ATB

atb.com

FY19 Q3 Financial Highlights

	For the three months ended			For the nine months ended	
	December 31	September 30	December 31	**December 31**	December 31
($ in thousands)	**2018**	2018	2017	**2018**	2017
Operating results					
Net interest income	**$ 298,894**	$ 299,019	$ 286,633	**$ 894,694**	$ 834,883
Other income	**128,308**	123,228	120,210	**366,779**	335,658
Operating revenue	**427,202**	422,247	406,843	**1,261,473**	1,170,541
Provision for loan losses	**69,273**	53,042	14,586	**172,637**	83,309
Non-interest expenses	**290,658**	278,913	270,236	**856,778**	801,715
Net income before payment in lieu of tax	**67,271**	90,292	122,021	**232,058**	285,517
Payment in lieu of tax	**15,498**	20,812	28,065	**53,509**	65,669
Net income	**$ 51,773**	$ 69,480	$ 93,956	**$ 178,549**	$ 219,848
Income before provision for loan losses[1]					
Operating revenue	**$ 427,202**	$ 422,247	$ 406,843	**$ 1,261,473**	$ 1,170,541
Less: non-interest expenses	**(290,658)**	(278,913)	(270,236)	**(856,778)**	(801,715)
Income before provision for loan losses	**$ 136,544**	$ 143,334	$ 136,607	**$ 404,695**	$ 368,826
Financial position *($ in thousands)*					
Net loans	**$ 47,030,353**	$ 46,078,401	$ 43,187,958	**$ 47,030,353**	$ 43,187,958
Total assets	**$ 54,945,489**	$ 54,289,158	$ 50,744,581	**$ 54,945,489**	$ 50,744,581
Total risk-weighted assets	**$ 37,344,719**	$ 36,988,347	$ 34,485,402	**$ 37,344,719**	$ 34,485,402
Total deposits	**$ 35,913,005**	$ 34,891,423	$ 33,536,949	**$ 35,913,005**	$ 33,536,949
Equity	**$ 3,578,150**	$ 3,434,720	$ 3,211,925	**$ 3,578,150**	$ 3,211,925
Key performance measures *(%)*					
Return on average assets	**0.38**	0.51	0.74	**0.44**	0.59
Return on average risk-weighted assets	**0.55**	0.76	1.1	**0.65**	0.87
Operating revenue growth[2]	**5.0**	7.6	16.2	**7.8**	6.1
Other income to operating revenue	**30.0**	29.2	29.5	**29.1**	28.7
Operating expense growth[2]	**7.6**	5.8	8.6	**6.9**	6.7
Efficiency ratio	**68.0**	66.1	66.4	**67.9**	68.5
Net interest margin	**2.23**	2.27	2.34	**2.27**	2.32
Loan losses to average loans	**0.59**	0.46	0.13	**0.50**	0.26
Net loan growth[3]	**2.1**	2.1	2.2	**6.6**	5.8
Total deposit change[3]	**2.9**	1.3	1.6	**9.9**	(1.2)
Change in assets under administration[3]	**(3.9)**	2.9	4.6	**2.4**	10.3
Tier 1 capital ratio[4]	**9.9**	9.9	9.9	**9.9**	9.9
Total capital ratio[4]	**15.1**	14.5	14.6	**15.1**	14.6
Other information					
ATB Wealth assets under administration *($ in thousands)*	**19,124,023**	19,908,122	18,443,211	**19,124,023**	18,443,211
Total customers	**768,059**	763,611	748,849	**768,059**	748,849
Team members[5]	**5,567**	5,452	5,194	**5,567**	5,194

[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, 2018. Due to rounding, the year-to-date results may not equal the aggregate of the first and second quarter results.
[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 potentially 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.

The following Management's Discussion and Analysis (MD&A) considers ATB's results of operations and financial position for the nine months ended December 31, 2018 and is dated February 12, 2019. The MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements and related notes for the period ended December 31, 2018 as well as the audited consolidated financial statements and MD&A for the year ended March 31, 2018.

Economic Outlook

Alberta's economy at a glance

	Calendar Year		
	2018	**2019**	**2020**
Real GDP growth (annual % change)	2.3	2.2	2.2
Consumer Price Index (annual % change)	2.4	1.6	2.1
Unemployment rate (%)	6.6	6.6	6.3
Exchange Rate ($1 CAD / USD)	0.77	0.79	0.81
Bank of Canada overnight lending rate (%)	1.75	2.25	2.50

Although Alberta's economic growth is sluggish and below where it was prior to the recession, our economy expanded by 2.3% in 2018. Even though the province continues to face challenges, ATB's most recent forecast projects real GDP growth of approximately 2.2% in 2019 and 2020.

Alberta's economic challenges

The biggest challenge remains with Alberta's oil patch, as rising production and pipeline constraints pushed down the price of Western Canadian Select (WCS) to under $US 17 in mid-October, yielding a differential of over $US 50. The announcement of production cuts and rail car purchases by the province boosted the WCS price and should help support the WCS pricing for the time being. However, ongoing uncertainty over pipelines has greatly reduced capital investment in the sector.

Although the number of jobs has finally surpassed 2015 levels, full-time jobs in December 2018 were still below their pre-recession peak. In addition, for the third consecutive year, and the first time in three decades, the annual average unemployment rate exceeded the national rate (6.7% versus 5.8%).

Despite the uncertainty around pipelines, relations with China, Brexit and global economic growth, Alberta's economy continues to be a strong performer compared to the other provinces. Most major economic indicators show that the province is moving in the right direction. Retail activity, manufacturing, wholesale trade, interprovincial in-migration and other indicators are at, or are close to, pre-recession levels. Agriculture and agri-food, tourism, transportation and logistics and the tech sector are also performing relatively well.

Net Income

For the quarter ended December 31, 2018, ATB earned $51.8 million, a $17.7 million (25.5%) decrease from the previous quarter, and a decrease of $42.2 million (44.9%) compared to the same quarter last year with both driven by higher provision for loan losses and non-interest expenses. Year-to-date net income is $178.5 million, $41.3 million (18.8%) lower than last year, again due to higher provision for loan losses, offset by operating revenue outpacing our non-interest expense growth.

ATB's net contribution to the Government of Alberta, comprised of net income, ATB's portion of payment in lieu of taxes, and deposit guarantee fee for the quarter, was $81.6 million, a decrease of $22.3 million (21.5%) from last quarter. Compared to the same quarter last year, net contribution decreased $52.7 million (39.2%). Year-to-date net contribution is $273.4 million, a decrease of $49.4 million (15.3%) from last year.

Income before provision for loan losses this quarter is $136.5 million, a $6.8 million (4.7%) decrease from last quarter, and is consistent with the same quarter last year. Year-to-date income before provision for loan losses is $404.7 million, a $35.9 million (9.7%) improvement over last year, largely driven by operating revenue outpacing our non-interest expense growth.

Operating Revenue

Total operating revenue, which consists of net interest income and other income, ended the quarter at $427.2 million, with $298.9 million in net interest income and $128.3 million in other income. This represents an increase of $5.0 million (1.2%) from last quarter, all driven by other income as we continue to diversify revenue streams. Compared to the same quarter last year, operating revenue increased $20.4 million (5.0%), due to both net interest income and other income growing.

On a year-to-date basis, operating revenue is $1.3 billion, representing a $0.1 billion (7.8%) increase over the first nine months of last year, due to the same drivers as our year-over-year growth, along with the three prime rate increases.

Net Interest Income

Net interest income represents the difference between interest earned on assets, such as loans and securities, and interest paid on liabilities, such as deposits, wholesale and collateralized borrowings. Net interest income was $298.9 million this quarter, consistent with last quarter and $12.3 million (4.3%) higher than the same quarter last year. Compared to last quarter, the higher income generated as a result of loan growth was entirely offset by higher deposit and funding costs. The higher net interest income from the same quarter last year is mainly the result of our loan growth.

ATB's net interest income for the first nine months of the year was $894.7 million, a $59.8 million (7.2%) improvement over last year and is driven by strong balance sheet growth over the past twelve months.

Net Interest Margin

Net interest margin is the ratio of net interest income to average interest-earning assets. This is an important measure to ATB as it indicates the profitability of our lending business. For the quarter ended December 31, 2018, net interest margin was 2.23%, lower than the 2.27% attained last quarter and the 2.34% achieved during the same quarter last year. The decrease from last quarter and the same time last year was mainly driven by gathering higher cost deposits to support our loan growth. The higher deposit costs highlight the current competitive environment, that benefit our customers, but unfavourably impacts our net interest margin.

ATB's net interest margin for the first nine months of the year is 2.27%, a decrease from the 2.32% achieved last year, again driven by higher deposit costs.

Net Interest Income

	For the three months ended						For the nine months ended		
	December 31, 2018 vs. September 30, 2018			December 31, 2018 vs. December 31, 2017			December 31, 2018 vs. December 31, 2017		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in			Increase (decrease) due to changes in		
($ in thousands)	Volume	Rate	Net change	Volume	Rate	Net change	Volume	Rate	Net change
Assets									
Interest-bearing deposits with financial institutions, and securities	$ 952	$ 3,500	$ 4,452	$ 2,829	$ 13,153	$ 15,982	$ 5,347	$ 39,553	$ 44,900
Loans	8,509	9,879	18,388	36,367	32,158	68,525	108,894	76,480	185,375
Change in interest income	$ 9,461	$ 13,379	$ 22,840	$ 39,196	$ 45,311	$ 84,507	$ 114,241	$ 116,033	$ 230,275
Liabilities									
Deposits	3,053	14,841	17,894	5,066	45,446	50,512	6,684	97,506	104,189
Wholesale borrowings	673	3,148	3,821	4,823	6,269	11,092	24,210	5,914	30,125
Collateralized borrowings	1,444	1,169	2,613	5,908	3,881	9,789	19,178	12,771	31,949
Securities sold under repurchase agreements	(1,392)	86	(1,306)	41	845	886	2,250	2,250	4,500
Subordinated debentures	(1)	(56)	(57)	56	(89)	(33)	34	(332)	(298)
Change in interest expense	$ 3,777	$ 19,188	$ 22,965	$ 15,894	$ 56,352	$ 72,246	$ 52,356	$ 118,109	$ 170,464
Change in net interest income	$ 5,684	$ (5,809)	$ (125)	$ 23,302	$ (11,041)	$ 12,261	$ 61,886	$ (2,075)	$ 59,811

Other Income

Other income consists of all operating revenue not classified as net interest income. ATB recorded $128.3 million this quarter, which is $5.1 million (4.1%) higher than last quarter. The increase is as a result of unrealized gains on our interest rate swaps designated for hedge accounting and a one-time insurance settlement. This is partially offset by lower foreign-exchange revenue due to the weakening Canadian dollar. Compared to the same quarter last year, other income increased $8.1 million (6.7%), due to the same factors driving our quarter-over-quarter growth, as well as ATB Wealth and capital markets revenue, with AltaCorp becoming a wholly controlled subsidiary in the fourth quarter last year.

On a year-to-date basis, other income is $366.8 million, representing an increase of $31.1 million (9.3%) over the first nine months of last year, driven by the same factors mentioned for the year-over-year growth.

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. During the quarter, ATB recorded a $69.3 million provision, mainly driven by a $26.1 million Stage 2 provision, along with a $23.9 million Stage 3 provision, with the majority of this quarter's provision coming from our independent business loans. Overall, the provision increased by $16.2 million (30.6%) from last quarter, and by $54.6 million (374.9%) from the same quarter last year. The provision is based on the methodology introduced by International Financial Reporting Standards (IFRS) 9, which replaces the guidance in International Accounting Standards (IAS) 39.

Similar to last quarter, this quarters' total Stage 1 and Stage 2 provision increased significantly, by $20.6 million (172.2%), with all portfolios experiencing credit deterioration, and a lifetime provision recorded as loans moved into Stage 2. The deterioration stems not only from an increase in the probability of default (PD) and loss given defaults (LGD), but also the macroeconomic factors used to calculate our loan losses. While economic growth is expected, uncertainty regarding Canadian oil prices and pipeline infrastructure, along with labour market challenges had an unfavourable impact on our provision for loan losses.

On a year-to-date basis, the provision for loan losses is $172.6 million, an increase of $89.3 million (107.2%) from the same time last year, as a result of a significant increase in our Stage 3 provision as more accounts, particularly in independent business, have become impaired.

Management remains confident in the overall quality of the portfolio, supported by our strong credit and loss-limitation practices. As at December 31, 2018, gross impaired loans of $735.9 million comprise 1.5% of the total loan portfolio (September 30, 2018: 1.1%, December 31, 2017: 1.4%).

