FY2020 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)	**2019**	2019	2018	**2019**	2018
Operating results					
Net interest income	**$ 305,573**	$ 295,651	$ 298,894	**$ 900,247**	$ 894,694
Other income	**141,229**	123,578	128,308	**399,654**	366,779
Operating revenue	**446,802**	419,229	427,202	**1,299,901**	1,261,473
Provision for loan losses	**42,279**	32,331	69,273	**140,698**	172,637
Non-interest expenses	**299,417**	298,658	290,658	**906,470**	856,778
Net income before payment in lieu of tax	**105,106**	88,240	67,271	**252,733**	232,058
Payment in lieu of tax	**23,430**	20,277	15,498	**57,315**	53,509
Net income	**$ 81,676**	$ 67,963	$ 51,773	**$ 195,418**	$ 178,549
Income before provision for loan losses[1]					
Operating revenue	**$ 446,802**	$ 419,229	$ 427,202	**$ 1,299,901**	$ 1,261,473
Less: non-interest expenses	**(299,417)**	(298,658)	(290,658)	**(906,470)**	(856,778)
Income before provision for loan losses	**$ 147,385**	$ 120,571	$ 136,544	**$ 393,431**	$ 404,695
Financial position *($ in thousands)*					
Net loans	**$ 46,630,044**	$ 46,307,059	$ 47,030,353	**$ 46,630,044**	$ 47,030,353
Total assets	**$ 54,293,220**	$ 53,945,601	$ 54,945,489	**$ 54,293,220**	$ 54,945,489
Total risk-weighted assets	**$ 37,007,381**	$ 36,974,240	$ 37,344,719	**$ 37,007,381**	$ 37,344,719
Total deposits	**$ 35,102,084**	$ 36,213,190	$ 35,913,005	**$ 35,102,084**	$ 35,913,005
Equity	**$ 3,786,608**	$ 3,801,955	$ 3,578,150	**$ 3,786,608**	$ 3,578,150
Key performance measures *(%)*					
Return on average assets	**0.60**	0.50	0.38	**0.48**	0.44
Return on average risk-weighted assets	**0.88**	0.73	0.55	**0.71**	0.65
Operating revenue change[2]	**4.6**	(0.72)	5.0	**3.0**	7.8
Other income to operating revenue	**31.6**	29.5	30.0	**30.7**	29.1
Operating expense growth[2]	**3.0**	7.1	7.6	**5.8**	6.9
Efficiency ratio	**67.0**	71.2	68.0	**69.7**	67.9
Net interest margin	**2.31**	2.25	2.23	**2.28**	2.27
Loan losses to average loans	**0.36**	0.28	0.59	**0.40**	0.50
Net loan change[3]	**0.70**	(0.48)	2.1	**(0.80)**	6.6
Total deposit change[3]	**(3.1)**	0.32	2.9	**(2.3)**	9.9
Change in assets under administration[3]	**2.5**	1.7	(3.9)	**6.4**	2.4
Tier 1 capital ratio[4]	**10.4**	10.2	9.9	**10.4**	9.9
Total capital ratio[4]	**15.3**	15.7	15.1	**15.3**	15.1
Other information					
ATB Wealth assets under administration *($ in thousands)*	**21,603,884**	21,068,338	19,124,023	**21,603,884**	19,124,023
Total customers	**776,594**	775,705	768,059	**776,594**	768,059
Team members[5]	**5,728**	5,764	5,549	**5,728**	5,549

1 A non-GAAP (generally accepted accounting principles) measure is defined as operating revenue less non-interest expenses.

2 Measures are calculated by comparing current-quarter balances against the same quarter of the previous year.

3 Measures are calculated by comparing current-quarter balances against the prior quarter. The year-to-date measures are calculated by comparing current-year balances against balances at March 31, 2019.

4 Calculated in accordance with the Alberta Superintendent of Financial Institutions (ASFI) capital requirements guidelines.

5 Number of team members includes casual and commissioned.

Caution regarding forward-looking statements

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

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

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

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

This is management's discussion and analysis (MD&A) of the consolidated results of operations and financial position of ATB Financial (ATB) for the nine months ended December 31, 2019, and is dated February 12, 2020. 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, 2019, as well as the audited consolidated financial statements and MD&A for the year ended March 31, 2019.

Economic Outlook

Alberta's Economy at a Glance

	Calendar year		
	2019 (actuals)	2020 (forecast)	2021 (forecast)
Real GDP growth (annual % change)	0.4	0.9	2.1
Consumer price index (annual % change)	1.8	2.0	1.9
Unemployment rate (%)	6.9	6.9	6.7
Exchange rate (US$1 / Cdn$1)	1.32	1.32	1.32
Bank of Canada overnight lending rate (%)	1.75	1.75	1.75

ATB's latest economic forecast for Alberta pegs real GDP growth in 2020 at 0.9%, followed by stronger growth in 2021 (2.1%).

Alberta's Economic Challenges

The sluggish growth forecast for this year assumes that capital spending and the activity it generates in the oil sector will remain tepid until investors feel more confident that additional transportation capacity will be available. While oil production is slated to increase, the anticipated boost to both exports and output will not be enough to push overall growth above 0.9% until capital spending levels strengthen. Ideally, investor confidence will recover faster than expected.

The ongoing transportation issues holding back our oil and gas sector continue to spill over into other areas of Alberta's economy, including retail sales, construction, and the labour market. All three of these areas are forecast to remain relatively slow in 2020, with the unemployment rate hovering around last year's average of 6.9%. Housing starts are expected to increase slightly, but will remain well below historical levels. Retail spending and consumer confidence are not expected to see much improvement in 2020 as Albertans wrestle with record levels of debt and curtail spending in the wake of high unemployment and concerns about the economy.

Alberta's Economic Opportunities

The ongoing willingness of the Organization of the Petroleum Exporting Countries (OPEC) and its partners to try to keep global oil supply in check and prevent another price crash is encouraging.

Although global economic growth remains fragile, fears of a sharp decline have subsided. At the same time, the approval of the U.S.–Mexico–Canada Agreement (USMCA) by the U.S. House of Representatives has eliminated a major stumbling block to its ratification, reducing uncertainty regarding our access to the critically important U.S. market.

The trade war between China and the U.S. seems to be moving into a period of relative reprieve, but major issues remain and recent history suggests that hostile trade relations could erupt at any time. Alberta's agriculture and agri-food sector did receive some good news last year when China lifted its ban on Canadian meat, but the ban on canola remains in place.

Alberta's population continues to grow with net interprovincial migration returning to positive territory. In addition, the tourism, high-tech, and agri-food sectors continue to perform well. Two new propane-based petrochemical plants that are under construction, work underway on the Trans Mountain Pipeline, and signs that the housing market is stabilizing, are all welcome developments and bode well for Alberta's long-term growth.

Net Income

For the quarter ended December 31, 2019, ATB earned net income (NI) of $81.7 million, a $13.7-million (20.2%) increase from the previous quarter, driven by higher operating revenue earned this quarter. Compared to the same time last year, NI also grew, driven by lower provision for loan losses and higher revenue earned. On a year-to-date basis, NI is $195.4 million, an increase of $16.9 million (9.4%) compared to this time last year. This is primarily driven by lower provision for loan losses.

