) Stage 1[(1)]	**12**	**(11)**	**(1)**	**-**	17	(19)	2	-
Transfers (out of) into Stage 2[(1)]	**(66)**	**(99)**	**165**	**-**	(5)	(116)	121	-
Transfers (out of) into Stage 3[(1)]	**(30)**	**(724)**	**754**	**-**	(57)	(439)	496	-
New originations[(2)]	**121**	**82**	**-**	**203**	121	29	42	192
Repayments[(3)]	**-**	**(29)**	**-**	**(29)**	(28)	(23)	(438)	(489)
Remeasurements[(4)]	**8**	**723**	**(27)**	**704**	(132)	426	(477)	(183)
Write-offs	**-**	**-**	**(991)**	**(991)**	-	-	(408)	(408)
Recoveries	**-**	**-**	**96**	**96**	-	-	287	287
Discounted cash flows on impaired loans and other	**-**	**-**	**39**	**39**	-	-	102	102
Balance at end of period	**$ 2,193**	**$ 1,588**	**$ 3,169**	**$ 6,950**	$ 1,643	$ 865	$ 1,196	$ 3,704

Allowance for loan losses – personal	For the three months ended September 30, 2019				For the three months ended September 30, 2018			
	Performing		**Impaired**		Performing		Impaired	
($ in thousands)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	**$ 40,296**	**$ 13,606**	**$ 22,260**	**$ 76,162**	$ 28,191	$ 9,798	$ 19,893	$ 57,882
Provision for loan losses								
Transfers (out of) into Stage 1[(1)]	**(379)**	**231**	**148**	**-**	(352)	236	116	-
Transfers (out of) into Stage 2[(1)]	**(911)**	**(969)**	**1,880**	**-**	(775)	(599)	1,374	-
Transfers (out of) into Stage 3[(1)]	**(2,649)**	**(4,149)**	**6,798**	**-**	(2,064)	(3,005)	5,069	-
New originations[(2)]	**2,006**	**71**	**476**	**2,553**	2,227	383	419	3,029
Repayments[(3)]	**(3)**	**(327)**	**(20)**	**(350)**	(56)	(123)	(218)	(397)
Remeasurements[(4)]	**3,032**	**4,488**	**1,138**	**8,658**	1,467	2,290	857	4,614
Write-offs	**-**	**-**	**(10,790)**	**(10,790)**	-	-	(8,623)	(8,623)
Recoveries	**-**	**-**	**861**	**861**	-	-	632	632
Discounted cash flows on impaired loans and other	**-**	**-**	**(130)**	**(130)**	-	-	(63)	(63)
Balance at end of period	**$ 41,392**	**$ 12,951**	**$ 22,621**	**$ 76,964**	$ 28,638	$ 8,980	$ 19,456	$ 57,074

Allowance for loan losses – credit cards	**For the three months ended September 30, 2019**				For the three months ended September 30, 2018			
	Performing		**Impaired**		Performing		Impaired	
($ in thousands)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	**$ 12,199**	**$ 27,263**	**$ 3,893**	**$ 43,355**	$ 11,909	$ 12,368	$ 1,183	$ 25,460
Provision for loan losses								
Transfers into (out of) Stage 1[1]	**996**	**(1,013)**	**17**	**-**	1,043	(1,036)	(7)	-
Transfers into (out of) Stage 2[1]	**5,054**	**(5,557)**	**503**	**-**	(175)	(917)	1,092	-
Transfers (out of) into Stage 3[1]	**(287)**	**(1,256)**	**1,543**	**-**	84	(1,832)	1,748	-
New originations[2]	**193**	**102**	**-**	**295**	312	133	-	445
Repayments[3]	**(83)**	**(197)**	**(2)**	**(282)**	(182)	(949)	(1,400)	(2,531)
Remeasurements[4]	**(7,615)**	**10,477**	**(870)**	**1,992**	(1,195)	13,932	2,548	15,285
Write-offs	**-**	**-**	**(5,665)**	**(5,665)**	-	-	(4,964)	(4,964)
Recoveries	**-**	**-**	**3,621**	**3,621**	-	-	1,356	1,356
Discounted cash flows on impaired loans and other	**8**	**4**	**(12)**	**-**	(9)	(5)	-	(14)
Balance at end of period	**$ 10,465**	**$ 29,823**	**$ 3,028**	**$ 43,316**	$ 11,787	$ 21,694	$ 1,556	$ 35,037