Non-Interest Expenses

Non-interest expenses consist of all expenses except for interest expenses and the provision for loan losses. This quarter's total non-interest expenses are $290.7 million, an $11.7 million (4.2%) increase from last quarter, primarily due to higher professional and consulting costs related to Brightside (ATB's digital bank), donations, and media and advertising costs for our Deposit Yourself Here campaign.

Compared to the same quarter last year, non-interest expenses are up by $20.4 million (7.6%), primarily due to increased salaries and employee benefits as the number of team members has grown. Professional and consulting and data processing costs also contributed to the higher expenses as we continue to improve and build on our existing software applications.

On a year-to-date basis, non-interest expenses totaled $856.8 million, a $55.1 million (6.9%) increase over the first nine months of last year and is again a result of the year-over-year drivers previously noted. There has been a change in the corporate allocation methodology this year, with the intent to more fully allocate all corporate expenses.

The efficiency ratio is calculated by dividing non-interest expenses by operating revenue and measures how much it costs ATB to generate revenue. A lower ratio is indicative of higher efficiency at generating income. For the quarter ended December 31, 2018, ATB reported an efficiency ratio of 68.0% compared to 66.1% last quarter, and 66.4% for the same period last year. The expense drivers noted above contributed to the increase this quarter, compared to last quarter and the same quarter last year, as our investment in team members and transforming ATB outpaced our operating revenue growth.

On a year-to-date basis, the efficiency ratio is 67.9%, which improved from last year's ratio of 68.5%, as our growth in operating revenue outpaced the increase in expenses.

Review of Business Segments

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

- **Retail Financial Services** comprises the branch, agency, and ABM networks and provides financial services to individuals.
- **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, and investment advice.
- **AltaCorp Capital** 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.

The strategic service units comprise business units of a corporate nature, such as investment, risk management, treasury operations, and intercompany eliminations, as well as expenses not expressly attributed to any area of expertise.

Retail Financial Services (RFS)

	For the three months ended		
($ in thousands)	**December 31 2018**	September 30 2018	December 31 2017
Net interest income	**$ 110,653**	$ 111,282	$ 113,958
Other income	**23,933**	22,786	23,403
Operating revenue	**134,586**	134,068	137,361
Provision for loan losses	**17,256**	9,220	6,482
Non-interest expenses	**126,240**	121,259	123,265
Net (loss) income	**$ (8,910)**	$ 3,589	$ 7,614
Total assets	**$ 22,879,709**	$ 22,423,432	$ 21,843,565
Total liabilities	**$ 12,560,948**	$ 12,233,425	$ 12,144,276

	For the nine months ended	
($ in thousands)	**December 31 2018**	December 31 2017
Net interest income	**$ 333,151**	$ 341,384
Other income	**67,915**	63,897
Operating revenue	**401,066**	405,281
Provision for loan losses	**27,563**	17,760
Non-interest expenses	**374,686**	370,812
Net (loss) income	**$ (1,183)**	$ 16,709

Net income decreased by $12.5 million from last quarter and $16.5 million from the same time last year. On a year-to-date basis, net income also decreased $17.9 million. All three decreases are driven by an increase in the provision for loan losses and non-interest expenses and lower net interest income.

Operating revenue remained consistent to last quarter, but decreased by $2.8 million (2.1%) from the same time last year. For the first nine months of the year, operating revenue decreased $4.2 million (1.0%). All three decreases result from lower net interest income.

The provision for loan losses increased $8.0 million (46.6%) from the prior quarter and by $10.8 million (62.4%) from the same quarter last year. On a year-to-date basis, the provision has increased $9.8 million (55.2%). All three increases are due to higher Stage 1 and 2 provisions as PD and LGD increased.

Non-interest expenses increased by $5.0 million (3.9%) from last quarter and by $3.0 million (2.4%) from the same time last year, both driven by higher corporate allocations partially offset by a decrease in the number of team members. On a year-to-date basis, non-interest expenses increased $3.9 million (1.0%) due to higher corporate allocations.

Loans increased from last quarter and this time last year largely due to residential mortgage growth (0.77% and 2.2%, respectively) attributable to new customers and higher retention rates.

Deposits continue to grow due to the success of our Deposit Yourself Here campaign.

Business and Agriculture (B&Ag)

	For the three months ended		
($ in thousands)	**December 31 2018**	September 30 2018	December 31 2017
Net interest income	**$ 86,405**	$ 84,409	$ 79,650
Other income	**21,342**	20,660	19,798
Operating revenue	**107,747**	105,069	99,448
Provision for loan losses	**37,088**	36,996	2,354
Non-interest expenses	**69,598**	65,133	56,281
Net income	**$ 1,061**	$ 2,940	$ 40,813
Total assets	**$ 8,108,265**	$ 8,253,421	$ 7,671,852
Total liabilities	**$ 9,522,660**	$ 9,699,920	$ 9,309,151

	For the nine months ended	
($ in thousands)	**December 31 2018**	December 31 2017
Net interest income	**$ 254,230**	$ 232,771
Other income	**62,599**	55,460
Operating revenue	**316,829**	288,231
Provision for loan losses	**88,931**	27,678
Non-interest expenses	**201,952**	166,976
Net income	**$ 25,946**	$ 93,577

Net income decreased by $1.9 million (63.9%) from last quarter and by $39.8 million (97.4%) from this time last year. On a year-to-date basis net income also decreased by $67.6 million (72.3%). A higher provision for loan losses drove all three decreases along with higher corporate allocations.

Despite lower net income, operating revenue for the quarter increased $2.7 million (2.6%) over last quarter, and by $8.3 million (8.4%) over the same time last year, driven by loan growth, card fees and service charges. On a year-to-date basis, operating revenue increased $28.6 million (9.9%) over the prior year driven by the same factors previously noted.

The provision for loan losses is consistent with last quarter, but increased significantly from this time last year. On a year-to-date basis, the provision has increased by $61.3 million (221.3%). All three increases are driven by our loan portfolios' credit quality deteriorating and a number of high dollar impairments.

Non-interest expenses are $4.5 million (6.9%) higher than last quarter due to higher corporate allocations and an increase in the number of team members. From the same time last year, expenses are up $13.3 million (23.7) again due to higher corporate allocations, partially offset by a decrease in the number of team members. On a year-to-date basis non-interest expenses increased by $35.0 million (21.0%) mainly driven by an increase in corporate allocations, partially offset by lower sundry losses.

Loans continues to grow due to strong performance in our grain farming and non-residential holding portfolios. Similar to loans, deposits continue to grow, due to attractive rates we have offered for both our redeemable and non-redeemable fixed date deposits.

Corporate Financial Services (CFS)

	For the three months ended		
($ in thousands)	**December 31 2018**	September 30 2018	December 31 2017
Net interest income	**$ 88,300**	$ 85,962	$ 82,528
Other income	**23,613**	21,589	16,658
Operating revenue	**111,913**	107,551	99,186
Provision for loan losses	**14,151**	4,602	5,750
Non-interest expenses	**35,083**	30,523	25,941
Net income	**$ 62,679**	$ 72,426	$ 67,495
Total assets	**$ 14,089,368**	$ 13,308,817	$ 12,409,185
Total liabilities	**$ 10,917,508**	$ 10,257,420	$ 9,755,837

	For the nine months ended	
($ in thousands)	**December 31 2018**	December 31 2017
Net interest income	**$ 259,778**	$ 245,122
Other income	**63,562**	54,108
Operating revenue	**323,340**	299,230
Provision for loan losses	**53,141**	37,871
Non-interest expenses	**98,050**	79,011
Net income	**$ 172,149**	$ 182,348

Net income for the quarter decreased $9.7 million (13.5%) over the previous quarter, and by $4.8 million (7.1%) over the same quarter last year. On a year-to-date basis, net income decreased $10.2 million (5.6%) compared to this time last year. The decreases are driven by provision for loan losses, as this quarter's deteriorating macroeconomic factors increased the Stage 1 and 2 provision. An increase in corporate allocations also contributed to the decline in net income.

Operating revenue increased by $4.4 million (4.1%) over last quarter as both net interest income and other income improved as a result of higher credit and project finance advisory fees. Compared to the same quarter last year, operating revenue is up $12.7 million (12.8%), again equally due to an increase in net interest income, as growth in loans outpaced deposits, and other income driven by the Financial Markets Group. On a year-to-date basis, operating revenue increased by $24.1 million (8.1%), driven by the same factors previously noted.

Provision for loan losses increased by $9.5 million (207.5%) and $8.4 million (146.1%) quarter-over-quarter and year-over-year, respectively. Higher Stage 1 and 2 provisions drove the increase on both comparatives, as the PD and LGD rates worsened across all portfolios. On a year-to-date basis, provision for loan losses increased by $15.3 million (40.3%), due to the same reasons mentioned.

Non-interest expenses increased $4.6 million (14.9%) from the previous quarter, and $9.1 million (35.2%) over the same quarter last year. Both are the result of higher corporate allocations, as well as an increase in team members. Year-to-date, non-interest expenses increased by $19.0 million (24.1%), mainly due to higher corporate allocations.

The loan portfolio continues to grow both quarter-over-quarter and year-over-year, as we attract new customers, particularly in our diversified, and project finance portfolios.

Following the loan trend, deposits also continue to grow quarter-over-quarter and year-over year. Our main areas of deposit growth came from the same portfolios that drove our loan growth.

ATB Wealth

	For the three months ended		
($ in thousands)	**December 31 2018**	September 30 2018	December 31 2017
Net interest income	**$ 4,096**	$ 3,843	$ 189
Other income	**53,487**	53,915	49,821
Operating revenue	**57,583**	57,758	50,010
Provision for loan losses	**778**	2,224	-
Non-interest expenses	**53,380**	50,153	37,278
Net income before payment in lieu of tax	**3,425**	5,381	12,732
Payment in lieu of tax	**3,237**	3,301	2,926
Net income	**$ 188**	$ 2,080	$ 9,806
Total assets	**$ 943,560**	$ 872,128	$ 134,625
Total liabilities	**$ 966,049**	$ 892,947	$ 92,288
Assets under administration	**$ 19,124,023**	$ 19,908,122	$ 18,443,211

	For the nine months ended	
($ in thousands)	**December 31 2018**	December 31 2017
Net interest income	**$ 11,532**	$ 473
Other income	**159,124**	144,206
Operating revenue	**170,656**	144,679
Provision for loan losses	**3,002**	-
Non-interest expenses	**153,879**	105,645
Net income before payment in lieu of tax	**13,775**	39,034
Payment in lieu of tax	**9,621**	8,975
Net income	**$ 4,154**	$ 30,059

(1)Effective September 2018, ATB Wealth includes ATB Investor Services and Alberta Private Client (APC). Results for the three months and nine months ended December 31, 2017 were not restated to include APC. Previously, APC and the related provision for loan losses were reported under RFS.

Assets under administration (AUA) decreased $0.8 billion (3.9%) from the prior quarter, due to a decline in market values, but up $0.7 billion (3.7%) from the same time last year as net assets gathered increased.

Net income decreased $1.9 million (91.0%) from last quarter, and $9.6 million (98.1%) from the same quarter last year, both driven by higher corporate allocations and provision for loan losses in APC. On a year-to-date basis, net income decreased $25.9 million (86.2%) due to the same drivers previously noted slightly offset by higher operating revenue.

Operating revenue decreased slightly from the prior quarter, but increased $7.6 million (15.1%) from the same quarter last year driven by AUA growth. On a year-to-date basis, operating revenue increased $26.0 million (18.0%) not only due to AUA growth, but also net interest income generated by APC.

Non-interest expenses increased $3.2 million (6.4%) from last quarter and $16.1 million (43.2%) from the same time last year, both due to higher corporate allocations. On a year-to-date basis, non-interest expenses increased $48.2 million (45.7%), not only due to higher corporate allocations, but higher commission and third party manager fees due to asset growth, as well as an increase in team members.

AltaCorp Capital

	For the three months ended		
($ in thousands)	**December 31 2018**	September 30 2018	December 31 2017
Net interest income	**$ 156**	$ 284	$ -
Other income	**8,083**	$ 5,148	-
Operating revenue	**8,239**	5,432	-
Non-interest expenses	**6,137**	5,267	-
Net income before income taxes	**2,102**	165	-
Income taxes	**5**	73	-
Net income	**$ 2,097**	$ 92	$ -
Total assets	**$ 20,639**	$ 29,425	$ -
Total liabilities	**$ 10,768**	$ 18,530	$ -

	For the nine months ended	
($ in thousands)	**December 31 2018**	December 31 2017
Net interest income	**$ 407**	$ -
Other income	**19,089**	-
Operating revenue	**19,496**	-
Non-interest expenses	**17,471**	-
Net income before income taxes	**2,025**	-
Income taxes	**142**	-
Net income	**$ 1,883**	$ -

Net income increased from last quarter by $2.0 million as a result of higher mergers and acquisition and IPO revenue, which also drove the $2.8 million (51.7%) increase in operating revenue. Non-Interest expenses increased by $0.9 million (16.5%), mainly due to increased salaries and benefits expenses.