ATB's net contribution to the Government of Alberta—comprised of NI, ATB's portion of payment in lieu of taxes, and deposit guarantee fee for the quarter—was $118.4 million, an increase of $16.1 million (15.7%) from last quarter. Compared to the same quarter last year, net contribution increased $36.8 million (45.1%). Year-to-date net contribution is $294.8 million, an increase of $21.3 million (7.8%) from last year.

Income before provision for loan losses this quarter is $147.4 million, a $26.8-million (22.2%) increase from last quarter, as we grew revenue while managing our spend. Compared to the same quarter last year, results were $10.8 million (7.9%) higher, driven by higher operating revenue. Year to date, our income before provision for loan losses is $393.4 million, a decrease of $11.3 million (2.8%) from the first nine months of last year, as non-interest expenses grew at a faster rate than our operating revenue.

Operating Revenue

Total operating revenue consists of net interest income (NII) and other income (OI). We ended the quarter at $446.8 million, with NII contributing $305.6 million and $141.2 million from OI. This represents an increase of $27.6 million (6.6%) from last quarter, primarily driven by higher NII and mark-to-market gains from our risk management portfolios. Compared to the same quarter last year, operating revenue increased by $19.6 million (4.6%), driven by an increase in NII and OI.

On a year-to-date basis, operating revenue is $1.3 billion, representing a $38.4 million (3.0%) increase over the first nine months of last year, supported by lower interest paid on wholesale borrowings and higher OI.

Net Interest Income

Net interest income (NII) represents the difference between the interest earned on assets (e.g., loans and securities) and interest paid on liabilities (e.g., deposits and wholesale and collateralized borrowings). NII was $305.6 million this quarter, higher than last quarter and this time last year. NII increased from last quarter due to improved pricing on loans and some higher-cost deposits rolling off. With deposits shrinking, however, we did rely more on alternative funding sources that offset some of the deposit rate savings. Since last year, despite our balance sheet slightly contracting, NII has increased due to the factors previously noted.

Net Interest Margin

Net interest margin (NIM) is the ratio of net interest income (NII) to average total interest-earning assets for the period. This important metric for ATB measures the profitability of our banking business. For the quarter ended December 31, 2019, NIM was 2.31%, higher than both the 2.25% attained last quarter and the 2.23% achieved during the same quarter last year. Both result from the factors supporting our NII growth as previously noted, with the increase from this time last year further driven by our ability to earn more interest despite having a lower average total interest-earning asset balance. Year-to-date NIM is 2.28%, an increase from last year's 2.27%. The increase is due to factors previously noted.

Net Interest Income

	For the three months ended					
	December 31, 2019 vs September 30, 2019			December 31, 2019 vs December 31, 2018		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
($ in thousands)	**volume**	**rate**	**Net change**	volume	rate	Net change
Assets						
Interest-bearing deposits with financial institutions, and securities	**$ 1,386**	**$ (527)**	**$ 859**	$ (2,871)	$ (1,758)	$ (4,629)
Loans	**433**	**3,459**	**3,892**	(890)	9,514	8,624
Change in interest income	**1,819**	**2,932**	**4,751**	(3,761)	7,756	3,995
Liabilities						
Deposits	**(3,796)**	**(6,676)**	**(10,472)**	1,040	3,906	4,946
Wholesale borrowings	**5,431**	**(2,335)**	**3,096**	(7,963)	(330)	(8,293)
Collateralized borrowings	**625**	**260**	**885**	(228)	224	(4)
Securities sold under repurchase agreements	**1,610**	**46**	**1,656**	1,125	119	1,244
Subordinated debentures	**(313)**	**(24)**	**(337)**	(577)	(1)	(578)
Change in interest expense	**3,557**	**(8,729)**	**(5,172)**	(6,603)	3,918	(2,685)
Change in net interest income	**$ (1,738)**	**$ 11,661**	**$ 9,923**	$ 2,842	$ 3,838	$ 6,680

	For the nine months ended		
	December 31, 2019 vs December 31, 2018		
	Increase (decrease) due to changes in		
($ in thousands)	**Volume**	**Rate**	**Net change**
Assets			
Interest-bearing deposits with financial institutions, and securities	**$ (9,350)**	**$ 6,623**	**$ (2,727)**
Loans	**26,849**	**54,782**	**81,631**
Change in interest income	**17,499**	**61,404**	**78,903**
Liabilities			
Deposits	**17,966**	**71,254**	**89,220**
Wholesale borrowings	**(28,910)**	**9,396**	**(19,515)**
Collateralized borrowings	**3,347**	**3,659**	**7,006**
Securities sold under repurchase agreements	**(3,246)**	**783**	**(2,463)**
Subordinated debentures	**(473)**	**(427)**	**(900)**
Change in interest expense	**(11,316)**	**84,665**	**73,349**
Change in net interest income	**$ 28,815**	**$ (23,260)**	**$ 5,555**

Other Income

Other income (OI) consists of all operating revenue not classified as net interest income. ATB earned $141.2 million this quarter, which is $17.7 million (14.3%) higher than last quarter. The increase in OI is mainly attributed to additional income generated by our treasury operations in the strategic service units (SSUs), as market conditions were more favourable this quarter. In addition, ATB Wealth revenue continues to increase, bolstered by the growing assets-under-administration portfolio. Compared to the same quarter last year, OI increased by $12.9 million (10.1%) for the same reasons.

Year to date, OI is $399.7 million, an increase of $32.9 million (9.0%) over the first nine months of last year. We experienced growth in most of our revenue streams as we continue to focus on diversifying our revenue sources.

Credit Quality

The provision for loan losses is recorded to recognize the net of write-offs, recoveries, and required changes to the allowance for Stage 1, 2, and 3 loans over the quarter. This quarter, ATB recognized a $42.3-million provision, which is $9.9 million (380.5%) higher than last quarter. The increase is attributable to new impairments among our oil and gas and hospitality service customers, who continue to struggle given the continuing difficult economic environment. A number of high-dollar non-retail loans were also written off that were previously provided for. This was, however, offset by a lower Stage 1 and 2 provision with the biggest impact coming from MasterCard, a result of continued probability of default (PD) improvement with portfolio performance nearing pre-recession lows. This, along with fewer impairments, is also another factor driving our year-over-year decrease of $26.9 million (39.0%). Alberta's economic outlook is projected to remain flat in 2020 and may result in our customers continuing to struggle.

On a year-to-date basis, the provision for loan losses is $140.7 million, a decrease of $31.9 million (18.5%) from the same time last year. The decrease is driven by our non-retail portfolio, due to the same year-over-year drivers noted above.

As a result of the overall quality of the loan portfolio improving this quarter, along with strong credit loss limitation practices management remains confident in the entire portfolio. As at December 31, 2019, gross impaired loans of $976.9 million make up 2.0% of the total loan portfolio (September 30, 2019: 2.0%; December 31, 2018: 1.5%).

Non-Interest Expenses

Non-interest expenses (NIE) consist of all expenses except for interest expenses and the provision for loan losses. This quarter's total NIE is $299.4 million, which remains consistent with last quarter.