Allowance for loan losses – business	**For the six months ended September 30, 2019**				For the six months ended September 30, 2018			
	Performing		**Impaired**		Performing		Impaired	
($ in thousands)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	**$ 22,314**	**$ 77,863**	**$ 446,648**	**$ 546,825**	$ 27,702	$ 50,214	$ 264,450	$ 342,366
Provision for loan losses								
Transfers (out of) into Stage 1[1]	**(1,260)**	**1,088**	**172**	**-**	4,383	(4,506)	123	-
Transfers (out of) into Stage 2[1]	**(3,501)**	**(765)**	**4,266**	**-**	(1,208)	(4,176)	5,384	-
Transfers into (out of) Stage 3[1]	**1,651**	**(35,091)**	**33,440**	**-**	(2,530)	(18,640)	21,170	-
New originations[2]	**9,214**	**28,709**	**40,814**	**78,737**	6,997	6,834	7,387	21,218
Repayments[3]	**(3,686)**	**(18,179)**	**(21,857)**	**(43,722)**	(2,408)	(4,832)	(1,010)	(8,250)
Remeasurements[4]	**(8,927)**	**57,378**	**(22,979)**	**25,472**	(9,609)	17,570	65,033	72,994
Write-offs	**-**	**-**	**(58,618)**	**(58,618)**	-	-	(30,079)	(30,079)
Recoveries	**-**	**-**	**3,398**	**3,398**	-	-	1,577	1,577
Discounted cash flows on impaired loans and other	**(25)**	**(101)**	**(7,062)**	**(7,188)**	(5)	(12)	(3,882)	(3,899)
Balance at end of period	**$ 15,780**	**$ 110,902**	**$ 418,222**	**$ 544,904**	$ 23,322	$ 42,452	$ 330,153	$ 395,927

Allowance for loan losses – residential mortgages	For the six months ended September 30, 2019				For the six months ended September 30, 2018			
	Performing		Impaired		Performing		Impaired	
($ in thousands)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	**$ 1,495**	**$ 952**	**$ 3,046**	**$ 5,493**	$ 2,110	$ 1,313	$ 1,983	$ 5,406
Provision for loan losses								
Transfers (out of) into Stage 1[1]	**(3)**	**2**	**1**	**-**	24	(26)	2	-
Transfers (out of) into Stage 2[1]	**(440)**	**195**	**245**	**-**	23	(161)	138	-
Transfers (out of) into Stage 3[1]	**(113)**	**(1,248)**	**1,361**	**-**	(68)	(478)	546	-
New originations[2]	**240**	**199**	**39**	**478**	132	26	47	205
Repayments[3]	**-**	**(31)**	**-**	**(31)**	(32)	(24)	(438)	(494)
Remeasurements[4]	**1,014**	**1,519**	**(295)**	**2,238**	(546)	215	(533)	(864)
Write-offs	**-**	**-**	**(1,475)**	**(1,475)**	-	-	(957)	(957)
Recoveries	**-**	**-**	**246**	**246**	-	-	471	471
Discounted cash flows on impaired loans and other	**-**	**-**	**1**	**1**	-	-	(63)	(63)
Balance at end of period	**$ 2,193**	**$ 1,588**	**$ 3,169**	**$ 6,950**	$ 1,643	$ 865	$ 1,196	$ 3,704