Statement of Financial Position

Total Assets

Assets continue to grow, increasing by $0.7 billion (1.2%) and $4.2 billion (8.3%) from last quarter and the same time last year, ending the quarter at $54.9 billion, with loans continuing to be the driving factor.

Loans

Net loans grew by $0.9 billion (2.1%) over the quarter, primarily driven by an increase in business loans supported by the agriculture, commercial and project finance portfolios. Business loans, along with residential mortgages, led the $3.8 billion (8.9%) growth over the same quarter last year.

Total Liabilities

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

Total liabilities stood at $51.4 billion for the quarter, an increase of $0.5 billion (1.0%) from last quarter as a result of higher deposits, specifically notice accounts. This was partially offset by our decreased reliance on alternative funding sources. Compared to the same quarter last year, total liabilities increased $3.8 billion (8.1%), with fixed date deposits, notice accounts, and collateralized borrowings the main drivers.

Deposits

Deposits are $35.9 billion, which represents a $1.0 billion (2.9%) and a $2.4 billion (7.1%) increase from last quarter and the same time last year, respectively. The growth this quarter was led by business notice accounts. The growth from last year is mainly due to notice accounts and fixed date deposits, partially offset by lower savings and transaction accounts.

Wholesale Borrowings

Wholesale borrowings, consisting primarily of bearer deposit notes, interest-bearing deposits, 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 as at December 31, 2018 is $4.4 billion, $0.4 billion (7.5%) lower than last quarter, as we rely less on alternative funding sources to support our operations. Compared to the same quarter last year, we have relied more on short-term US bearer deposit notes, that drove a $0.3 billion (7.7%) increase from the same time last year.

Collateralized Borrowings

Collateralized borrowings, which represents ATB's participation in the Canada Mortgage Bonds (CMB) program, consists of securitized residential mortgages sold through the CMB program and to third-party investors, as well as securitized credit card receivables. As at December 31, 2018, balances were $8.8 billion, consistent with last quarter, but $0.8 billion (10.3%) higher than last year. The increase from last year is the result of our ability to securitize more of our growing mortgage book.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss decreased compared to last quarter and the same quarter last year, both driven by unrealized gains from our interest rate management products designated for hedge accounting. This was, however, slightly offset by our pension obligation experiencing an actuarial loss.

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, 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 December 31, 2018, ATB had a Tier 1 capital ratio of 9.9% and a total capital ratio of 15.1%, both exceeding our regulatory requirements.

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. Examples of typical products bearing credit risk include retail and commercial loans, guarantees, and letters of credit.

Key measures as at December 31, 2018 are outlined below.

Total Credit Exposure

The amounts shown in the table below best represent ATB's maximum exposure to credit risk as at December 31, 2018, without taking into account any non-cash collateral held or any other credit enhancements.

As at *($ in thousands)*	**December 31 2018**	March 31 2018
Financial assets[(1)]	**$ 54,101,318**	$ 50,685,126
Other commitments and off-balance sheet items	**19,502,935**	20,148,902
Total credit risk	**$ 73,604,253**	$ 70,834,028

[(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 which, in the past, has shown strong growth and occasional sharp declines. ATB manages its credit through diversification of its credit portfolio by limiting concentrations to single borrowers, industries, and geographic regions of Alberta. As at December 31, 2018, commercial real estate is the largest single-industry segment at $6.0 billion (March 31, 2018: $6.0 billion). This represents no more than 12.6% (March 31, 2018: 13.5%) of the total gross loan portfolio. The outstanding principal for the single-largest borrower is $98.1 million (March 31, 2018: $100.0 million), which represents no more than 0.21% (March 31, 2018: 0.22%) of the total gross loan portfolio.

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)		**December 31, 2018**		March 31, 2018	
Residential mortgages	Insured	**$ 7,438,595**	**45.3%**	$ 7,209,387	45.8%
	Uninsured	**8,986,368**	**54.7%**	8,541,043	54.2%
Total residential mortgages		**16,424,963**	**100.0%**	15,750,430	100.0%
Home equity lines of credit	Uninsured	**3,294,659**	**100.0%**	3,383,789	100.0%
Total home equity lines of credit		**3,294,659**	**100.0%**	3,383,789	100.0%
Total	**Insured**	**$ 7,438,595**	**37.7%**	$ 7,209,387	37.7%
	Uninsured	**$ 12,281,027**	**62.3%**	$ 11,924,832	62.3%

The following table shows the percentages of our residential mortgages portfolio that fall within various amortization period ranges:

As at	**December 31 2018**	March 31 2018
< 25 years	**82.3%**	79.7%
25–30 years	**17.3%**	18.8%
30–35 years	**0.4%**	1.5%
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	**December 31 2018**	March 31 2018
Residential mortgages	**0.69**	0.69
Home equity lines of credit	**0.56**	0.57

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 23 to the consolidated financial statements for the year ended March 31, 2018 and the Risk Management section of the MD&A in the 2018 Annual Report.

A description of ATB's key market risks and their measurement as at December 31, 2018 are outlined below:

Interest Rate Risk

Interest rate risk is the risk of a negative impact on ATB's net interest income due to changes in market interest rates. This risk occurs when there is a mismatch in the re-pricing 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 the following twelve-month period:

As at *($ in thousands)*	**December 31** **2018**	March 31 2018
Increase in interest rates of:		
100 basis points	**$ 45,919**	$ 39,371
200 basis points	**89,071**	76,137
Decrease in interest rates of:		
100 basis points(1)	**(51,524)**	(48,732)
200 basis points(1)	**(117,387)**	(105,026)

(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 of $80.4 million and $137.8 million, respectively.

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. The board-approved foreign-exchange principal limit is $50.0 million. ATB is within its limit as at December 31, 2018.

Liquidity Risk

Liquidity risk is the risk of ATB being unable to meet its known financial commitments when they come due and being unable to meet unexpected cash requirements at a reasonable cost. As with other similar financial institutions, ATB's risk arises from fluctuations in cash flows from lending, deposit-taking, investing, and other activities. These commitments are generally met through cash flows supplemented by investment assets readily convertible to cash, or through ATB's capacity to borrow.

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 December 31, 2018, the Liquidity Coverage Ratio (LCR) is 139.9% (March 31, 2018: 129.0%) versus a current-year board-approved minimum of 110.0%.

The cash outflows for ATB's sources of funding could occur earlier than indicated in the following table describing ATB's funding sources:

As at *($ in thousands)*	**Within 1 year**	**1–2 years**	**2–3 years**	**3–4 years**	**4–5 years**	**Over 5 years**	**December 31 2018 Total**	March 31 2018 Total
Mid-term notes	**$ 199,922**	**$ 199,790**	**$ -**	**$ -**	**$ -**	**$ 1,859,882**	**$ 2,259,594**	$ 2,189,477
Bearer deposit notes	**2,117,149**	**-**	**-**	**-**	**-**	**-**	**2,117,149**	2,466,992
Mortgage-backed securities	**1,132,555**	**1,067,761**	**2,292,211**	**-**	**1,429,375**	**2,271,519**	**8,193,421**	7,908,453
Credit card securitization	**585,000**	**-**	**-**	**-**	**-**	**-**	**585,000**	500,000
Securities sold under repurchase agreements	**98,715**	**-**	**-**	**-**	**-**	**-**	**98,715**	790,827
Subordinated debentures	**82,564**	**98,177**	**32,298**	**45,038**	**81,063**	**-**	**339,140**	331,199
Total long-term funding	**$ 4,215,905**	**$ 1,365,728**	**$ 2,324,509**	**$ 45,038**	**$ 1,510,438**	**$ 4,131,401**	**$ 13,593,019**	$ 14,186,948
Of which:								
Secured	**$ 1,816,270**	**$ 1,067,761**	**$ 2,292,211**	**$ -**	**$ 1,429,375**	**$ 2,271,519**	**$ 8,877,136**	$ 9,199,280
Unsecured	**2,399,635**	**297,967**	**32,298**	**45,038**	**81,063**	**1,859,882**	**4,715,883**	4,987,668
Total long-term funding	**$ 4,215,905**	**$ 1,365,728**	**$ 2,324,509**	**$ 45,038**	**$ 1,510,438**	**$ 4,131,401**	**$ 13,593,019**	$ 14,186,948

ATB

atb.com

Interim Condensed Consolidated Statement of Financial Position

(Unaudited)

As at *($ in thousands)*	Note	**December 31 2018**	September 30 2018	March 31 2018	December 31 2017
Cash		**$ 94,098**	$ 119,402	$ 285,527	$ 220,938
Interest-bearing deposits with financial institutions		**837,650**	1,290,546	1,110,848	1,064,707
Total cash resources		**931,748**	1,409,948	1,396,375	1,285,645
Securities measured at fair value through profit or loss		**65,963**	80,557	4,760,130	3,903,762
Securities measured at fair value through other comprehensive income		**4,840,795**	4,908,282	-	-
Securities purchased under reverse repurchase agreements		**500,367**	249,726	50,096	946,663
Total securities	7	**5,407,125**	5,238,565	4,810,226	4,850,425
Business		**23,655,884**	22,784,390	21,439,814	20,630,015
Residential mortgages		**16,424,963**	16,276,248	15,750,430	15,616,007
Personal		**6,741,616**	6,760,456	6,711,755	6,718,644
Credit card		**756,616**	749,049	718,065	739,323
		47,579,079	46,570,143	44,620,064	43,703,989
Allowance for loan losses	9	**(548,726)**	(491,742)	(509,024)	(516,031)
Total net loans	8	**47,030,353**	46,078,401	44,111,040	43,187,958
Derivative financial instruments	10	**665,819**	616,994	576,712	529,289
Property and equipment		**309,396**	319,866	333,092	336,563
Software and other intangibles		**298,865**	296,334	292,796	278,036
Other assets		**302,183**	329,050	372,850	276,665
Total other assets		**1,576,263**	1,562,244	1,575,450	1,420,553
Total assets		**$ 54,945,489**	$ 54,289,158	$ 51,893,091	$ 50,744,581
Redeemable Fixed Date Deposits		**2,209,073**	4,593,321	4,738,787	4,480,329
Non-redeemable Fixed Date Deposits		**9,014,949**	6,594,841	4,354,113	4,860,732
Saving Accounts		**9,461,164**	9,323,213	9,525,181	9,766,483
Transaction Accounts		**7,561,148**	7,704,040	7,751,748	7,927,244
Notice Accounts		**7,666,671**	6,676,008	6,313,944	6,502,161
Total deposits		**35,913,005**	34,891,423	32,683,773	33,536,949
Securities sold under repurchase agreements		**98,715**	348,836	790,827	-
Wholesale borrowings		**4,376,743**	4,730,966	4,656,469	4,065,484
Collateralized borrowings	11	**8,778,421**	8,834,997	8,408,453	7,957,309
Derivative financial instruments	10	**569,967**	795,304	673,162	669,770
Other liabilities		**1,291,348**	913,398	1,070,052	971,945
Total other liabilities		**15,115,194**	15,623,501	15,598,963	13,664,508
Subordinated debentures		**339,140**	339,514	331,199	331,199
Total liabilities		**51,367,339**	50,854,438	48,613,935	47,532,656
Retained earnings		**3,693,234**	3,642,820	3,453,844	3,399,133
Non-controlling interest		**4,525**	4,254	3,508	-
Accumulated other comprehensive loss		**(119,609)**	(212,354)	(178,196)	(187,208)
Total equity		**3,578,150**	3,434,720	3,279,156	3,211,925
Total liabilities and equity		**$ 54,945,489**	$ 54,289,158	$ 51,893,091	$ 50,744,581