Compared to the same quarter last year, NIE are up $8.8 million (3.0%), primarily due to increased salaries and benefits offset by lower professional and consulting costs and general and administrative spending. We've not only promoted some team members, but we've grown our team member base to support the launch of Brightside and transitioned to in-house solutions, with higher average salaries for new team members. Severance costs were also higher. General and administrative expenses decreased due to lower costs associated with our Deposit Yourself Here campaign. Professional and consulting expenses are also down, as we bought out a contract last year to support our merchant revenue income.

Year to date, NIE are $906.5 million, a $49.7-million (5.8%) increase over the first nine months of last year—again a result of the year-over-year drivers previously noted. In addition, other expenses increased year-over-year due to an insurance claim received in 2018.

The efficiency ratio, calculated by dividing NIE by operating revenue, measures how much it costs ATB to generate revenue. A lower ratio indicates higher efficiency at generating income. For the quarter ended December 31, 2019, ATB reported an efficiency ratio of 67.0%, a 4.2% decrease from last quarter and a 1.0% decrease from the same quarter last year, as the growth in operating revenue exceeded the growth in expenses.

Year to date, the efficiency ratio increased to 69.7% from 67.9%. While our operating revenue grew, it was overshadowed by our expenses growing faster due to the factors previously noted.

Review of Business Segments

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

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

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

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

Everyday Financial Services (EFS)[1]

	For the three months ended		
($ in thousands)	**December 31 2019**	September 30 2019	December 31 2018[2]
Net interest income	**$ 125,253**	$ 123,899	$ 110,653
Other income	**28,506**	27,469	23,933
Operating revenue	**153,759**	151,368	134,586
Provision for loan losses	**10,441**	13,028	17,256
Non-interest expenses	**138,515**	138,335	126,240
Net income (loss)	**$ 4,803**	$ 5	$ (8,910)
Total assets	**$ 24,708,491**	$ 24,229,236	$ 22,879,709
Total liabilities	**$ 14,927,609**	$ 14,646,340	$ 12,560,948

	For the nine months ended	
($ in thousands)	**December 31 2019**	December 31 2018[2]
Net interest income	**$ 372,117**	$ 333,151
Other income	**83,353**	67,915
Operating revenue	**455,470**	401,066
Provision for loan losses	**38,186**	27,563
Non-interest expenses	**416,483**	374,686
Net income (loss)	**$ 801**	$ (1,183)

1 Effective June 26, 2019, Retail Financial Services announced a new name, Everyday Financial Services (EFS), to better describe the changing work and focus of this group.
2 Effective April 2019, EFS includes ATB 360 [approx. 60,000-plus customers with personal and digital business banking needs served through entrepreneur centres, mortgage and broker services, and Client Care (call centre) distribution channels]. Results for the three and nine months ended December 31, 2018, were not restated to include ATB 360. ATB 360 was previously reported under B&Ag.

The improved EFS deposit growth this quarter, combined with positive pricing changes and prudent spending, have all contributed to an increase in net income from last quarter. Compared to the same quarter last year, operating revenue growth outpaced expense growth, which, combined with a lower provision for loan losses, drove the increase in net income. On a year-to-date basis, net income has only partially improved, as EFS's operating revenue growth was almost entirely offset by higher provision for loan losses and expenses.

Operating revenue increased by $2.4 million (1.6%) from last quarter as EFS continues to benefit from favourable pricing on loan and deposit products, and by $19.2 million (14.2%) from the same time last year due to the business generated by ATB 360, which handles all banking services for entrepreneurial Albertans. Year to date, operating revenue increased $54.4 million (13.6%), primarily as a result of the business generated from ATB 360, as previously noted.

EFS had lower provisions for loan losses this quarter, compared to last quarter and the same quarter last year, resulting from a net Stage 1 and 2 recovery due to a lower probability of default for EFS's consumer Mastercard portfolio. Compared to the prior year, the provision has increased significantly due to higher write-offs and the portfolio's overall quality deteriorating.

Non-interest expenses (NIE) were consistent with last quarter. Expenses have increased by $12.3 million (9.7%) from the same time last year due to higher corporate allocations, data processing, and professional and consulting costs. Year-to-date expenses increased by $41.8 million (11.2%) due to the higher corporate allocations.

Loan balances continue to decrease from last quarter and the same time last year, mainly due to aggressive competitor rates and challenging market conditions. Deposits on the other hand have increased, highlighting the success of EFS's recent customer campaigns.

Business and Agriculture (B&Ag)

	For the three months ended		
($ in thousands)	**December 31 2019**	September 30 2019	December 31 2018[(1)]
Net interest income	**$ 70,544**	$ 70,537	$ 86,405
Other income	**15,735**	16,155	21,342
Operating revenue	**86,279**	86,692	107,747
Provision for loan losses	**4,453**	2,181	37,088
Non-interest expenses	**54,858**	56,946	69,598
Net income	**$ 26,968**	$ 27,565	$ 1,061
Total assets	**$ 7,316,802**	$ 7,605,363	$ 8,108,265
Total liabilities	**$ 7,123,355**	$ 7,515,888	$ 9,522,660

	For the nine months ended	
($ in thousands)	**December 31 2019**	December 31 2018[(1)]
Net interest income	**$ 211,333**	$ 254,230
Other income	**47,948**	62,599
Operating revenue	**259,281**	316,829
Provision for loan losses	**25,164**	88,931
Non-interest expenses	**168,849**	201,952
Net income	**$ 65,268**	$ 25,946

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

B&Ag's net income (NI) remained flat compared to last quarter due to controlled spending, offset by higher provision for loan losses. Compared to the same time last year, lower spending combined with lower provision for loan losses boosted NI. Year to date, NI is higher for these same reasons.

Operating revenue remained flat quarter over quarter, but it is $21.5 million (19.9%) lower than the same time last year due to both lower net interest income (NII) and other income (OI). Year to date, operating revenue is $57.5 million (18.2%) lower. Loan growth, particularly independent business loans, has been slower compared to last year's historic highs. The decrease in OI is due to lower merchant and Mastercard transaction volumes driven by the softer economic conditions.

B&Ag's provisions for loan losses decreased $32.6 million from this time last year and $63.8 million year to date, due to fewer Stage 3 impairments, along with lower probability of default (PDs) in the agriculture portfolio. Compared to last quarter, the provision for loan losses has increased by $2.3 million, driven mainly by a net Stage 3 increase from independent business loans.

Non-interest expenses (NIE) are $2.1 million (3.7%) lower than last quarter and $14.7 million (21.2%) lower than the same time last year, as B&Ag prudently managed discretionary spending. B&Ag also benefited from lower corporate allocations. Year to date, NIE is $33.1 million (16.4%) lower than last year for the same reasons.

Loans and deposits have contracted from last quarter and from last year, excluding ATB 360. The contraction in loans is due to challenging market conditions, while the driver for deposits relates to a focus on gathering lower-cost deposits. Although the strategy has led to lower deposit balances, it resulted in higher NII.