Allowance for loan losses – personal	For the six months ended September 30, 2019				For the six months ended September 30, 2018			
	Performing		Impaired		Performing		Impaired	
($ in thousands)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	**$ 38,898**	**$ 11,764**	**$ 20,836**	**$ 71,498**	$ 27,676	$ 11,152	$ 20,373	$ 59,201
Provision for loan losses								
Transfers (out of) into Stage 1[1]	**(1,165)**	**857**	**308**	**-**	(548)	417	131	-
Transfers (out of) into Stage 2[1]	**(3,401)**	**(50)**	**3,451**	**-**	(2,151)	469	1,682	-
Transfers (out of) into Stage 3[1]	**(5,602)**	**(7,732)**	**13,334**	**-**	(2,401)	(3,700)	6,101	-
New originations[2]	**3,668**	**707**	**1,209**	**5,584**	4,355	538	448	5,341
Repayments[3]	**(99)**	**(595)**	**(121)**	**(815)**	(914)	(387)	(236)	(1,537)
Remeasurements[4]	**9,093**	**8,000**	**3,589**	**20,682**	2,631	512	10,358	13,501
Write-offs	**-**	**-**	**(21,127)**	**(21,127)**	(10)	(21)	(20,524)	(20,555)
Recoveries	**-**	**-**	**1,369**	**1,369**	-	-	1,344	1,344
Discounted cash flows on impaired loans and other	**-**	**-**	**(227)**	**(227)**	-	-	(221)	(221)
Balance at end of period	**$ 41,392**	**$ 12,951**	**$ 22,621**	**$ 76,964**	$ 28,638	$ 8,980	$ 19,456	$ 57,074

Allowance for loan losses – credit cards	For the six months ended September 30, 2019				For the six months ended September 30, 2018			
	Performing		**Impaired**		Performing		Impaired	
($ in thousands)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	**$ 10,567**	**$ 26,041**	**$ 4,489**	**$ 41,097**	$ 13,151	$ 24,104	$ 2,402	$ 39,657
Provision for loan losses								
Transfers into (out of) Stage 1[(1)]	**895**	**(918)**	**23**	**-**	1,050	(1,038)	(12)	-
Transfers into (out of) Stage 2[(1)]	**3,605**	**(4,497)**	**892**	**-**	1,849	(2,847)	998	-
Transfers (out of) into Stage 3[(1)]	**(372)**	**(2,115)**	**2,487**	**-**	89	(2,141)	2,052	-
New originations[(2)]	**481**	**254**	**-**	**735**	532	242	-	774
Repayments[(3)]	**(265)**	**(979)**	**(2)**	**(1,246)**	(429)	(1,711)	(2,963)	(5,103)
Remeasurements[(4)]	**(4,441)**	**12,042**	**2,706**	**10,307**	(4,453)	5,077	4,955	5,579
Write-offs	**-**	**-**	**(14,666)**	**(14,666)**	-	-	(10,484)	(10,484)
Recoveries	**-**	**-**	**7,136**	**7,136**	-	-	4,608	4,608
Discounted cash flows on impaired loans and other	**(5)**	**(5)**	**(37)**	**(47)**	(2)	8	-	6
Balance at end of period	**$ 10,465**	**$ 29,823**	**$ 3,028**	**$ 43,316**	$ 11,787	$ 21,694	$ 1,556	$ 35,037

1 Stage transfers represent movement between stages and excludes changes due to remeasurements.
2 New originations relate to new loans recognized during the period.
3 Repayments relate to loans fully repaid or derecognized and exclude loans written off where a credit loss was incurred.
4 Remeasurements represent the change in the allowance due to changes in economic factors, risk, and model parameters.

10 Derivative Financial Instruments

The following table shows the fair value of derivative financial instruments, segregated between contracts in a favourable position (i.e., having positive fair value) and an unfavourable position (i.e., having negative fair value).