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 nine months ended	
($ in thousands)	Note	**December 31 2018**	September 30 2018	December 31 2017	**December 31 2018**	December 31 2017
Loans		**$ 492,497**	$ 474,109	$ 423,972	**$ 1,415,480**	$ 1,230,106
Securities		**26,552**	22,492	13,365	**69,723**	33,247
Interest-bearing deposits with financial institutions		**5,150**	4,758	2,355	**13,570**	5,146
Interest income		**524,199**	501,359	439,692	**1,498,773**	1,268,499
Deposits		**145,654**	129,066	94,256	**380,377**	271,688
Wholesale borrowings		**29,536**	25,715	18,444	**80,526**	50,402
Collateralized borrowings		**47,853**	45,240	38,064	**136,300**	104,351
Subordinated debentures		**2,262**	2,319	2,295	**6,876**	7,175
Interest expense		**225,305**	202,340	153,059	**604,079**	433,616
Net interest income		**298,894**	299,019	286,633	**894,694**	834,883
Service charges		**18,905**	19,260	17,424	**56,993**	51,971
ATB Wealth		**51,436**	52,117	47,812	**153,385**	138,350
Card fees		**18,205**	16,669	16,105	**50,803**	44,397
Credit fees		**11,839**	10,796	12,246	**34,512**	35,496
Insurance		**6,076**	5,522	6,877	**16,266**	16,733
Capital markets revenue		**5,974**	5,359	-	**17,024**	-
Foreign-exchange		**(59)**	4,658	8,861	**2,605**	21,643
Net gains on derivative financial instruments		**11,109**	7,178	3,479	**25,094**	20,453
Net gains on securities		**739**	406	5,978	**3,822**	3,009
Sundry		**4,084**	1,263	1,428	**6,275**	3,606
Other income		**128,308**	123,228	120,210	**366,779**	335,658
Operating revenue		**427,202**	422,247	406,843	**1,261,473**	1,170,541
Provision for loan losses	9	**69,273**	53,042	14,586	**172,637**	83,309
Salaries and employee benefits		**149,088**	147,126	141,722	**447,428**	423,929
Data processing		**29,340**	29,078	25,498	**89,542**	76,801
Premises and occupancy, including depreciation		**22,605**	20,346	23,076	**65,232**	67,852
Professional and consulting costs		**21,195**	12,764	16,503	**47,156**	46,344
Deposit guarantee fee		**12,402**	11,576	10,536	**35,306**	31,957
Equipment, including amortization		**5,839**	6,509	6,519	**18,122**	19,844
Software and other intangibles amortization		**20,318**	19,967	16,975	**59,034**	50,222
General and administrative		**18,395**	13,959	16,140	**47,750**	41,675
ATB agencies		**3,390**	3,274	3,175	**9,859**	8,915
Other		**8,086**	14,314	10,092	**37,349**	34,176
Non-interest expenses		**290,658**	278,913	270,236	**856,778**	801,715
Net income before payment in lieu of tax		**67,271**	90,292	122,021	**232,058**	285,517
Payment in lieu of tax	12	**15,498**	20,812	28,065	**53,509**	65,669
Net income		**$ 51,773**	$ 69,480	$ 93,956	**$ 178,549**	$ 219,848
Net income attributable to non-controlling interests		**$ (46)**	$ 72	-	**$ (28)**	-

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

Interim Condensed Consolidated Statement of Comprehensive Income

(Unaudited)

	For the three months ended			For the nine months ended	
($ in thousands)	**December 31 2018**	September 30 2018	December 31 2017	**December 31 2018**	December 31 2017
Net income	**$ 51,773**	$ 69,480	$ 93,956	**$ 178,549**	$ 219,848
Items that may be reclassified subsequently to profit or loss:					
Unrealized net gains (losses) on securities measured at fair value through other comprehensive income:					
Unrealized net gains (losses) arising during the period	**5,323**	(5,435)	-	**1,695**	-
Net gains reclassified to net income	**(735)**	(284)	-	**(3,703)**	-
Unrealized net gains (losses) on derivative financial instruments designated as cash flow hedges:					
Unrealized net gains (losses) arising during the period	**171,331**	(80,320)	(10,121)	**112,105**	(116,870)
Net (losses) gains reclassified to net income	**(44,325)**	8,479	(5,834)	**(49,473)**	(33,612)
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit plan liabilities	**(38,849)**	15,166	(14,353)	**(2,037)**	(4,727)
Other comprehensive income (loss)	**92,745**	(62,394)	(30,308)	**58,587**	(155,209)
Comprehensive income	**$ 144,518**	$ 7,086	$ 63,648	**$ 237,136**	$ 64,639
Attributable to:					
ATB Financial	**$ 144,564**	$ 7,014	$ 63,648	**$ 237,164**	$ 64,639
Non-controlling interests	**(46)**	72	-	**(28)**	-

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

Interim Condensed Consolidated Statement of Changes in Equity

(Unaudited)

	For the three months ended			For the nine months ended	
($ in thousands)	**December 31 2018**	September 30 2018	December 31 2017	**December 31 2018**	December 31 2017
Retained earnings					
Balance at beginning of the period	**$ 3,642,820**	$ 3,573,624	$ 3,305,177	**$ 3,453,844**	$ 3,179,285
Net income	**51,773**	69,480	93,956	**178,549**	219,848
Transition adjustment (Note 4)	**-**	-	-	**62,394**	-
Other	**(1,359)**	(284)	-	**(1,553)**	-
Balance at end of the period	**3,693,234**	3,642,820	3,399,133	**3,693,234**	3,399,133
Non-controlling interest					
Balance at beginning of the period	**4,254**	2,460	-	**$ 3,508**	-
Net (loss) income attributable to non-controlling interests in subsidiaries	**(46)**	72	-	**(28)**	-
Other[1]	**317**	1,722	-	**1,045**	-
Balance at end of the period	**4,525**	4,254	-	**4,525**	-
Accumulated other comprehensive loss					
Securities measured at fair value through other comprehensive income					
Balance at beginning of the period	**(6,596)**	(877)	-	**-**	-
Other comprehensive income (loss)	**4,588**	(5,719)	-	**(2,008)**	-
Balance at end of the period	**(2,008)**	(6,596)	-	**(2,008)**	-
Derivative financial instruments designated as cash flow hedges					
Balance at beginning of the period	**(190,736)**	(118,895)	(94,506)	**(126,362)**	40,021
Other comprehensive income (loss)	**127,006**	(71,841)	(15,955)	**62,632**	(150,482)
Balance at end of the period	**(63,730)**	(190,736)	(110,461)	**(63,730)**	(110,461)
Defined benefit plan liabilities					
Balance at beginning of the period	**(15,022)**	(30,188)	(62,394)	**(51,834)**	(72,020)
Other comprehensive (loss) income	**(38,849)**	15,166	(14,353)	**(2,037)**	(4,727)
Balance at end of the period	**(53,871)**	(15,022)	(76,747)	**(53,871)**	(76,747)
Accumulated other comprehensive loss	**(119,609)**	(212,354)	(187,208)	**(119,609)**	(187,208)
Equity	**$ 3,578,150**	$ 3,434,720	$ 3,211,925	**$ 3,578,150**	$ 3,211,925

[1]Amount relates to the change in Class B shares during the period. Refer to note 14 for further details.

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

Interim Condensed Consolidated Statement of Cash Flows

(Unaudited)

	For the three months ended			For the nine months ended	
($ in thousands)	**December 31 2018**	September 30 2018	December 31 2017	**December 31 2018**	December 31 2017
Cash flows from operating activities:					
Net income	**$ 51,773**	$ 69,480	$ 93,956	**$ 178,549**	$ 219,848
Adjustments for non-cash items and others:					
Provision for loan losses	**69,273**	53,042	14,586	**172,637**	83,309
Depreciation and amortization	**33,240**	33,392	31,493	**99,232**	94,754
Net gains on securities	**(739)**	(406)	(5,978)	**(3,822)**	(3,009)
Adjustments for net changes in operating assets and liabilities:			-		
Loans	**(958,202)**	(1,018,911)	(904,887)	**(2,931,279)**	(2,397,277)
Deposits	**1,021,405**	438,065	531,963	**3,229,469**	(390,189)
Derivative financial instruments	**(151,211)**	27,842	43,711	**(138,842)**	101,753
Prepayments and other receivables	**18,729**	6,347	(23,381)	**(20,249)**	(18,916)
Due to clients, brokers and dealers	**540**	903	(5,580)	**(12,744)**	(12,633)
Deposit guarantee fee payable	**14,341**	13,767	12,290	**(7,898)**	(10,273)
Accounts payable and accrued liabilities	**325,871**	(72,190)	(76,523)	**259,589**	(85,370)
Liability for payment in lieu of tax	**15,867**	20,541	28,065	**(28,070)**	20,631
Net interest receivable and payable	**(2,097)**	35,548	(22,399)	**12,304**	(24,409)
Change in accrued pension-benefit liability	**39,689**	(14,889)	15,766	**3,599**	(1,419)
Others, net	**(112,170)**	(3,445)	241,974	**(16,974)**	(60,058)
Net cash provided by (used in) operating activities	**366,309**	(410,914)	(24,944)	**795,501**	(2,483,258)
Cash flows from investing activities:					
Change in securities measured at fair value through net income	**84,966**	9,716	358,392	**(142,297)**	1,070,489
Change in securities purchased under reverse repurchase agreements	**(250,641)**	49,755	(296,696)	**(450,271)**	(496,002)
Change in interest-bearing deposits with financial institutions	**452,896**	(162,643)	(384,896)	**273,198**	(417,158)
Purchases of property and equipment, software and other intangibles	**(25,300)**	(31,842)	(26,411)	**(81,605)**	(71,988)
Net cash provided by (used in) investing activities	**261,921**	(135,014)	(349,611)	**(400,975)**	85,341
Cash flows from financing activities:					
Issuance of wholesale borrowings	**1,715,367**	2,281,337	3,980,082	**6,779,140**	6,265,990
Repayment of wholesale borrowings	**(2,061,830)**	(2,010,003)	(3,679,130)	**(7,051,106)**	(5,092,842)
Issuance of collateralized borrowings	**(56,576)**	308,093	449,558	**611,748**	1,144,649
Repayment of collateralized borrowings	**-**	-	-	**(241,780)**	-
Change in securities sold under repurchase agreements	**(250,121)**	(97,599)	(298,286)	**(692,112)**	-
Issuance of subordinated debentures	**(374)**	-	-	**81,277**	45,038
Repayment of subordinated debentures	**-**	-	-	**(73,122)**	(58,280)
Net cash (used in) provided by financing activities	**(653,534)**	481,828	452,224	**(585,955)**	2,304,555
Net (decrease) increase in cash and cash equivalents	**(25,304)**	(64,100)	77,669	**(191,429)**	(93,362)
Cash at beginning of period	**119,402**	183,502	143,269	**285,527**	314,300
Cash at end of period	**$ 94,098**	$ 119,402	$ 220,938	**$ 94,098**	$ 220,938
Net cash (used in) provided by operating activities include:					
Interest paid	**(243,662)**	(163,899)	(180,057)	**(597,257)**	(456,315)
Interest received	**$ 540,459**	$ 498,465	$ 444,292	**$ 1,504,218**	$ 1,266,790

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended December 31, 2018

Note 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.)

Note 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 2018 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 February 12, 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 has 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 2018 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.

Note 3 Summary of Accounting Policy Changes

Change in Accounting Policies and Disclosures

In addition to the accounting policies disclosed in the 2018 annual consolidated financial statements, the following standards are required to be applied for periods beginning on or after January 1, 2018:

IFRS 9 Financial Instruments

On April 1, 2018, ATB adopted IFRS 9 *Financial Instruments*, which replaced the guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. ATB has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39.

The comparative figures were not restated at the date of transition, with any adjustments to the carrying amounts of financial 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.

Adopting IFRS 9 has resulted in changes to accounting policies for the recognition, classification and measurement of financial assets and liabilities, as well as the impairment of financial assets. The quantitative impact of applying IFRS 9 as at April 1, 2018 is described in note 4 with the significant accounting policy changes described below:

Classification of Financial Assets

Financial assets are classified and measured either at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), or amortized cost based on the business model for managing the financial assets and the contractual cash flow characteristics.

Business Model Assessment

ATB determines its business model at a level that best reflects how the assets are managed based on observable factors such as:

- How the asset and performance are evaluated and reported to key management personnel.
- The risks that affect the asset's performance and how they are managed.
- The expected frequency, value and timing of sales.

ATB's business models fall into three categories, which are indicative of the key strategies used:

- Hold-to-collect (HTC): Asset held to collect the contractual principal and interest cash flows. Sales may occur, but are incidental and are expected to be insignificant or infrequent.
- Hold-to-collect and sell (HTC&S): Both collecting contractual cash flows and sales are integral to achieving this business model's objective.
- Other business models: Are neither HTC nor HTC&S, and represent business objectives where assets are managed on a fair value basis.

The Solely Payments of Principal and Interest (SPPI) test

ATB assesses the contractual terms of the financial asset to determine if the contractual cash flows represent a basic lending agreement, where the cash flows are only principal and interest. Principal is defined as the fair value of the asset at initial recognition and may change over the asset's life. Interest payments can include consideration for the time value of money as well as credit and liquidity risks.

The contractual terms of a financial asset may also include contractual cash flows that are not related to a basic lending agreement, but still meet the SPPI test provided they are extremely rare or immaterial. If they are not, the asset is required to be measured at FVTPL.