Corporate Financial Services (CFS)

	For the three months ended		
($ in thousands)	**December 31 2019**	September 30 2019	December 31 2018
Net interest income	**$ 84,148**	$ 78,630	$ 88,300
Other income	**23,671**	22,057	23,613
Operating revenue	**107,819**	100,687	111,913
Provision for loan losses	**27,245**	17,515	14,151
Non-interest expenses	**31,386**	34,593	35,083
Net income	**$ 49,188**	$ 48,579	$ 62,679
Total assets	**$ 12,939,873**	$ 14,118,285	$ 14,089,368
Total liabilities	**$ 9,421,818**	$ 10,665,406	$ 10,917,508

	For the nine months ended	
($ in thousands)	**December 31 2019**	December 31 2018
Net interest income	**$ 244,890**	$ 259,778
Other income	**65,778**	63,562
Operating revenue	**310,668**	323,340
Provision for loan losses	**76,968**	53,141
Non-interest expenses	**101,107**	98,050
Net income	**$ 132,593**	$ 172,149

CFS's net income (NI) is consistent with last quarter. Compared to the same time last year, NI decreased due to provision for loan losses increasing while operating revenues declined. These same factors also drive the lower year-to-date NI.

Operating revenue increased quarter over quarter by $7.1 million (7.1%), primarily due to a strong quarter in the financial markets group and improved pricing on deposits. When compared to the same quarter last year, operating revenue declined $4.1 million (3.6%), attributed to lower NII as both loans and deposits contracted. This also is the main driver for the year to date decrease in operating revenue.

CFS's provision for loan losses has increased $9.7 million (55.6%) from last quarter. This was driven mainly by the Stage 3 provision due to a combination of a few newly impaired high-dollar loans and increases to existing impaired loans. This led to a reduction in Stage 2 provision, as the loans with these new impairments are no longer performing. This quarter's and year-to-date provision is higher than this time last year, mainly due to the higher Stage 3 provision previously noted.

Non-interest expenses have declined from last quarter, improving $3.7 million (10.5%) over the same quarter last year, as CFS continues to reduce discretionary spend. Year-to-date NIE increased $3.1 million (3.1%), driven by higher corporate allocations and team member costs.

Loans have grown from last quarter, driven by the oil and gas and diversified sectors, but is consistent with this time last year. The contraction in deposits from last quarter and last year is due to rolling off high-cost deposits.

ATB Wealth

	For the three months ended		
($ in thousands)	**December 31 2019**	September 30 2019	December 31 2018
Net interest income	**$ 5,580**	$ 5,392	$ 4,096
Other income	**57,966**	56,434	53,487
Operating revenue	**63,546**	61,826	57,583
Provision for (recovery of) loan losses	**140**	(393)	778
Non-interest expenses	**57,933**	55,721	53,380
Net income before payment in lieu of tax	**5,473**	6,498	3,425
Payment in lieu of tax (PILOT)	**3,555**	3,600	3,237
Net income	**$ 1,918**	$ 2,897	$ 188
Total assets	**$ 1,076,026**	$ 1,059,076	$ 943,560
Total liabilities	**$ 1,088,906**	$ 1,070,088	$ 966,049
Assets under administration	**$ 21,603,884**	$ 21,068,338	$ 19,124,023

	For the nine months ended	
($ in thousands)	**December 31 2019**	December 31 2018
Net interest income	**$ 15,709**	$ 11,532
Other income	**170,067**	159,124
Operating revenue	**185,776**	170,656
Provision for loan losses	**380**	3,002
Non-interest expenses	**167,803**	153,879
Net income before payment in lieu of tax	**17,593**	13,775
PILOT	**10,771**	9,621
Net income	**$ 6,822**	$ 4,154

ATB Wealth's assets under administration (AUA) increased $0.5 billion (2.5%) from last quarter and $2.5 billion (13.0%) from this time last year. For both periods, market growth accounted for a greater proportion of the increase as net assets gathered, the difference between new AUA brought on by ATB Wealth advisors less AUA removed by customers, remain challenged by the sluggish Alberta economy and investors being cautious following the market volatility of late 2018.

Net income (NI) decreased from last quarter despite growing revenue, primarily due to higher non-interest expenses (NIE) and an increase in the provision for loan losses. NI is higher compared to the same quarter last year and year to date as a result of increased operating revenue and a large recovery in the provision for loan losses.

Operating revenue for the three- and nine-month periods ended December 31, 2019, are higher than prior periods due primarily to higher AUA. Revenue growth was also supported by higher loan and deposit balances in private banking, with the latter experiencing double-digit growth since introduction of the ATB Wealth brand in 2018.

The higher provision for loan losses this quarter is mainly the result of a higher Stage 3 provision due to new impairments. The year-over-year and year-to-date decrease relates to a net Stage 1 and 2 recovery compared to a provision last year, driven by the overall credit quality of the portfolio improving.

NIE increased from last quarter, mainly due to amortization expenses for new software, and severance costs. Current quarter and year-to-date expenses are higher compared to the same periods in the prior year, due to higher variable costs associated with increased AUA, and higher team-member salaries as ATB Wealth's business continues to grow.

AltaCorp Capital Inc. (AltaCorp)

	For the three months ended		
($ in thousands)	**December 31 2019**	September 30 2019	December 31 2018
Net interest income	**$ 88**	$ 122	$ 156
Other income	**4,376**	3,647	8,083
Operating revenue	**4,464**	3,769	8,239
Non-interest expenses	**5,520**	5,282	6,137
Net (loss) income before income taxes	**(1,056)**	(1,513)	2,102
Income taxes (recovery)	**(189)**	(315)	5
Net (loss) income	**$ (867)**	$ (1,198)	$ 2,097
Total assets	**$ 23,715**	$ 24,639	$ 20,639
Total liabilities	**$ 18,767**	$ 18,677	$ 10,768

	For the nine months ended	
($ in thousands)	**December 31 2019**	December 31 2018
Net interest income	**$ 343**	$ 407
Other income	**14,921**	19,089
Operating revenue	**15,264**	19,496
Non-interest expenses	**20,769**	17,471
Net (loss) income before income taxes	**(5,505)**	2,025
Income taxes (recovery)	**(1,138)**	142
Net (loss) income	**$ (4,367)**	$ 1,883

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

Operating revenue decreased by $3.8 million (45.8%) from the same quarter last year due to a decrease in underwriting fees. In addition, year-to-date operating revenue decreased by $4.2 million (21.7%) due to the factor previously noted.

NIE remain constant with last quarter. Compared to the same quarter last year, NIE decreased by $0.6 million (10.1%) as a result of lower bonuses and severance costs. Year-to-date NIE have increased by $3.3 million (18.9%) due to investing in team member development.

Strategic Service Units (SSUs)

	For the three months ended		
	December 31	September 30	December 31
($ in thousands)	**2019**	2019	2018
Net interest income	**$ 19,960**	$ 17,071	$ 9,284
Other income	**10,975**	(2,184)	(2,150)
Operating revenue	**30,935**	14,887	7,134
Non-interest expenses	**11,205**	7,781	220
Net income before income taxes	**19,730**	7,107	6,914
Payment in lieu of tax (PILOT)	**20,064**	16,992	12,256
Net income (loss)	**$ (334)**	$ (9,885)	$ (5,342)
Total assets	**$ 8,204,590**	$ 6,909,002	$ 8,903,946
Total liabilities	**$ 17,902,434**	$ 16,227,247	$ 17,389,406

	For the nine months ended	
	December 31	December 31
($ in thousands)	**2019**	2018
Net interest income	**$ 55,855**	$ 35,596
Other income	**17,587**	(5,510)
Operating revenue	**73,442**	30,086
Non-interest expenses	**31,459**	10,740
Net income before income taxes	**41,983**	19,346
PILOT	**47,682**	43,746
Net loss	**$ (5,699)**	$ (24,400)

The lower net loss earned this quarter mainly results from unrealized gains in our foreign-exchange and interest-rate risk management portfolios. Asset/liability management activities from our treasury operations is the main reason for the higher net interest income. Salary and benefit costs are the main driver for non-interest expenses increasing quarter over quarter, year over year, and year to date.