			September 30 2019			March 31 2019
As at ($ in thousands)	**Notional amount**	**Assets**	**Liabilities**	Notional amount	Assets	Liabilities
Over-the-counter contracts						
Interest rate contracts						
Swaps	**$ 30,055,156**	**$ 266,815**	**$ (178,192)**	$ 28,071,449	$ 216,770	$ (183,980)
Other	**3,538,205**	**74,023**	**(40,694)**	2,999,052	51,940	(31,897)
Foreign-exchange contracts						
Forwards	**1,907,434**	**23,030**	**(19,611)**	2,879,492	25,648	(20,482)
Cross-currency swaps	**1,796,435**	**88,340**	**(36,270)**	1,748,581	61,388	(24,211)
Commodity contracts						
Forwards	**2,341,988**	**204,284**	**(172,864)**	2,553,397	284,464	(242,324)
Embedded derivatives						
Market-linked deposits	**415,511**	**-**	**(1,921)**	384,098	-	(1,449)
Exchange-traded contracts						
Interest rate contracts						
Futures	**3,504,000**	**-**	**(1,377)**	800,000	1,860	(2,803)
Total	**$ 43,558,729**	**$ 656,492**	**$ (450,929)**	$ 39,436,069	$ 642,070	$ (507,146)

In addition to the notional amounts shown above, ATB may have made certain foreign-exchange spot deals that settle in one day. As at September 30, 2019, no such deals were made (March 31, 2019: $112.7 million).

Refer to note 11 of the consolidated financial statements for the year ended March 31, 2019, for a more complete description of ATB's derivative-related activities.

11 Collateralized Borrowings

Canada Mortgage Bond (CMB) Program

ATB periodically securitizes residential mortgage loans by participating in the *National Housing Act* Mortgage-Backed Security (NHA-MBS) program. The MBS issued as a result of this program are pledged to the Canadian Mortgage Bond (CMB) Program or to third-party investors. The terms of this transaction do not meet the derecognition criteria as outlined in IFRS 9 *Financial Instruments*; therefore, it is accounted for as a collateralized borrowing. Refer to note 16 of the consolidated financial statements for the year ended March 31, 2019, for a more complete description of the program.

Credit Card Securitization

ATB entered into a program with another financial institution to securitize credit card receivables to obtain additional funding. This program allows ATB to borrow up to 85% of the amount of credit card receivables pledged. The secured credit card receivables remain on ATB's interim condensed consolidated statement of financial position and have not been transferred, as they do not qualify for derecognition. Should the amount securitized not adequately support the program, ATB will be responsible for funding this shortfall.

The following table presents the carrying amount of ATB's residential mortgage loans, credit card receivables, and assets pledged as collateral for the associated liability recognized in the interim condensed consolidated statement of financial position.

As at *($ in thousands)*	**September 30 2019**	March 31 2019
Principal value of mortgages pledged as collateral	**$ 7,539,084**	$ 7,610,203
ATB mortgage-backed securities pledged as collateral through repurchase agreements	**896,173**	1,017,580
Principal value of credit card receivables pledged as collateral	**691,879**	677,148
Total	**$ 9,127,136**	$ 9,304,931
Associated liabilities	**$ 8,893,694**	$ 8,965,829

12 Payment in Lieu of Tax

For the payment in lieu of tax (PILOT) for three months ended September 30, 2019, ATB accrued a total of $20.6 million (September 30, 2018: $20.7 million). For the six months ended September 30, 2019, ATB accrued a total of $34.8 million (September 30, 2018: $37.9 million). The PILOT will continue to be settled by issuing subordinated debentures until ATB's Tier 2 notional capital is eliminated. The PILOT is calculated as 23.0% of net income reported under IFRS, excluding AltaCorp Capital's net income, which is subject to income tax.

13 Capital Management

ATB measures and reports capital adequacy to ensure it meets the minimum levels set out by our regulator, Alberta Superintendent of Financial Institutions, while supporting the continued growth of our business.