Financial Assets Measured at Amortized Cost
Financial assets are measured at amortized cost if they are held within a HTC business model and their contractual cash flows pass the SPPI test. The assets are initially recognized at fair value—which is the cash consideration to originate or purchase the asset, including any transaction costs—and subsequently measured at amortized cost using the effective interest rate method. Financial assets measured at amortized cost are reported in the Consolidated Statement of Financial Position as loans or securities purchased under reverse repurchase agreements. Interest is included in the Consolidated Statement of Income as part of net interest income. For loans, expected credit losses are reported as a deduction in the loan's carrying value and are recognized in the Consolidated Statement of Income as a provision for loan losses.

Financial Assets at Fair Value Through Other Comprehensive Income
Financial assets with a hold-to-collect and sell business model where contractual cash flows meet the SPPI test are measured at FVOCI. Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in other comprehensive income (OCI). Interest income and foreign-exchange gains and losses are included in the Consolidated Statement of Income in net interest income and foreign-exchange revenue, respectively.

Financial Assets at Fair Value through Profit or Loss
This category comprises two subcategories:
- Financial assets required to be measured at fair value, or
- Designated to be measured by management upon initial recognition at fair value on an instrument-by-instrument basis if the designation eliminates, or significantly reduces, an accounting mismatch.

Equity Instruments
Equity instruments are measured at FVTPL unless an election is made at inception to designate the instrument at FVOCI. The election is made on an instrument-by-instrument basis.

If the instrument is measured at FVTPL, fair value changes are recorded as part of other income in the Consolidated Statement of Income. If FVOCI is elected, fair value changes are recorded in OCI, with any gains or losses when derecognizing or selling the asset not reclassified to the Consolidated Statement of Income. For instruments measured at both FVTPL and FVOCI, dividend income is recorded in the Consolidated Statement of Income as part of other income.

Financial Liabilities
Financial liabilities are classified and measured either at FVTPL or amortized cost.

Financial Liabilities at Fair Value Through Profit or Loss

This category comprises two subcategories:

- Financial liabilities required to be measured at fair value, or
- Designated to be measured by management upon initial recognition at fair value on an instrument-by-instrument basis if the designation eliminates, or significantly reduces, an accounting mismatch.

For financial liabilities classified at fair value, any fair value changes that are caused by ATB's own credit risk is recorded and separately disclosed in OCI. When the liability matures, this amount is also not moved to the Consolidated Statement of Income, but instead is recorded in retained earnings in the Consolidated Statement of Financial Position.

Financial Liabilities Measured at Amortized Cost

Financial liabilities not classified as FVTPL are measured at amortized cost and are reported on the Consolidated Statement of Financial Position. They include deposits, certain wholesale borrowings, subordinated debentures, collateralized borrowings, and other liabilities. Interest expense is recognized using the effective interest method and is included in the Consolidated Statement of Income as part of net interest expense.

Reclassification of Financial Assets and Liabilities

ATB has not reclassified any of its financial assets, and would only do so if a significant change in the asset's business model occurred subsequent to initial recognition. Financial liabilities are never reclassified.

Impairment of Financial Assets

Adopting IFRS 9 has changed ATB's loan loss impairment method and replaced IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. ATB records an allowance for loan losses for all loans and financial assets not held at fair value, which includes loan commitments and financial guarantee contracts. Equity investments are not subject to impairment under IFRS 9.

Impairment losses are measured based on the estimated amount and timing of future cash flows, and collateral values. The estimate is driven by a number of factors, which will result in the loan loss allowance being different to IAS 39.

For loans carried at amortized cost, impairment losses are recognized at each reporting date as an allowance for loan loss on the Consolidated Statement of Financial Position, and as a provision for loan loss on the Consolidated Statement of Income. Losses are based on a three-stage impairment model outlined below.

For financial assets measured at FVOCI, the calculated ECL does not reduce the carrying amount in the Consolidated Statement of Financial Position, which remains at fair value. Instead, the allowance is recognized in OCI as an accumulated impairment amount with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to profit and loss when the asset is derecognized.

ATB assesses at each reporting date whether an asset has experienced a significant increase in credit risk since initial recognition. Assets are grouped into Stage 1, Stage 2, and Stage 3, as explained below:

- Stage 1: When the asset is recognized, an allowance is recorded based on the 12-month ECL, which represents a portion of the lifetime ECL that is possible within 12 months after the reporting date. Stage 1 also includes assets which were previously classified as Stage 2 if the credit risk has improved.
- Stage 2: When an asset has shown a significant increase in credit risk since origination, an allowance is recognized for the lifetime ECL. Stage 2 also includes assets which were previously classified as Stage 3 if the credit risk has improved.
- Stage 3: Assets are considered credit-impaired, with an allowance recognized for the lifetime ECL.

Both the lifetime and 12-month ECLs are calculated either on an individual or collective basis. If the credit quality improves in subsequent periods and results in a significant increase in credit risk no longer existing, the ECL is measured at the 12-month ECL.

Measurement of Expected Credit Losses

ATB's ECL calculations use a complex model that is reviewed and updated when necessary. The methods for each stage are summarized below:

- Stage 1: Estimates an asset's projected Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD) over a maximum period of 12 months and is discounted by the asset's effective interest rate (EIR).
- Stage 2: Estimates an asset's projected PD, EAD, and LGD over the remaining lifetime of the asset and is discounted by the asset's EIR.
- Stage 3: For credit-impaired assets, ATB recognizes the cumulative changes in lifetime ECLs since initial recognition. The calculation is similar to Stage 2 assets, with the PD set at 100%.

Forward-Looking Information

To measure the expected cash shortfalls, the model is based on three probability-weighted scenarios (pessimistic, baseline, and optimistic) designed to capture a wide range of possible outcomes that are associated with different PDs, EADs, and LGDs, and probability of occurrence. The probability and scenarios are adjusted quarterly based on forecasted future economic conditions. The scenarios are subject to review and challenged by the established governance committee comprised of members from the economics, risk management, treasury, finance, capital, foreign-exchange, and energy areas.

In the model, ATB relies on a broad range of forward-looking economic information. The inputs used vary based on the asset and include:

- Unemployment rate
- Housing starts
- Interest rate
- Oil prices
- Foreign-exchange rate

As the inputs used may not capture all factors at the date of the financial statements, qualitative adjustments may be applied when these differences are considered significantly material.

Expected Life
For loans in Stages 2 and 3, allowances are based on the ECL over the loan's expected remaining lifetime. For most loans, the life is based on the remaining contractual life.
Exceptions can apply if the loan has the following characteristics:
- includes both a loan and an undrawn commitment component;
- the contractual ability to demand repayment and cancel the undrawn commitment; and
- credit loss exposure exceeds the contractual notice period.

Loans with these characteristics are exposed to credit losses exceeding the remaining contractual life and are not mitigated by ATB's normal credit risk management practices. The estimated period is based on significant judgment using historical information for similar exposures and normal credit risk management actions that vary by product. The products in scope include credit cards and certain revolving lines of credit.

Significant Increase in Credit Risk
Stage 1 and Stage 2 movement relies on significant judgment to assess whether a loan's credit risk has significantly increased relative to the date the loan was initially recognized. For this assessment, an increase in credit risk is based on a loan's lifetime PD, segregated by product or segment and is done at the instrument level.

Assessing for significant increases in credit risk is performed quarterly based on the following three factors. Should any of these factors indicate a significant increase in credit risk, the loan is moved from Stage 1 to Stage 2:
- Thresholds established based on both a percentage and absolute change in lifetime PDs relative to initial recognition.
- Loans that are 30 days past due are typically considered to have experienced a significant increase in credit risk, despite ATB's model not indicating a significant increase in credit risk has occurred.
- All non-retail loans assessed as high-risk as described in note 9.

Movement from Stage 2 back to Stage 1 is symmetrical to moving from Stage 1 to Stage 2. As a result, if a loan is no longer considered to have a significant increase in credit risk relative to its initial recognition, the loan will move back to Stage 1.

Financial assets with low credit risk are considered ones with a low risk of default, as the borrower is still able to fulfil their contractual obligations, including in stress scenarios. For these assets, ATB has assumed the credit risk has not increased significantly since initial recognition. Securities measured at fair value through other comprehensive income, assets purchased under reverse repurchase agreements, and certain financial assets have been identified as having low credit risk.

Default
Loans are assessed at each reporting date to determine if one or more loss events have occurred. ATB's definition of default is consistent with our internal credit risk management practices and varies across products. ATB's loans are considered impaired when they are more than 90 days past due. Impairment may also occur earlier if there is objective evidence of a negative impact on the loan's estimated future cash flows.

Write-offs
ATB's policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when ATB has stopped pursuing the recovery. If the amount written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the Consolidated Statement of Operations.

Modifications and Derecognitions
A modification occurs when a loan's original terms, payment schedule, interest rate and limit are renegotiated or modified, which results in a change to the loan's contractual cash flows.

A modification is calculated by taking the net present value of the new contractual cash flows, discounted at the original EIR less the current carrying value, with the difference recognized as a gain or loss. The asset will continue to be subject to the same assessments for significant increase in credit risk and stage migration prior to being modified.

When an asset is derecognized and recognized, the new loan will be recorded in Stage 1, unless the loan was credit-impaired when it was renegotiated. When assessing for significant increases in credit risk, the date of initial recognition is based on the date the loan was modified.

IFRS 15 Revenue From Contracts with Customers

In September 2015, the IASB published *Effective Date of IFRS 15,* which deferred the effective date of IFRS 15 *Revenue from Contracts with Customers*, which replaces all existing IFRS revenue requirements. The standard clarifies the principles for recognizing revenue and cash flows arising from contracts with customers.

ATB implemented the amendment retrospectively for the periods beginning on or after January 1, 2018. There was no impact on our financial performance.

International Financial Reporting Interpretations Committee (IFRIC 22) Foreign Currency Transactions and Advance Consideration

In December 2016, the IASB issued IFRIC 22 *Foreign Currency Transactions and Advance Consideration* that clarifies IAS 21 *The Effects of Changes in Foreign Exchange Rates*. The interpretation states that the exchange rate on the date the transaction occurs is used when initially recognizing the related asset, expense, or income.

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

IAS 28 Investments in Associates and Joint Ventures

In December 2016, the IASB issued the *Annual Improvements 2014–2016 Cycle* that amends IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 12 *Disclosure of Interests in Other Entities,* and IAS 28 *Investments in Associates and Joint Ventures.* The amendment to IAS 28 *Investments in Associates and Joint Ventures* is the only standard applicable to ATB. The amendment clarifies and permits the option at initial recognition to measure an associate at fair value through profit or loss on an investment-by-investment basis under IFRS 9.

ATB implemented the annual improvement 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 16 Leases

In January 2016, the IASB published a new standard, IFRS 16 *Leases,* bringing leases for lessees under a single model and eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged.

ATB is currently assessing the impact of adopting this standard, which is effective for annual periods beginning on or after January 1, 2019. IFRS 16 will be in effect starting April 1, 2019, which is ATB's 2020 fiscal year. Earlier application is permitted if IFRS 15 *Revenue From Contracts With Customers* has also been applied. ATB has chosen to not early adopt the standard when implementing IFRS 15.

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 that is 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 is currently assessing the impact of adopting the interpretation, which will be effective for annual periods beginning on or after January 1, 2019.

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 is currently assessing the impact of adopting the amendment, which is effective for any plan amendments, curtailments, or settlements occurring in annual periods beginning on or after January 1, 2019. Early adoption is permitted, but must be disclosed.

IFRS 3 Business Combinations

In October 2018, the IASB issued *Definition of a Business (Amendments to IFRS 3)*. The amendment provides clarification on the definition of a business and 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.

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 which should be used when applying the two standards. The new definition considers information as material if omitting, mistating or obscuring it could reasonably be expected to influence decisions that 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 1 January 2020. Earlier application is permitted.