The year-to-date loss is also lower than the first nine months of last year, again driven by the same factors previously noted.

Statement of Financial Position

Total Assets

The increase from last quarter is a direct result of loan growth. Assets slightly decreased from the same quarter last year, as loans contracted.

Loans

Net loans grew this quarter as a result of business loans in the agriculture and commercial portfolios. The growth reflects our focus on doing the right business at the right level of risk and price. Compared to the same quarter last year, net loans decreased as we focused on this previously noted strategy.

Total Liabilities

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

Total liabilities stood at $50.5 billion for the quarter, a $0.4-billion (0.8%) increase from last quarter. This is primarily driven by wholesale borrowings as more bearer-deposit notes were issued to offset the decrease in higher-cost deposits and to support the repayment of our subordinated debentures. Compared to the same quarter last year, total liabilities decreased by $0.9 billion (1.7%), with deposits being the primary driver of this change.

Deposits

Deposits are $35.1 billion, down $1.1 billion (3.0%) from last quarter and $0.8 billion (2.2%) lower than the same time last year. This is due to some higher-cost deposits rolling off and also reflects the economic challenges Alberta is facing.

Wholesale Borrowings

Wholesale borrowings, consisting primarily of bearer-deposit and mid-term notes issued by the Government of Alberta, can fluctuate quarter to quarter. The agreement with the Government of Alberta currently limits the total volume of such borrowings to $7.0 billion. The balance this quarter is $5.0 billion, an increase from last quarter and this time last year: $2.4 billion (90.4%) and $0.6 billion (13.6%), respectively. The increase compared to last quarter and the same quarter last year is due to more bearer-deposit notes being issued to support our contracting deposits, and our subordinated debentures being extinguished.

Collateralized Borrowings

Collateralized borrowings, also used to supplement customer deposits, represent ATB’s participation in the Canada Mortgage Bonds (CMB) program, securitization of credit card receivables, and other mortgage loan securitization. As at December 31, 2019, balances were $8.5 billion, $0.4 billion (4.5%) lower than last quarter, and $0.3 billion (3.4%) lower than this time last year. The decrease relates to our mortgages contracting, which resulted in fewer mortgages being securitized. This in turn has made us rely more on wholesale borrowings.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income (AOCI) includes unrealized gains and losses, which are only recorded on the consolidated statement of operations when realized. AOCI is a loss this quarter, but it has improved when compared to the same quarter last year. The movement both from last quarter and this time last year reflects the changing average swap rates and the volatility we experienced from the effective portion of our interest-rate-management products designated for hedge accounting. This was partially offset by how much ATB owes on its pension plan.

Capital Management

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

As a Crown corporation, ATB and its subsidiaries operate under a regulatory framework established pursuant to the *ATB Act* and associated regulations and guidelines. The capital adequacy requirements for ATB are defined in a guideline authorized by the Government of Alberta's President of Treasury Board and Minister of Finance, which was modelled after guidelines governing other Canadian deposit-taking institutions. ATB's minimum Tier 1 capital requirement is 7.0%, and the total capital requirement is the greater of 10.0% of risk-weighted assets or 5.0% of total assets. As at December 31, 2019, ATB had a Tier 1 capital ratio of 10.4% and a total capital ratio of 15.3%, both exceeding our regulatory requirements.

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

Credit Risk

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

Key measures as at December 31, 2019, are outlined as follows.

Total Credit Exposure

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

As at *($ in thousands)*	**December 31 2019**	March 31 2019
Financial assets[1]	**$ 53,123,726**	$ 53,310,653
Other commitments and off-balance sheet items	**18,593,999**	19,309,154
Total credit risk	**$ 71,717,725**	$ 72,619,807

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

Industry Concentration

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

($ in thousands)		**December 31 2019 Percentage of total gross loans**		March 31 2019 Percentage of total gross loans
Commercial real estate	**$5,929,695**	**12.5%**	$6,087,599	12.8%
Agriculture, forestry, fishing, and hunting	**4,128,812**	**8.7%**	3,737,297	7.8%
Mining and oil and gas extraction	**4,081,546**	**8.6%**	3,426,250	7.2%
Largest borrower	**$200,000**	**0.42%**	$156,954	0.33%

Residential Real Estate Secured Lending

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

As at *($ in thousands)*		**December 31, 2019**		March 31, 2019	
Residential mortgages	Insured[1]	**$ 7,340,929**	**45.2%**	$ 7,442,028	45.3%
	Uninsured	**8,895,707**	**54.8%**	8,996,711	54.7%
Total residential mortgages		**16,236,636**	**100.0%**	16,438,739	100.0%
Home equity lines of credit	Uninsured	**3,125,246**	**100.0%**	3,234,005	100.0%
Total home equity lines of credit		**3,125,246**	**100.0%**	3,234,005	100.0%
Total	**Insured**	**$ 7,340,929**	**37.9%**	$ 7,442,028	37.8%
	Uninsured	**$ 12,020,953**	**62.1%**	$ 12,230,716	62.2%

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

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

As at	**December 31 2019**	March 31 2019
< 25 years	**86.3%**	83.1%
25–30 years	**13.5%**	16.6%
30–35 years	**0.2%**	0.3%
Total	**100.0%**	100.0%

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

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

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

Market Risk

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

The following describes ATB's key market risks and their measurement as at December 31, 2019.

Interest Rate Risk

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

Interest Rate Sensitivity

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

As at *($ in thousands)*	**December 31 2019**	March 31 2019
Increase in interest rates of:		
100 basis points	**$ 16,864**	$ 38,645
200 basis points	**31,255**	75,765
Decrease in interest rates of:		
100 basis points[1]	**(26,119)**	(50,147)
200 basis points[1]	**(60,698)**	(117,534)

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

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

Foreign-Exchange Risk

Foreign-exchange risk is the risk of loss resulting from fluctuations in foreign-exchange rates. This risk arises from the existence of a net asset or liability position denominated in foreign currencies and/or a difference in maturity profiles for purchases and sales of a given currency. ATB manages its foreign currency exposure through foreign-exchange forward contracts. ATB is within its board-approved minimum limit as at December 31, 2019.

Liquidity Risk

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

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

On December 31, 2019, the liquidity coverage ratio (LCR) is 135.7% (March 31, 2019: 144.0%), which is well above board-approved minimum limits.