As a Crown corporation, ATB and its subsidiaries operate under a regulatory framework established pursuant to the *ATB Act* and associated regulations and guidelines. The capital adequacy requirements for ATB are defined in a guideline authorized by the Minister, which was modelled after guidelines governing other Canadian deposit-taking institutions. ATB's minimum Tier 1 capital requirement is 7.0%, and the total capital requirement is the greater of 10.0% of risk-weighted assets or 5.0% of total assets. Risk weights are established for various on-balance-sheet and off-balance-sheet assets according to the degree of credit risk. Tier 1 capital consists of retained earnings, and Tier 2 capital consists of eligible portions of subordinated debentures and wholesale borrowings, the collective allowance for loan losses, and notional capital. Wholesale borrowings became eligible as Tier 2 capital as of December 2015 as a result of an amendment to the capital requirements guideline. Effective March 30, 2009, $600 million of notional capital was made available to ATB. This amount decreases by 25% of net income each quarter. Effective April 1, 2017, software and other intangibles were deducted from total capital.

As at September 30, 2019, ATB had exceeded both the total capital requirements and the Tier 1 capital requirement of the *Capital Adequacy* guideline.

As at *($ in thousands)*	**September 30** **2019**	March 31 2019
Tier 1 capital		
Retained earnings	**$ 3,768,203**	$ 3,652,955
Tier 2 capital		
Eligible portions of:		
Subordinated debentures	**106,402**	124,727
Wholesale borrowings	**1,911,888**	1,853,760
Collective allowance for loan losses	**225,094**	189,894
Notional capital	**70,388**	99,199
Total Tier 2 capital	**2,313,772**	2,267,580
Deductions from capital		
Software and other intangibles	**292,824**	302,865
Total capital	**$ 5,789,151**	$ 5,617,670
Total risk-weighted assets	**$ 36,974,240**	$ 37,441,480
Risk-weighted capital ratios		
Tier 1 capital ratio	**10.2%**	9.8%
Total capital ratio	**15.7%**	15.0%

14 Share Capital

ATB's subsidiary, AltaCorp, issues the following share capital.

(a) Authorized:
Unlimited number of Class A voting common shares without nominal or par value;
Unlimited number of Class B non-voting common shares without nominal or par value.

(in thousands)	**Shares**	**Value**
Class A shares		
Balance, as of March 31, 2019	**3,386**	**$ 4,414**
Shares issued during the year	**-**	**-**
Balance, as of September 30, 2019	**3,386**	**$ 4,414**

(in thousands)	**Shares**	**Value**
Class B shares		
Balance, as of March 31, 2019, restated[1]	**2,494**	**$ 1,978**
Shares issued during the year	**100**	**230**
Shares repurchased during the year	**(2)**	**(5)**
Share purchase loan	**-**	**-**
Balance, as of September 30, 2019	**2,592**	**$ 2,203**

1 The value of the Class B shares repurchased during the year ended March 31, 2019, has been restated by $464 to reflect a change in value from when the shares were initially issued to when they were repurchased.

15 Segmented Information

ATB has organized its operations and activities around five areas of expertise that differ in products and services offered:

- **Everyday Financial Services** provides service and support for all personal and digital business customers through our retail branches, agencies, entrepreneur centres, mortgage and broker services, and Client Care (call centre) distribution channels.
- **Business and Agriculture** provides financial services to independent business and agricultural customers.
- **Corporate Financial Services** provides financial services to mid-sized and large corporate borrowers.
- **ATB Wealth** provides wealth management solutions, including retail brokerage, mutual funds, portfolio management, investment advice, and private banking.
- **AltaCorp Capital Inc.** provides advisory and institutional financial services, including corporate mergers and acquisitions, equity financings, debt capital markets, acquisitions and divestitures, equity research, sales and trading, market making, and private wealth management.

ATB's strategic service units (SSUs) provide company-wide expertise and support to our areas of expertise (AoEs) toward being customer obsessed and providing and delivering the best experience, products, and services to our customers. The SSUs comprise business units of a corporate nature, including finance, risk management, treasury operations, human resources, internal assurance, and other functional groups.