Note 4 IFRS 9 Transition

($ in thousands)	IAS 39 Measurement category	As at March 31, 2018 IAS 39 Carrying amount	Reclassification	Remeasurement	As at April 1, 2018 IFRS 9 Carrying amount	IFRS 9 Measurement category
Cash	Amortized cost	$ 285,527	$ -	$ -	$ 285,527	Amortized cost
Interest-bearing deposits with financial institutions	FVTPL	1,110,848	-	-	1,110,848	FVTPL
Total cash resources		1,396,375	-	-	1,396,375	
Securities measured at fair value through profit or loss	FVTPL	4,760,130	(4,688,297)	-	71,833	FVTPL
Securities measured at fair value through other comprehensive income	FVOCI	-	4,688,297	-	4,688,297	FVOCI
Securities purchased under reverse repurchase agreements	Amortized cost	50,096	-	-	50,096	Amortized cost
Total securities		4,810,226	-	-	4,810,226	
Business	Amortized cost	21,439,814	-	-	21,439,814	Amortized cost
Residential mortgages	Amortized cost	15,750,430	-	-	15,750,430	Amortized cost
Personal	Amortized cost	6,711,755	-	-	6,711,755	Amortized cost
Credit card	Amortized cost	718,065	-	-	718,065	Amortized cost
		44,620,064	-	-	44,620,064	
Allowance for loan losses	Amortized cost	(509,024)	-	62,394	(446,630)	Amortized cost
Total net loans		44,111,040	-	62,394	44,173,434	
Derivative financial instruments	FVTPL	576,712	-	-	576,712	FVTPL
Other financial assets	Amortized cost	178,405	-	-	178,405	Amortized cost
Non-financial assets		820,333	-	-	820,333	
Total other assets		1,575,450	-	-	1,575,450	
Total assets		$ 51,893,091	$ -	$ 62,394	$ 51,955,485	

($ in thousands)	IAS 39 Measurement category	As at March 31, 2018 IAS 39 Carrying amount	Reclassification	Remeasurement	As at April 1, 2018 IFRS 9 Carrying amount	IFRS 9 Measurement category
Redeemable Fixed Date Deposits	Amortized cost	$ 4,738,787	$ -	$ -	$ 4,738,787	Amortized cost
Non-redeemable Fixed Date Deposits	Amortized cost	4,354,113	-	-	4,354,113	Amortized cost
Saving Accounts	Amortized cost	9,525,181	-	-	9,525,181	Amortized cost
Transaction Accounts	Amortized cost	7,751,748	-	-	7,751,748	Amortized cost
Notice Accounts	Amortized cost	6,313,944	-	-	6,313,944	Amortized cost
Total deposits		32,683,773	-	-	32,683,773	
Securities sold under repurchase agreements	Amortized cost	790,827	-	-	790,827	Amortized cost
Wholesale borrowings	Amortized cost	4,141,489	-	-	4,141,489	Amortized cost
Wholesale borrowings	FVTPL	514,980	-	-	514,980	FVTPL
Collateralized borrowings	Amortized cost	8,408,453	-	-	8,408,453	Amortized cost
Derivative financial instruments	Amortized cost	673,162	-	-	673,162	Amortized cost
Other financial liabilities	Amortized cost	986,370	-	-	986,370	Amortized cost
Non-financial liabilities		83,682	-	-	83,682	
Total other liabilities		15,598,963	-	-	15,598,963	
Subordinated debentures	Amortized cost	331,199	-	-	331,199	Amortized cost
Total liabilities		48,613,935	-	-	48,613,935	
Retained earnings		3,453,844	-	62,394	3,516,238	
Non-controlling interest		3,508	-	-	3,508	
Accumulated other comprehensive loss		(178,196)	-	-	(178,196)	
Total equity		3,279,156	-	62,394	3,341,550	
Total liabilities and equity		$ 51,893,091	$ -	$ 62,394	$ 51,955,485	

	IAS 39 closing balances as at March 31, 2018				IFRS 9 opening balances as at April 1, 2018			
	Collective	Specific	Total	Remeasurement	Stage 1	Stage 2	Stage 3	Total
Business	$ 130,107	$ 278,927	$ 409,034	$ (66,668)	$ 27,702	$ 50,214	$ 264,450	$ 342,366
Residential mortgages	10,129	5,732	15,861	(10,455)	2,110	1,313	1,983	5,406
Personal	37,589	22,655	60,244	(1,043)	27,676	11,152	20,373	59,201
Credit card	23,885	-	23,885	15,772	13,151	26,506	-	39,657
Total allowance for loan losses	$ 201,710	$ 307,314	$ 509,024	$ (62,394)	$ 70,639	$ 89,185	$ 286,806	$ 446,630

Note 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 December 31, 2018 and March 31, 2018.

As at December 31, 2018 *($ in thousands)*	Carrying Value					
	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	**$ -**	**$ -**	**$ -**	**$ -**	**$ 94,098**	**$ 94,098** [1]
Interest-bearing deposits with financial institutions	**-**	**837,650**	**-**	**-**	**-**	**837,650** [1]
Securities measured at FVTPL	**29,001**	**36,962**	**-**	**-**	**-**	**65,963**
Securities measured at FVOCI	**-**	**-**	**4,839,167**	**1,628**	**-**	**4,840,795**
Securities purchased under reverse repurchase agreements	**-**	**-**	**-**	**-**	**500,367**	**500,367**
Total securities	**29,001**	**36,962**	**4,839,167**	**1,628**	**500,367**	**5,407,125** [1]
Business	**-**	**-**	**-**	**-**	**23,655,884**	**23,655,884**
Residential mortgages	**-**	**-**	**-**	**-**	**16,424,963**	**16,424,963**
Personal	**-**	**-**	**-**	**-**	**6,741,616**	**6,741,616**
Credit card	**-**	**-**	**-**	**-**	**756,616**	**756,616**
Allowance for loan losses	**-**	**-**	**-**	**-**	**(548,726)**	**(548,726)**
Total loans	**-**	**-**	**-**	**-**	**47,030,353**	**47,030,353** [2]
Derivative financial instruments	**665,819**	**-**	**-**	**-**	**-**	**665,819**
Other assets	**-**	**-**	**-**	**-**	**87,490**	**87,490**
Total other assets	**665,819**	**-**	**-**	**-**	**87,490**	**753,309** [1]
Financial liabilities						
Redeemable Fixed Date Deposits	**$ -**	**$ -**	**$ -**	**$ -**	**$ 2,209,073**	**$ 2,209,073**
Non-redeemable Fixed Date Deposits	**-**	**-**	**-**	**-**	**9,014,949**	**9,014,949**
Saving Accounts	**-**	**-**	**-**	**-**	**9,461,164**	**9,461,164**
Transaction Accounts	**-**	**-**	**-**	**-**	**7,561,148**	**7,561,148**
Notice Accounts	**-**	**-**	**-**	**-**	**7,666,671**	**7,666,671**
Total deposits	**-**	**-**	**-**	**-**	**35,913,005**	**35,913,005** [3]
Securities sold under repurchase agreements	**-**	**-**	**-**	**-**	**98,715**	**98,715** [1]
Wholesale borrowings	**-**	**1,021,504**	**-**	**-**	**3,355,239**	**4,376,743** [4]
Collateralized borrowings	**-**	**-**	**-**	**-**	**8,778,421**	**8,778,421** [5]
Derivative financial instruments	**569,967**	**-**	**-**	**-**	**-**	**569,967** [1]
Other liabilities	**-**	**-**	**-**	**-**	**1,202,243**	**1,202,243** [1]
Total other liabilities	**569,967**	**1,021,504**	**-**	-	**13,434,618**	**15,026,089**
Subordinated debentures	**-**	-	**-**	-	**339,140**	**339,140** [6]

[1] Fair value estimated to equal carrying value.
[2] Fair value of loans estimated to be $48,463,177.
[3] Fair value of deposits estimated to be $35,631,631.
[4] Fair value of wholesale borrowings estimated to be $4,372,824.
[5] Fair value of collateralized borrowings estimated to be $8,669,095.
[6] Fair value of subordinated debentures estimated to be $338,898.

As at March 31, 2018 *($ in thousands)*	**Financial instruments classified as at FVTPL**	**Financial instruments designated as at FVTPL**	**Financial instruments measured at amortized cost**	**Total carrying value**	
Financial assets					
Cash	$ -	$ -	$ 285,527	$ 285,527	(1)
Interest-bearing deposits with financial institutions	-	1,110,848	-	1,110,848	(1)
Securities	-	4,760,130	-	4,760,130	(1)
Securities purchased under reverse repurchase agreements	-	-	50,096	50,096	(1)
Business	-	-	21,439,814	21,439,814	
Residential mortgages	-	-	15,750,430	15,750,430	
Personal	-	-	6,711,755	6,711,755	
Credit card	-	-	718,065	718,065	
Allowance for credit losses	-	-	(509,024)	(509,024)	
Total loans	-	-	44,111,040	44,111,040	(2)
Derivative financial instruments	576,712	-	-	576,712	
Other assets	-	-	178,405	178,405	
Total other assets	576,712	-	178,405	755,117	(1)
Financial liabilities					
Redeemable Fixed Date Deposits	$ -	$ -	$ 4,738,787	$ 4,738,787	
Non-redeemable Fixed Date Deposits	-	-	4,354,113	4,354,113	
Saving Accounts	-	-	9,525,181	9,525,181	
Transaction Accounts	-	-	7,751,748	7,751,748	
Notice Accounts	-	-	6,313,944	6,313,944	
Total deposits	-	-	32,683,773	32,683,773	(3)
Securities sold under repurchase agreements	-	-	790,827	790,827	(1)
Wholesale borrowings	-	514,980	4,141,489	4,656,469	(4)
Collateralized borrowings	-	-	8,408,453	8,408,453	(5)
Derivative financial instruments	673,162	-	-	673,162	(1)
Other liabilities	-	-	986,370	986,370	(1)
Total other liabilities	673,162	514,980	14,327,139	15,515,281	
Subordinated debentures	-	-	331,199	331,199	(6)

(1) Fair value estimated to equal carrying value.

(2) Fair value of loans estimated at $45,191,597.

(3) Fair value of deposits estimated at $32,305,240.

(4) Fair value of wholesale borrowings estimated at $4,640,013.

(5) Fair value of collateralized borrowings estimated at $8,379,961.

(6) Fair value of subordinated debentures estimated at $334,565.

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 4 to the consolidated financial statements for the year ended March 31, 2018. 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 nine months ended December 31, 2018 and the year ended March 31, 2018, there were no transfers of financial instruments between Levels 1 and 2, or into and out of Level 3.

As at December 31, 2018 *($ in thousands)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Interest-bearing deposits with financial institutions	**$ -**	**$ 837,650**	**$ -**	**$ 837,650**
Securities				
Securities measured at FVTPL	**35,908**	**-**	**30,055**	**65,963**
Securities measured at FVOCI	**4,839,167**	**-**	**1,628**	**4,840,795**
Other assets				
Derivative financial instruments	-	**665,819**	**-**	**665,819**
Total financial assets	**$ 4,875,075**	**$ 1,503,469**	**$ 31,683**	**$ 6,410,227**
Wholesale borrowings	**-**	**1,021,504**	**-**	**1,021,504**
Other liabilities				
Derivative financial instruments	**885**	**569,082**	**-**	**569,967**
Total financial liabilities	**$ 885**	**$ 1,590,586**	**$ -**	**$ 1,591,471**

As at March 31, 2018 *($ in thousands)*	Level 1	Level 2	Level 3	Total
Interest-bearing deposits with financial institutions	$ -	$ 1,110,848	$ -	$ 1,110,848
Securities				
Designated at fair value through net income	4,737,190	-	22,940	4,760,130
Other assets				
Derivative financial instruments	-	576,712	-	576,712
Total financial assets	$ 4,737,190	$ 1,687,560	$ 22,940	$ 6,447,690
Wholesale borrowings	-	514,980	-	514,980
Other liabilities				
Derivative financial instruments	-	673,162	-	673,162
Total financial liabilities	$ -	$ 1,188,142	$ -	$ 1,188,142

ATB performs a sensitivity analysis for fair value measurements classified in 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.

The following table presents the changes in fair value of Level 3 financial instruments for the nine months ended December 31, 2018:

($ in thousands)	**Securities designated as at FVOCI**	**Securities classified as at FVTPL**
Fair value as at March 31, 2018	$ -	$ 22,940
Total realized and unrealized losses included in net income	-	-
Total realized and unrealized gains included in other comprehensive income	-	-
Purchases and Issuances	1,628	7,115
Sales and Settlements	-	-
Fair value as at December 31, 2018	$ 1,628	$ 30,055
Change in unrealized losses included in income with respect to financial instruments held as at December 31, 2018	$ -	$ -

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 FVOCI.

Note 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 2018 Annual Report.

Note 7 Securities

The carrying value of securities by remaining term to maturity and net of valuation provisions is as follows:

As at *($ in thousands)*				**December 31 2018**	March 31 2018
	Less than 1 year	**From 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	**$ 36,962**	**$ -**	**$ -**	**$ 36,962**	$ 4,736,228
Other securities	**-**	**25,475**	**3,526**	**29,001**	23,902
Total securities measured at FVTPL	**$ 36,962**	**$ 25,475**	**$ 3,526**	**$ 65,963**	$ 4,760,130
Securities measured at FVOCI					
Issued or guaranteed by the Canadian federal or provincial governments	**$ 2,026,083**	**$ 2,608,739**	**$ 204,345**	**$ 4,839,167**	$ -
Other securities	**-**	**-**	**1,628**	**1,628**	-
Total securities measured at FVOCI	**$ 2,026,083**	**$ 2,608,739**	**$ 205,973**	**$ 4,840,795**	$ -
Securities purchased under reverse repurchase agreements					
Other securities	**$ 500,367**	**$ -**	**$ -**	**$ 500,367**	$ 50,096
Total securities purchased under reverse repurchase agreements	**$ 500,367**	**$ -**	**$ -**	**$ 500,367**	$ 50,096

Other Securities measured at FVTPL

These securities in the current year relate to investments made by AltaCorp, and investments made by ATB to a broad range of private Alberta companies. There is no observable market price for the investments made to 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 5.1 to 12.8. A 0.5 increase of the exit multiple and a 1.0% decrease in the weighted average cost of capital and 0.5 increase of the EBITDA multiple would increase the fair value by $2.3 million (September 30, 2018: $2.7 million, December 31, 2017: $1.7 million). The estimate is also adjusted for the effect of the non-marketability of these investments.