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

As at *($ in thousands)*	**Within 1 year**	**1–2 years**	**2–3 years**	**3–4 years**	**4–5 years**	**Over 5 years**	**December 31 2019 Total**	March 31 2019 Total
Mid-term notes	**$ 199,937**	**$ -**	**$ -**	**$ 271,002**	**$ -**	**$ 1,682,449**	**$ 2,153,388**	$ 2,247,288
Bearer deposit notes	**2,871,791**	**-**	**-**	**-**	**-**	**-**	**2,871,791**	1,371,778
Mortgage-backed securities	**1,068,932**	**1,092,609**	**2,630,381**	**-**	**1,519,478**	**1,714,870**	**8,026,270**	8,580,829
Credit card securitization	**499,417**	**-**	**-**	**-**	**-**	**-**	**499,417**	385,000
Securities sold under repurchase agreements	**247,436**	**-**	**-**	**-**	**-**	**-**	**247,436**	-
Subordinated debentures	**-**	**-**	**-**	**-**	**-**	**-**	**-**	339,140
Total long-term funding	**$ 4,887,513**	**$ 1,092,609**	**$ 2,630,381**	**$ 271,002**	**$ 1,519,478**	**$ 3,397,319**	**$ 13,798,302**	$ 12,924,035
Of which are:								
Secured	**$ 1,815,785**	**$ 1,092,609**	**$ 2,630,381**	**$ -**	**$ 1,519,478**	**$ 1,714,870**	**$ 8,773,123**	$ 8,965,829
Unsecured	**3,071,728**	**-**	**-**	**271,002**	**-**	**1,682,449**	**5,025,179**	3,958,206
Total long-term funding	**$ 4,887,513**	**$ 1,092,609**	**$ 2,630,381**	**$ 271,002**	**$ 1,519,478**	**$ 3,397,319**	**$ 13,798,302**	$ 12,924,035

Interim Condensed Consolidated Statement of Financial Position

(Unaudited)

As at *($ in thousands)*	Note	**December 31** **2019**	September 30 2019	March 31 2019	December 31 2018
Cash		**$ 141,666**	$ 160,938	$ 200,002	$ 94,098
Interest-bearing deposits with financial institutions		**979,162**	731,793	1,097,307	837,650
Total cash resources		**1,120,828**	892,731	1,297,309	931,748
Securities measured at fair value through profit or loss (FVTPL)		**52,527**	52,749	68,502	65,963
Securities measured at fair value through other comprehensive income (FVOCI)		**5,043,800**	4,510,150	3,911,796	4,840,795
Securities purchased under reverse repurchase agreements		**-**	400,267	400,355	500,367
Total securities	7	**5,096,327**	4,963,166	4,380,653	5,407,125
Business		**23,790,866**	23,383,492	23,833,674	23,655,884
Residential mortgages		**16,236,636**	16,262,712	16,438,739	16,424,963
Personal		**6,460,882**	6,560,226	6,667,543	6,741,616
Credit card		**775,819**	772,763	730,681	756,616
		47,264,203	46,979,193	47,670,637	47,579,079
Allowance for loan losses	9	**(634,159)**	(672,134)	(664,913)	(548,726)
Total net loans	8	**46,630,044**	46,307,059	47,005,724	47,030,353
Derivative financial instruments	10	**476,774**	656,492	642,070	665,819
Property and equipment		**274,196**	282,282	285,634	309,396
Software and other intangibles		**308,947**	292,824	302,865	298,865
Other assets		**386,104**	551,047	429,896	302,183
Total other assets		**1,446,021**	1,782,646	1,660,465	1,576,263
Total assets		**$ 54,293,220**	$ 53,945,601	$ 54,344,151	$ 54,945,489
Redeemable fixed-date deposits		**1,549,740**	1,730,724	2,047,475	2,209,073
Non-redeemable fixed-date deposits		**8,388,101**	9,017,774	9,176,459	9,014,949
Savings accounts		**9,790,280**	9,538,501	10,004,043	9,461,164
Transaction accounts		**8,434,622**	8,490,339	7,574,046	7,561,148
Notice accounts		**6,939,341**	7,435,852	7,119,926	7,666,671
Total deposits		**35,102,084**	36,213,190	35,921,949	35,913,005
Securities sold under repurchase agreements		**247,436**	197,159	-	98,715
Wholesale borrowings		**5,025,179**	2,639,223	3,619,066	4,376,743
Collateralized borrowings	11	**8,525,687**	8,893,694	8,965,829	8,778,421
Derivative financial instruments	10	**435,440**	450,929	507,146	569,967
Other liabilities		**1,170,786**	1,451,263	1,346,904	1,291,348
Total other liabilities		**15,404,528**	13,632,268	14,438,945	15,115,194
Subordinated debentures		**-**	298,188	339,140	339,140
Total liabilities		**50,506,612**	50,143,646	50,700,034	51,367,339
Retained earnings		**3,850,870**	3,768,203	3,652,955	3,693,234
Non-controlling interest		**2,737**	3,081	4,314	4,525
Accumulated other comprehensive (loss) income		**(66,999)**	30,671	(13,152)	(119,609)
Total equity		**3,786,608**	3,801,955	3,644,117	3,578,150
Total liabilities and equity		**54,293,220**	$ 53,945,601	$ 54,344,151	$ 54,945,489