Expenses are transferred between the SSUs and AoEs (through intracompany allocations), with any remaining expenses not expressly attributed to any AoE, along with intercompany eliminations, remaining in the SSUs. Therefore, results for the SSUs represent all company-wide activities incurred for the benefit of ATB.

Refer to note 30 to the consolidated financial statements for the year ended March 31, 2019, for additional detail on the method used to generate the segmented information.

For the three months ended *($ in thousands)*	Everyday Financial Services[1],[2]	Business and Agriculture[2]	Corporate Financial Services	ATB Wealth	AltaCorp Capital Inc.	Strategic service units	Total
September 30, 2019							
Net interest income	**$ 123,899**	**$ 70,537**	**$ 78,630**	**$ 5,392**	**$ 122**	**$ 17,071**	**$ 295,651**
Other income (loss)	**27,469**	**16,155**	**22,057**	**56,434**	**3,647**	**(2,184)**	**123,578**
Total operating revenue	**151,368**	**86,692**	**100,687**	**61,826**	**3,769**	**14,887**	**419,229**
Provision for loan losses (recovery)	**13,028**	**2,181**	**17,515**	**(393)**	**-**	**-**	**32,331**
Non-interest expenses[3]	**138,335**	**56,946**	**34,593**	**55,721**	**5,282**	**7,781**	**298,658**
Income (loss) before payment in lieu of tax (PILOT)	**5**	**27,565**	**48,579**	**6,498**	**(1,513)**	**7,106**	**88,240**
Payment in lieu of tax (PILOT)	**-**	**-**	**-**	**3,600**	**(315)**	**16,992**	**20,277**
Net income (loss)	**$ 5**	**$ 27,565**	**$ 48,579**	**$ 2,898**	**$ (1,198)**	**$ (9,886)**	**$ 67,963**
Total assets	**$ 24,229,236**	**$ 7,605,363**	**$ 14,118,285**	**$ 1,059,076**	**$ 24,639**	**$ 6,909,002**	**$ 53,945,601**
Total liabilities	**$ 14,646,340**	**$ 7,515,888**	**$ 10,665,406**	**$ 1,070,088**	**$ 18,677**	**$ 16,227,247**	**$ 50,143,646**
June 30, 2019							
Net interest income	$ 122,965	$ 70,252	$ 82,112	$ 4,737	$ 133	$ 18,824	$ 299,023
Other income	27,378	16,058	20,050	55,667	6,898	8,796	134,847
Total operating revenue	150,343	86,310	102,162	60,404	7,031	27,620	433,870
Provision for loan losses	14,717	18,530	32,208	633	-	-	66,088
Non-interest expenses[3]	139,633	57,045	35,128	54,149	9,967	12,473	308,395
(Loss) income before PILOT	(4,007)	10,735	34,826	5,623	(2,936)	15,147	59,387
PILOT	-	-	-	3,616	(634)	10,626	13,608
Net (loss) income	$ (4,007)	$ 10,735	$ 34,826	$ 2,006	$ (2,302)	$ 4,521	$ 45,779
Total assets	$ 23,950,252	$ 7,293,757	$ 14,308,254	$ 1,090,201	$ 26,571	$ 7,527,627	$ 54,196,662
Total liabilities	$ 14,536,689	$ 7,279,485	$ 10,926,707	$ 1,100,368	$ 20,011	$ 16,609,629	$ 50,472,889
September 30, 2018							
Net interest income	$ 111,282	$ 84,409	$ 85,962	$ 3,843	$ 284	$ 13,239	$ 299,019
Other income (loss)	22,786	20,660	21,589	53,915	5,148	(870)	123,228
Total operating revenue	134,068	105,069	107,551	57,758	5,432	12,368	422,247
Provision for loan losses	9,220	36,996	4,602	2,224	-	-	53,042
Non-interest expenses[3]	121,259	65,133	30,523	50,153	5,267	6,578	278,913
Income before PILOT	3,589	2,940	72,426	5,381	165	5,791	90,292
PILOT	-	-	-	3,301	73	17,438	20,812
Net income (loss)	$ 3,589	$ 2,940	$ 72,426	$ 2,080	$ 92	$ (11,647)	$ 69,480
Total assets	$ 22,423,432	$ 8,253,421	$ 13,308,817	$ 872,128	$ 29,425	$ 9,401,935	$ 54,289,158
Total liabilities	$ 12,233,425	$ 9,699,920	$ 10,257,420	$ 892,947	$ 18,530	$ 17,752,196	$ 50,854,438