Note 8 Loans

In the retail portfolio, each borrower is assessed based on its 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 non-retail loans, each borrower is 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 December 31, 2018	Performing		Impaired	
($ in thousands)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Business				
Very low risk	3,014,187	346,566	-	3,360,753
Low risk	7,762,929	6,847,188	-	14,610,117
Medium risk	2,067,843	2,348,522	-	4,416,365
High risk	24	565,936	-	565,960
Not rated	39,425	11,608	-	51,033
Impaired	-	-	651,656	651,656
Total	$ 12,884,408	$ 10,119,820	$ 651,656	$ 23,655,884
Residential mortgages				
Very low risk	6,532,943	3,899	-	6,536,842
Low risk	5,994,629	5,891	-	6,000,520
Medium risk	2,811,906	12,891	-	2,824,797
High risk	964,657	60,394	-	1,025,051
Not rated	16,685	79	-	16,764
Impaired	-	-	20,989	20,989
Total	$ 16,320,820	$ 83,154	$ 20,989	$ 16,424,963
Personal				
Very low risk	2,606,957	12,047	-	2,619,004
Low risk	2,245,736	99,764	-	2,345,500
Medium risk	965,252	262,497	-	1,227,749
High risk	278,210	178,285	-	456,495
Not rated	32,926	3,068	-	35,994
Impaired	-	-	56,874	56,874
Total	$ 6,129,081	$ 555,661	$ 56,874	$ 6,741,616
Credit card				
Very low risk	74,633	604	-	75,237
Low risk	208,676	40,149	-	248,825
Medium risk	184,092	104,944	-	289,036
High risk	64,177	28,684	-	92,861
Not rated	11,957	32,307	-	44,264
Impaired	-	-	6,393	6,393
Total	$ 543,535	$ 206,688	$ 6,393	$ 756,616
Total loans	$ 35,877,844	$ 10,965,323	$ 735,912	$ 47,579,079
Total allowance for loan losses	(71,855)	(94,787)	(382,084)	(548,726)
Total net loans	$ 35,805,989	$ 10,870,536	$ 353,828	$ 47,030,353

Undrawn loan commitments - retail				
Very low risk	3,892,050	102,493	-	3,994,543
Low risk	1,040,966	134,641	-	1,175,607
Medium risk	120,918	71,538	-	192,456
High risk	14,455	51,517	-	65,972
Not rated	27,372	2,828	-	30,200
Total	$ 5,095,761	$ 363,017	$ -	$ 5,458,778

Undrawn loan commitments - non-retail				
Very low risk	3,841,157	1,038,769	-	4,879,926
Low risk	4,233,347	2,311,723	-	6,545,070
Medium risk	429,629	514,080	-	943,709
High risk	148,152	340,654	-	488,806
Not rated	110,227	99,695	-	209,922
Total	$ 8,762,512	$ 4,304,921	$ -	$ 13,067,433

The following table presents ATB's gross, impaired loans and related allowance for loan losses under IAS 39:

As at March 31, 2018			Allowances assessed		
($ in thousands)	Gross loans	Impaired loans	Individually	Collectively	Net carrying value
Business	$ 21,439,814	$ 476,605	$ 278,927	$ 130,107	$ 21,030,780
Residential mortgages	15,750,430	79,190	5,732	10,129	15,734,569
Personal	6,711,755	57,744	22,655	37,589	6,651,511
Credit card	718,065	-	-	23,885	694,180
Total	$ 44,620,064	$ 613,539	$ 307,314	$ 201,710	$ 44,111,040

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 December 31, 2018 *($ in thousands)*	**Residential mortgages**	**Business**	**Personal**	**Credit card**	**Total**	**Percentage of total gross loans**
Up to 1 month	**$ 103,768**	**$ 68,438**	**$ 50,756**	**$ 42,849**	**$ 265,811**	**0.56%**
Over 1 month up to 2 months	**119,031**	**200,351**	**55,141**	**10,706**	**385,229**	**0.81%**
Over 2 months up to 3 months	**11,652**	**57,631**	**13,980**	**4,347**	**87,610**	**0.18%**
Over 3 months	**1,184**	**2,574**	**1,619**	**896**	**6,273**	**0.01%**
Total past due but not impaired	**$ 235,635**	**$ 328,994**	**$ 121,496**	**$ 58,798**	**$ 744,923**	**1.6%**

As at March 31, 2018 *($ in thousands)*	Residential mortgages	Business	Personal	Credit card[1]	Total	Percentage of total gross loans
Up to 1 month	$ 103,071	$ 73,192	$ 45,361	$ 36,252	$ 257,876	0.58%
Over 1 month up to 2 months	111,230	172,837	57,781	10,349	352,197	0.79%
Over 2 months up to 3 months	15,944	6,412	5,356	4,361	32,073	0.07%
Over 3 months	1,308	18,571	1,764	5,583	27,226	0.06%
Total past due but not impaired	$ 231,553	$ 271,012	$ 110,262	$ 56,545	$ 669,372	1.5%

[1]Consumer credit card loans are classified as impaired and written off when payments become 180 days past due. Business and agricultural credit card loans that become due for three consecutive billing cycles (or approximately 90 days) are removed from the credit card portfolio and transferred into the applicable impaired loan category.

As at December 31, 2018, $27.9 million (March 31, 2018: $7.4 million) of the total loans past due up to one month are one day overdue.

Note 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 December 31, 2018						
($ in thousands)	**Balance at beginning of period**	**Provision for loan losses**	**Write-offs**	**Recoveries**	**Net Write-offs**	**Discounted cash flows on impaired loans and other**	**Balance at end of period**
Business	**$ 395,927**	**$ 47,964**	**$ (4,457)**	**$ 1,991**	**$ (2,466)**	**$ 604**	**$ 442,029**
Residential mortgages	**3,704**	**1,855**	**(337)**	**192**	**(145)**	**(13)**	**5,401**
Personal	**57,074**	**10,736**	**(7,426)**	**715**	**(6,711)**	**(62)**	**61,037**
Credit card	**35,037**	**8,718**	**(4,694)**	**1,150**	**(3,544)**	**48**	**40,259**
Total	**$ 491,742**	**$ 69,273**	**$ (16,914)**	**$ 4,048**	**$ (12,866)**	**$ 577**	**$ 548,726**

	For the nine months ended December 31, 2018						
($ in thousands)	**Balance at beginning of period**	**Provision for loan losses**	**Write-offs**	**Recoveries**	**Net Write-offs**	**Discounted cash flows on impaired loans and other**	**Balance at end of period**
Business	**$ 342,366**	**$ 133,926**	**$ (34,536)**	**$ 3,568**	**$ (30,968)**	**$ (3,295)**	**$ 442,029**
Residential mortgages	**5,406**	**702**	**(1,294)**	**663**	**(631)**	**(76)**	**5,401**
Personal	**59,201**	**28,041**	**(27,981)**	**2,059**	**(25,922)**	**(283)**	**61,037**
Credit card	**39,657**	**9,968**	**(15,178)**	**5,758**	**(9,420)**	**54**	**40,259**
Total	**$ 446,630**	**$ 172,637**	**$ (78,989)**	**$ 12,048**	**$ (66,941)**	**$ (3,600)**	**$ 548,726**

	For the three months ended September 30, 2018						
($ in thousands)	Balance at beginning of period	Provision for loan losses	Write-offs	Recoveries	Net Write-offs	Discounted cash flows on impaired loans and other	Balance at end of period
Business	$ 384,565	$ 33,077	$ (21,279)	$ 841	$ (20,438)	$ (1,277)	$ 395,927
Residential mortgages	4,203	(480)	(408)	287	(121)	102	3,704
Personal	57,882	7,246	(8,623)	632	(7,991)	(63)	57,074
Credit card	25,460	13,199	(4,964)	1,356	(3,608)	(14)	35,037
Total	$ 472,110	$ 53,042	$ (35,274)	$ 3,116	$ (32,158)	$ (1,252)	$ 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 December 31, 2018				For the nine months ended December 31, 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	23,322	42,452	330,153	395,927	27,702	50,214	264,450	342,366
Provision for loan losses								
Transfers (out) in of Stage 1[1]	(3,144)	3,073	71	-	1,239	(1,433)	194	-
Transfers (out) in of Stage 2[1]	(8,525)	6,681	1,844	-	(9,733)	2,505	7,228	-
Transfers (out) in of Stage 3[1]	(2,973)	(15,518)	18,491	-	(5,503)	(34,158)	39,661	-
New originations[2]	4,173	8,603	10,934	23,710	11,170	15,437	18,321	44,928
Repayments[3]	(1,774)	(5,430)	(2,218)	(9,422)	(4,182)	(10,262)	(3,228)	(17,672)
Remeasurements[4]	15,330	18,234	112	33,676	5,721	35,804	65,145	106,670
Write-offs	-	-	(4,457)	(4,457)	-	-	(34,536)	(34,536)
Recoveries	-	-	1,991	1,991	-	-	3,568	3,568
Discounted cash flows on impaired loans and other	42	253	309	604	37	241	(3,573)	(3,295)
Balance at end of period	26,451	58,348	357,230	442,029	26,451	58,348	357,230	442,029

Allowance for loan losses - Residential Mortgages	For the three months ended December 31, 2018				For the nine months ended December 31, 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	1,643	865	1,196	3,704	2,110	1,313	1,983	5,406
Provision for loan losses								
Transfers in (out) of Stage 1[1]	(44)	42	2	-	(20)	16	4	-
Transfers (out) in of Stage 2[1]	(331)	194	137	-	(308)	33	275	-
Transfers (out) in of Stage 3[1]	(103)	(743)	846	-	(171)	(1,221)	1,392	-
New originations[2]	122	77	58	257	254	103	105	462
Repayments[3]	(22)	(18)	(12)	(52)	(54)	(42)	(450)	(546)
Remeasurements[4]	769	792	89	1,650	223	1,007	(444)	786
Write-offs	-	-	(337)	(337)	-	-	(1,294)	(1,294)
Recoveries	-	-	192	192	-	-	663	663
Discounted cash flows on impaired loans and other	-	-	(13)	(13)	-	-	(76)	(76)
Balance at end of period	2,034	1,209	2,158	5,401	2,034	1,209	2,158	5,401

Allowance for loan losses - Personal	For the three months ended December 31, 2018				For the nine months ended December 31, 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	28,638	8,980	19,456	57,074	27,676	11,152	20,373	59,201
Provision for loan losses								
Transfers (out) in of Stage 1[1]	(592)	437	155	-	(1,140)	854	286	-
Transfers (out) in of Stage 2[1]	(2,569)	1,407	1,162	-	(4,720)	1,876	2,844	-
Transfers (out) in of Stage 3[1]	(2,525)	(2,724)	5,249	-	(4,926)	(6,424)	11,350	-
New originations[2]	1,958	175	502	2,635	6,313	713	950	7,976
Repayments[3]	(740)	(250)	(57)	(1,047)	(1,654)	(637)	(293)	(2,584)
Remeasurements[4]	6,533	1,798	817	9,148	9,164	2,310	11,173	22,647
Write-offs	-	-	(7,426)	(7,426)	(10)	(21)	(27,949)	(27,980)
Recoveries	-	-	715	715	-	-	2,059	2,059
Discounted cash flows on impaired loans and other	-	-	(62)	(62)	-	-	(282)	(282)
Balance at end of period	30,703	9,823	20,511	61,037	30,703	9,823	20,511	61,037

Allowance for loan losses - Credit Cards	For the three months ended December 31, 2018				For the nine months ended December 31, 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	11,787	21,694	1,556	35,037	13,151	24,104	2,402	39,657
Provision for loan losses								
Transfers in (out) of Stage 1[1]	(393)	400	(7)	-	657	(638)	(19)	-
Transfers (out) in of Stage 2[1]	(4,485)	3,126	1,359	-	(2,636)	279	2,357	-
Transfers in (out) of Stage 3[1]	123	(2,244)	2,121	-	212	(4,385)	4,173	-
New originations[2]	302	205	-	507	834	447	-	1,281
Repayments[3]	(187)	(1,051)	-	(1,238)	(616)	(2,762)	(2,963)	(6,341)
Remeasurements[4]	5,490	3,259	700	9,449	1,037	8,336	5,655	15,028
Write-offs	-	-	(4,694)	(4,694)	-	-	(15,178)	(15,178)
Recoveries	-	-	1,150	1,150	-	-	5,758	5,758
Discounted cash flows on impaired loans and other	30	18	-	48	28	26	-	54
Balance at end of period	12,667	25,407	2,185	40,259	12,667	25,407	2,185	40,259

[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]Represents the change in the allowance due to changes in economic factors, risk and model parameters.