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

Curtis Stange
President and Chief Executive Officer

Dan Hugo
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 2019**	September 30 2019	December 31 2018	**December 31 2019**	December 31 2018
Loans		**$ 501,119**	$ 497,229	$ 492,497	**$ 1,497,110**	$ 1,415,480
Securities		**23,358**	22,612	26,552	**68,781**	69,723
Interest-bearing deposits with financial institutions		**3,715**	3,602	5,150	**11,785**	13,570
Interest income		**528,192**	523,443	524,199	**1,577,676**	1,498,773
Deposits		**151,843**	160,658	145,654	**467,134**	380,377
Wholesale borrowings		**21,243**	18,149	29,536	**61,012**	80,526
Collateralized borrowings		**47,849**	46,964	47,853	**143,306**	136,300
Subordinated debentures		**1,684**	2,021	2,262	**5,977**	6,876
Interest expense		**222,619**	227,792	225,305	**677,429**	604,079
Net interest income		**305,573**	295,651	298,894	**900,247**	894,694
Wealth management		**56,295**	55,057	51,436	**165,287**	153,385
Service charges		**18,791**	19,117	18,905	**56,809**	56,993
Card fees		**17,834**	16,576	18,205	**50,678**	50,803
Credit fees		**11,686**	12,192	11,839	**34,604**	34,512
Insurance		**5,617**	6,073	6,076	**17,272**	16,266
Capital markets revenue		**4,456**	3,607	5,974	**15,052**	17,024
Foreign exchange		**14,271**	(790)	(59)	**23,511**	2,605
Net gains on derivative financial instruments		**11,091**	8,283	11,109	**27,143**	25,094
Net gains on securities		**82**	902	739	**6,083**	3,822
Sundry		**1,106**	2,561	4,084	**3,215**	6,275
Other income		**141,229**	123,578	128,308	**399,654**	366,779
Operating revenue		**446,802**	419,229	427,202	**1,299,901**	1,261,473
Provision for loan losses	9	**42,279**	32,331	69,273	**140,698**	172,637
Salaries and employee benefits		**162,526**	160,503	148,715	**489,569**	446,394
Data processing		**28,837**	32,280	29,340	**91,248**	89,542
Premises and occupancy, including depreciation		**20,636**	20,646	22,605	**62,080**	65,232
Professional and consulting costs		**17,445**	15,883	21,195	**47,197**	47,156
Deposit guarantee fee		**11,667**	11,952	12,402	**35,892**	35,306
Equipment, including depreciation		**6,121**	5,719	5,839	**18,669**	18,122
Software and other intangibles amortization		**19,642**	19,380	20,318	**58,123**	59,034
General and administrative		**20,591**	18,911	23,146	**62,006**	61,596
ATB agencies		**3,498**	3,416	3,390	**10,263**	9,859
Other		**8,454**	9,968	3,708	**31,423**	24,537
Non-interest expense		**299,417**	298,658	290,658	**906,470**	856,778
Net income before payment in lieu of tax		**105,106**	88,240	67,271	**252,733**	232,058
Payment in lieu of tax	12	**23,430**	20,277	15,498	**57,315**	53,509
Net income		**$ 81,676**	$ 67,963	$ 51,773	**$ 195,418**	$ 178,549
Net income attributable to ATB Financial		**$ 81,856**	$ 68,414	$ 51,819	**$ 196,831**	$ 178,577
Net loss attributable to non-controlling interests		**$ (180)**	$ (451)	$ (46)	**$ (1,413)**	$ (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	
	December 31	September 30	December 31	**December 31**	December 31
($ in thousands)	**2019**	2019	2018	**2019**	2018
Net income	**$ 81,676**	$ 67,963	$ 51,773	**$ 195,418**	$ 178,549
Items that may be reclassified subsequently to profit or loss:					
Unrealized net losses on securities measured at FVOCI:					
Unrealized net losses (gains) arising during the period	**134**	(1,026)	5,323	**(2,636)**	1,695
Net (gains) losses reclassified to net income	**(83)**	75	(735)	**(3,078)**	(3,703)
Unrealized net gains on derivative financial instruments designated as cash flow hedges:					
Unrealized net (losses) gains arising during the period	**(124,028)**	9,606	171,331	**(66,269)**	112,105
Net gains (losses) reclassified to net income	**12,600**	(8,328)	(44,325)	**18,809**	(49,473)
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plan liabilities	**13,706**	9,631	(38,849)	**(674)**	(2,037)
Other comprehensive (loss) income	**(97,671)**	9,958	92,745	**(53,847)**	58,587
Comprehensive (loss) income	**(15,995)**	$77,921	$144,518	**141,571**	$237,136
Comprehensive (loss) income attributable to:					
ATB Financial	**(15,815)**	$78,372	$144,564	**$ 142,984**	$237,164
Non-controlling interests	**(180)**	(451)	(46)	**(1,413)**	(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 2019**	September 30 2019	December 31 2018	**December 31 2019**	December 31 2018
Retained earnings					
Balance at beginning of the period	**$ 3,768,203**	$ 3,699,525	$ 3,642,820	**$ 3,652,955**	$ 3,453,844
Net income attributable to ATB Financial	**81,856**	68,414	51,819	**196,831**	178,521
Transition adjustment (IFRS 9 and 15)	**-**	-	-	**-**	62,394
Other	**811**	264	(1,405)	**1,084**	(1,525)
Balance at end of the period	**3,850,870**	3,768,203	3,693,234	**3,850,870**	3,693,234
Non-controlling interests					
Balance at beginning of the period	**3,081**	3,532	4,254	**4,314**	3,508
Net loss attributable to non-controlling interests in subsidiaries	**(180)**	(451)	(46)	**(1,413)**	(28)
Other[1]	**(164)**	-	317	**(164)**	1,045
Balance at end of the period	**2,737**	3,081	4,525	**2,737**	4,525
Accumulated other comprehensive (loss) income					
Securities measured at fair value through other comprehensive income					
Balance at beginning of the period	**(7,582)**	(6,631)	(6,596)	**(1,817)**	-
Other comprehensive loss (income)	**51**	(951)	4,588	**(5,714)**	(2,008)
Balance at end of the period	**(7,531)**	(7,582)	(2,008)	**(7,531)**	(2,008)
Derivative financial instruments designated as cash-flow hedges					
Balance at beginning of the period	**117,551**	116,273	(190,736)	**53,582**	(126,362)
Other comprehensive (loss) income	**(111,428)**	1,278	127,006	**(47,459)**	62,632
Balance at end of the period	**6,123**	117,551	(63,730)	**6,123**	(63,730)
Defined benefit plan liabilities					
Balance at beginning of the period	**(79,297)**	(88,928)	(15,022)	**(64,917)**	(51,834)
Other comprehensive income (loss)	**13,706**	9,631	(38,849)	**(674)**	(2,037)
Balance at end of the period	**(65,591)**	(79,297)	(53,871)	**(65,591)**	(53,871)
Accumulated other comprehensive (loss) income	**(66,999)**	30,671	(119,609)	**(66,999)**	(119,609)
Equity	**3,786,608**	$ 3,801,955	$ 3,578,150	**$ 3,786,608**	$ 3,578,150

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

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

Interim Condensed Consolidated Statement of Cash Flows

(Unaudited)

	For the three months ended			For the nine months ended	
($ in thousands)	**December 31 2019**	September 30 2019	December 31 2018	**December 31 2019**	December 31 2018
Cash flows from operating activities:					
Net income	**$ 81,676**	$ 67,963	$ 51,773	**$ 195,418**	$ 178,549
Adjustments for non-cash items and others:					
Provision for loan losses	**42,279**	32,331	69,273	**140,698**	172,637
Depreciation and amortization	**29,668**	30,917	33,240	**90,984**	99,232
Net gains on securities	**82**	902	(739)	**6,083**	(3,822)
Adjustments for net changes in operating assets and liabilities:				**-**	-
Loans	**(297,598)**	252,442	(958,202)	**427,691**	(2,931,279)
Deposits	**(1,110,893)**	115,604	1,021,405	**(819,711)**	3,229,469
Derivative financial instruments	**53,897**	(13,413)	(151,211)	**41,439**	(138,842)
Prepayments and other receivables	**47,972**	1,630	18,729	**20,775**	(20,249)
Due to clients, brokers and dealers	**2,452**	590	540	**3,390**	(12,744)
Deposit guarantee fee payable	**13,406**	13,989	14,341	**(12,236)**	(7,898)
Accounts payable and accrued liabilities	**(260,899)**	(66,824)	325,871	**(149,308)**	259,589
Liability for payment in lieu of tax	**23,619**	20,556	15,867	**16,836**	(28,070)
Net interest receivable and payable	**(49,972)**	41,727	(2,097)	**(23,682)**	12,304
Change in accrued pension-benefit liability	**(12,320)**	(8,805)	39,689	**3,804**	3,599
Others, net	**76,185**	(136,824)	(112,170)	**(128,411)**	(16,974)
Net cash (used in) provided by operating activities	**(1,360,446)**	352,785	366,309	**(186,230)**	795,501
Cash flows from investing activities:					
Change in securities measured at FVTPL	**(544,057)**	(761,669)	84,966	**(1,179,245)**	(142,297)
Change in securities purchased under reverse repurchase agreements	**400,267**	1,154,117	(250,641)	**400,355**	(450,271)
Change in interest-bearing deposits with financial institutions	**(247,369)**	(246,347)	452,896	**118,145**	273,198
Purchases and disposals of property and equipment, software, and other intangibles	**(37,704)**	(22,349)	(25,300)	**(85,628)**	(81,605)
Net cash (used in) provided by investing activities	**(428,863)**	123,752	261,921	**(746,373)**	(400,975)
Cash flows from financing activities:					
Issuance of wholesale borrowings	**3,807,619**	1,113,326	1,715,367	**6,856,469**	6,779,140
Repayment of wholesale borrowings	**(1,421,663)**	(1,830,000)	(2,061,830)	**(5,450,356)**	(7,051,106)
Issuance of collateralized borrowings	**153,394**	231,612	(56,576)	**592,286**	611,748
Repayment of collateralized borrowings	**(521,402)**	-	-	**(1,032,428)**	(241,780)
Change in securities sold under repurchase agreements	**50,277**	98,779	(250,121)	**247,435**	(692,112)
Issuance of subordinated debentures	**-**	-	(374)	**41,612**	81,277
Repayment of subordinated debentures	**(298,188)**	-	-	**(380,752)**	(73,122)
Net cash provided (used in) by financing activities	**1,770,037**	(386,283)	(653,534)	**874,266**	(585,955)
Net (decrease) increase in cash and cash equivalents	**(19,272)**	90,254	(25,304)	**(58,337)**	(191,429)
Cash at beginning of period	**160,938**	70,684	119,402	**200,002**	285,527
Cash at end of period	**$ 141,666**	$ 160,938	$ 94,098	**$ 141,665**	$ 94,098
Net cash (used in) provided by operating activities:					
Interest paid	**(269,353)**	(202,106)	(243,662)	**(716,031)**	(597,257)
Interest received	**524,955**	539,485	540,459	**1,592,598**	1,504,218