1 Effective June 26, 2019, Retail Financial Services relaunched as Everyday Financial Services (EFS) to better describe the changing work and focus of this group.
2 Effective April 2019, EFS includes ATB 360. Results for the three months ended September 30, 2018, were not restated for ATB 360. Previously ATB 360 was reported under B&Ag.
3 Certain costs are allocated from the strategic service units (SSUs) to the areas of expertise. The allocation method, revised annually, creates fluctuations in ATB's segmented results.

For the six months ended *($ in thousands)*	**Everyday Financial Services[(1),(2)]**	**Business and Agriculture[(2)]**	**Corporate Financial Services**	**ATB Wealth**	**AltaCorp Capital Inc.**	**Strategic service units**	**Total**
September 30, 2019							
Net interest income	**$ 246,864**	**$ 140,789**	**$ 160,742**	**$ 10,129**	**$ 255**	**$ 35,895**	**$ 594,674**
Other income	**54,847**	**32,213**	**42,107**	**112,101**	**10,545**	**6,612**	**258,425**
Total operating revenue	**301,711**	**173,002**	**202,849**	**122,230**	**10,800**	**42,507**	**853,099**
Provision for loan losses	**27,745**	**20,711**	**49,723**	**240**	**-**	**-**	**98,419**
Non-interest expenses[(3)]	**277,968**	**113,991**	**69,721**	**109,870**	**15,249**	**20,254**	**607,053**
(Loss) income before PILOT	**(4,002)**	**38,300**	**83,405**	**12,120**	**(4,449)**	**22,253**	**147,627**
PILOT	**-**	**-**	**-**	**7,216**	**(949)**	**27,618**	**33,885**
Net (loss) income	**$ (4,002)**	**$ 38,300**	**$ 83,405**	**$ 4,904**	**$ (3,500)**	**$ (5,365)**	**$ 113,742**
September 30, 2018							
Net interest income	$ 222,498	$ 167,825	$ 171,478	$ 7,436	$ 251	$ 26,312	$ 595,800
Other income (loss)	43,982	41,257	39,949	105,637	11,006	(3,360)	238,471
Total operating revenue	266,480	209,082	211,427	113,073	11,257	22,952	834,271
Provision for loan losses	10,307	51,843	38,990	2,224	-	-	103,364
Non-interest expenses[(3)]	248,446	132,354	62,967	100,499	11,332	10,522	566,120
Income (loss) before PILOT	7,727	24,885	109,470	10,350	(75)	12,430	164,787
PILOT	-	-	-	6,384	137	31,490	38,011
Net income (loss)	$ 7,727	$ 24,885	$ 109,470	$ 3,966	$ (212)	$ (19,060)	$ 126,776

1 Effective June 26, 2019, Retail Financial Services relaunched as Everyday Financial Services (EFS) to better describe the changing work and focus of this group.
2 Effective April 2019, EFS includes ATB 360. Results for the six months ended September 30, 2018, were not restated for ATB 360. Previously ATB 360 was reported under B&Ag.
3 Certain costs are allocated from the strategic service units (SSUs) to the areas of expertise. The allocation method, revised annually, creates fluctuations in ATB's segmented results.

16 Comparative Amounts

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