	For the three months ended December 31, 2017				
($ 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	$ 409,210	$ 9,835	$ (10,685)	$ (2,527)	$ 405,833
Residential mortgages	18,407	(2,067)	(144)	-	16,196
Personal	79,995	8,389	(13,579)	-	74,805
Credit card	24,843	(1,571)	(4,075)	-	19,197
Total	$ 532,455	$ 14,586	$ (28,483)	$ (2,527)	$ 516,031

	For the nine months ended December 31, 2017				
($ 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	$ 364,969	$ 66,596	$ (18,622)	$ (7,110)	$ 405,833
Residential mortgages	20,733	(4,645)	108	-	16,196
Personal	95,194	23,156	(39,165)	-	79,185
Credit card	28,792	(1,798)	(12,177)	-	14,817
Total	$ 509,688	$ 83,309	$ (69,856)	$ (7,110)	$ 516,031

Note 10 Derivative Financial Instruments

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

As at *($ in thousands)*	**Notional amount**	**Assets**	**December 31 2018** **Liabilities**	Notional amount	Assets	March 31 2018 Liabilities
Over-the-counter contracts						
Interest rate contracts						
Swaps	**$ 25,122,032**	**$ 152,319**	**$ (216,709)**	$ 23,014,465	$ 151,372	$ (255,132)
Other	**2,625,531**	**31,239**	**(35,987)**	2,271,123	32,690	(42,340)
Foreign-exchange contracts						
Forwards	**3,631,091**	**103,897**	**(44,777)**	3,280,264	25,308	(17,907)
Cross-currency swaps	**1,691,231**	**102,962**	**(25,698)**	1,058,731	19,118	(24,362)
Commodity contracts						
Forwards	**2,437,943**	**275,402**	**(244,265)**	2,501,998	348,224	(331,586)
Embedded derivatives						
Market-linked deposits	**290,253**	**-**	**(1,646)**	422,857	-	(1,835)
Exchange-traded contracts						
Interest rate contracts						
Futures	**3,300,000**	**-**	**(885)**	-	-	-
Total	**$ 39,098,081**	**$ 665,819**	**$ (569,967)**	$ 32,549,438	$ 576,712	$ (673,162)

In addition to the notional amounts shown above, ATB has certain foreign-exchange spot deals that settle in one day, with notional amounts of $1.1 million as at December 31, 2018 (March 31, 2018: $0.02 million).

Refer to note 10 of the consolidated financial statements for the year ended March 31, 2018 for a more complete description of ATB's derivative-related activities.

Note 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 15 of the consolidated financial statements for the year ended March 31, 2018 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)*	**December 31** **2018**	March 31 2018
Principal value of mortgages pledged as collateral	**$ 7,412,086**	$ 6,947,936
ATB mortgage-backed securities pledged as collateral through repurchase agreements	**830,732**	983,153
Principal value of credit card receivables pledged as collateral	**713,463**	620,851
Total	**$ 8,956,281**	$ 8,551,940
Associated Liabilities	**$ 8,778,421**	$ 8,408,453

Note 12 Payment in Lieu of Tax

For the three months ended December 31, 2018, ATB accrued a total of $15.5 million (December 31, 2017: $28.1 million). For the nine months ended December 31, 2018, ATB accrued a total of $53.4 million (December 31, 2017: $65.7 million) for payment in lieu of tax. The payment in lieu of tax will continue to be settled by issuing subordinated debentures until ATB's Tier 2 notional capital is eliminated. The payment in lieu of tax is calculated as 23.0% of net income reported under IFRS, excluding AltaCorp Capital's net income, which is subject to income tax.

Note 13 Capital Management

ATB measures and reports capital adequacy to ensure that it meets the minimum levels set out by its regulator, Alberta Treasury Board and Finance, while supporting the continued growth of its 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, $600,000 of notional capital was made available to ATB. This amount reduces by 25% of net income each quarter. Effective April 1, 2017, software and other intangibles was deducted from total capital.

As at December 31, 2018, ATB had exceeded both the total capital requirements and the Tier 1 capital requirement of the *Capital Adequacy* guideline.

As at *($ in thousands)*	**December 31 2018**	March 31 2018
Tier 1 capital		
Retained earnings	**$ 3,693,234**	$ 3,453,844
Tier 2 capital		
Eligible portions of:		
Subordinated debentures	**124,727**	111,193
Wholesale borrowings	**1,858,224**	1,420,000
Collective allowance for loan losses	**173,768**	201,710
Notional capital	**89,130**	148,977
Total Tier 2 capital	**2,245,849**	1,881,880
Deductions from capital		
Software and other intangibles	**298,865**	292,796
Total capital	**$ 5,640,218**	$ 5,042,928
Total risk-weighted assets	**$ 37,344,719**	$ 35,320,997
Risk-weighted capital ratios		
Tier 1 capital ratio	**9.9%**	9.8%
Total capital ratio	**15.1%**	14.3%

Note 14 Share Capital

ATB's subsidiary, AltaCorp, issues share capital as follows:

(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 at March 31, 2018	**3,386**	**$ 4,414**
Shares issued during the period	**-**	**-**
Balance, as at December 31, 2018	**3,386**	**$ 4,414**

(in thousands)	**Shares**	**Value**
Class B shares		
Balance, as at March 31, 2018	**2,569**	**$ 283**
Shares issued during the period	**1,130**	**2,224**
Shares repurchased during the period	**(1,205)**	**(774)**
Share purchase loan	**-**	**7**
Balance, as at December 31, 2018	**2,494**	**$ 1,740**

Note 15 Segmented Information

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

- **Retail Financial Services** comprises the branch, agency, and ABM networks and provides financial services to individuals.
- **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, and investment advice.
- **AltaCorp** 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.

The strategic service units comprise business units of a corporate nature, such as investment, risk management, treasury operations, and intercompany eliminations, as well as expenses not expressly attributed to any area of expertise.

Refer to note 28 to the consolidated financial statements for the year ended March 31, 2018 for additional detail on the method used to generate the segmented information.

For the three months ended *($ in thousands)*	Retail Financial Services	Business and Agriculture	Corporate Financial Services	ATB Wealth[1]	AltaCorp Capital Inc.	Strategic service units	Total
December 31, 2018							
Net interest income	**$ 110,653**	**$ 86,405**	**$ 88,300**	**$ 4,096**	**$ 156**	**$ 9,284**	**$ 298,894**
Other income (loss)	**23,933**	**21,342**	**23,613**	**53,487**	**8,083**	**(2,150)**	**128,308**
Total operating revenue	**134,586**	**107,747**	**111,913**	**57,583**	**8,239**	**7,134**	**427,202**
Provision for loan losses	**17,256**	**37,088**	**14,151**	**778**	**-**	**-**	**69,273**
Non-interest expenses[2]	**126,240**	**69,598**	**35,083**	**53,380**	**6,137**	**220**	**290,658**
(Loss) income before payment in lieu of tax	**(8,910)**	**1,061**	**62,679**	**3,425**	**2,102**	**6,914**	**67,271**
Payment in lieu of tax	**-**	**-**	**-**	**3,237**	**5**	**12,256**	**15,498**
Net (loss) income	**$ (8,910)**	**$ 1,061**	**$ 62,679**	**$ 188**	**$ 2,097**	**$ (5,342)**	**$ 51,773**
Total assets	**$ 22,879,709**	**$ 8,108,265**	**$ 14,089,368**	**$ 943,560**	**$ 20,639**	**$ 8,903,946**	**$ 54,945,487**
Total liabilities	**$ 12,560,948**	**$ 9,522,660**	**$ 10,917,508**	**$ 966,049**	**$ 10,768**	**$ 17,389,406**	**$ 51,367,339**
September 30, 2018							
Net interest income (loss)	$ 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	12,369	422,247
Provision for loan losses	9,220	36,996	4,602	2,224	-	-	53,042
Non-interest expenses[2]	121,259	65,133	30,523	50,153	5,267	6,578	278,913
Income before payment in lieu of tax	3,589	2,940	72,426	5,381	165	5,791	90,292
Payment in lieu of tax	-	-	-	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
December 31, 2017							
Net interest income	$ 113,958	$ 79,650	$ 82,528	$ 189	$ -	$ 10,308	$ 286,633
Other income	23,403	19,798	16,658	49,821	-	10,530	120,210
Total operating revenue	137,361	99,448	99,186	50,010	-	20,838	406,843
Provision for loan losses	6,482	2,354	5,750	-	-	-	14,586
Non-interest expenses[2]	123,265	56,281	25,941	37,278	-	27,471	270,236
Income (loss) before payment in lieu of tax	7,614	40,813	67,495	12,732	-	(6,633)	122,021
Payment in lieu of tax	-	-	-	2,926	-	25,139	28,065
Net income (loss)	$ 7,614	$ 40,813	$ 67,495	$ 9,806	$ -	$ (31,772)	$ 93,956
Total assets	$ 21,843,565	$ 7,671,852	$ 12,409,185	$ 134,625	$ -	$ 8,685,354	$ 50,744,581
Total liabilities	$ 12,144,276	$ 9,309,151	$ 9,755,837	$ 92,288	$ -	$ 16,231,104	$ 47,532,656

[1]Effective September 2018 ATB Wealth includes ATB Investor Services and Alberta Private Client (APC). Results for the three months and nine months ended December 31, 2017 were not restated to include APC. Previously APC was reported under RFS.
[2]Certain costs are allocated from the strategic service units (SSU) to the areas of expertise. The allocation method is revised annually and creates fluctuations in ATB's segmented results.

For the nine months ended *($ in thousands)*	Retail Financial Services	Business and Agriculture	Corporate Financial Services	ATB Wealth[1]	AltaCorp Capital Inc.	Strategic service units	Total
December 31, 2018							
Net interest income	**$ 333,151**	**$ 254,230**	**$ 259,778**	**$ 11,532**	**$ 407**	**$ 35,596**	**$ 894,694**
Other income (loss)	**67,915**	**62,599**	**63,562**	**159,124**	**19,089**	**(5,510)**	**366,779**
Total operating revenue	**401,066**	**316,829**	**323,340**	**170,656**	**19,496**	**30,086**	**1,261,473**
Provision for loan losses	**27,563**	**88,931**	**53,141**	**3,002**	**-**	**-**	**172,636**
Non-interest expenses[2]	**374,686**	**201,952**	**98,050**	**153,879**	**17,471**	**10,740**	**856,778**
(Loss) income before payment in lieu of tax	**(1,183)**	**25,946**	**172,149**	**13,775**	**2,025**	**19,346**	**232,058**
Payment in lieu of tax	**-**	**-**	**-**	**9,621**	**142**	**43,746**	**53,509**
Net (loss) income	**$ (1,183)**	**$ 25,946**	**$ 172,149**	**$ 4,154**	**$ 1,883**	**$ (24,400)**	**$ 178,550**
December 31, 2017							
Net interest income	$ 341,384	$ 232,771	$ 245,122	$ 473	$ -	$ 15,133	$ 834,883
Other income	63,897	55,460	54,108	144,206	-	17,987	335,658
Total operating revenue	405,281	288,231	299,230	144,679	-	33,120	1,170,541
Provision for loan losses	17,760	27,678	37,871	-	-	-	83,309
Non-interest expenses[2]	370,812	166,976	79,011	105,645	-	79,271	801,715
Income (loss) before payment in lieu of tax	16,709	93,577	182,348	39,034	-	(46,151)	285,517
Payment in lieu of tax	-	-	-	8,975	-	56,694	65,669
Net income (loss)	$ 16,709	$ 93,577	$ 182,348	$ 30,059	$ -	$ (102,845)	$ 219,848

[1]Effective September 2018 ATB Wealth includes ATB Investor Services and Alberta Private Client (APC). Results for the three months and nine months ended December 31, 2017 were not restated to include APC. Previously APC was reported under RFS.
[2]Certain costs are allocated from the strategic service units (SSU) to the areas of expertise. The allocation method is revised annually and creates fluctuations in ATB's segmented results.

Note 16 Comparative Amounts

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