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended December 31, 2019

1 Nature of Operations

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

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

2 Significant Accounting Policies

Basis of Preparation

These interim condensed consolidated financial statements (“interim statements”) are prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the accounting requirements of the Alberta Superintendent of Financial Institutions (ASFI). The interim condensed consolidated financial statements do not include all of the information required for complete annual consolidated financial statements and should be read in conjunction with ATB’s 2019 annual consolidated financial statements. The accounting policies, methods of computation, and presentation of these interim statements are consistent with the most recent annual consolidated financial statements. These interim statements were approved by the Audit Committee on February 12, 2020.

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

These interim 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

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

3 Summary of Accounting Policy Changes

Change in Accounting Policies and Disclosures

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

IFRS 16 Leases

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

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

IFRS 16 has also permitted certain exemptions to be elected. ATB has elected:

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

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

Lessee Accounting

Classification

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

Measurement

Measuring the lease liability includes the following components:

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

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

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

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

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

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

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

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

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

Lessor Accounting

Classification

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

Measurement

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

Subleases

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

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

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

Lessee Accounting

Classification

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

Measurement

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

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

Lessor Accounting

Classification

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

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

Measurement

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

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

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

IAS 23 Borrowing Costs

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

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

IAS 19 Employee Benefits

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

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

Future Accounting Changes

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

IFRS 3 Business Combinations

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

ATB is currently assessing the impact of the new amendment, which is applicable for acquisitions that occur on or after the first period beginning on or after January 1, 2020, but we do not expect an impact to our financial statements. The amendments to IFRS 3 will be effective April 1, 2020, which is ATB's 2021 fiscal year.

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

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

ATB is currently assessing the impact of the new definition, which is effective for annual reporting periods beginning on or after January 1, 2020, but we do not expect an impact to our financial statements. Earlier application is permitted. The amendments to IAS 1 and 8 will be effective April 1, 2020, the first day of ATB's 2021 fiscal year.

Interest Rate Benchmark Reform (IBOR)

In September 2019, the IASB issued amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, and IFRS 7 *Financial Instruments: Disclosures*. The amendment provides relief to all existing hedging relationships that are directly affected by the reform, and allows them to continue instead of being terminated. In addition, specific disclosures relating to the reform and its impact on ATB's hedging relationships will be required.

ATB is currently assessing the impact of the new definition, which is effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. The amendments to IFRS 9, IAS 39, and IFRS 7 will be effective April 1, 2020, which is ATB's 2021 fiscal year.

4 IFRS 16 Transition

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

	As at March 31, 2019		As at April 1, 2019
($ in thousands)	IAS 17 carrying amount	Impact of adoption	IFRS 16 carrying amount
Property and equipment	285,634	12,330	297,964
Other liabilities	1,346,904	12,330	1,359,234

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, 2019, and March 31, 2019.

As at December 31, 2019 *($ 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	**$ -**	**$ -**	**$ -**	**$ -**	**$ 141,666**	**$ 141,666**	(1)
Interest-bearing deposits with financial institutions	**-**	**979,162**	**-**	**-**	**-**	**979,162**	(1)
Securities measured at fair value through profit or loss (FVTPL)	**42,537**	**9,990**	**-**	**-**	**-**	**52,527**	
Securities measured at fair value through other comprehensive income (FVOCI)	**-**	**-**	**5,035,937**	**7,863**	**-**	**5,043,800**	
Securities purchased under reverse repurchase agreements	**-**	**-**	**-**	**-**	**-**	**-**	
Total securities	**42,537**	**9,990**	**5,035,937**	**7,863**	**-**	**5,096,327**	(1)
Business	**-**	**-**	**-**	**-**	**23,790,866**	**23,790,866**	
Residential mortgages	**-**	**-**	**-**	**-**	**16,236,636**	**16,236,636**	
Personal	**-**	**-**	**-**	**-**	**6,460,882**	**6,460,882**	
Credit card	**-**	**-**	**-**	**-**	**775,819**	**775,819**	
Allowance for loan losses	**-**	**-**	**-**	**-**	**(634,159)**	**(634,159)**	
Total loans	**-**	**-**	**-**	**-**	**46,630,044**	**46,630,044**	(2)
Derivative financial instruments	**476,774**	**-**	**-**	**-**	**-**	**476,774**	
Other assets	**-**	**-**	**-**	**-**	**200,399**	**200,400**	
Total other assets	**476,774**	**-**	**-**	**-**	**200,399**	**677,174**	(1)
Financial liabilities							
Redeemable fixed-date deposits	**$ -**	**$ -**	**$ -**	**$ -**	**$ 1,549,740**	**$ 1,549,740**	
Non-redeemable fixed-date deposits	**-**	**-**	**-**	**-**	**8,388,101**	**8,388,101**	
Savings accounts	**-**	**-**	**-**	**-**	**9,790,280**	**9,790,280**	
Transaction accounts	**-**	**-**	**-**	**-**	**8,434,622**	**8,434,622**	
Notice accounts	**-**	**-**	**-**	**-**	**6,939,341**	**6,939,341**	
Total deposits	**-**	**-**	**-**	**-**	**35,102,084**	**35,102,084**	(3)
Securities sold under repurchase agreements	**-**	**-**	**-**	**-**	**247,436**	**247,436**	(1)
Wholesale borrowings	**-**	**271,002**	**-**	**-**	**4,754,177**	**5,025,179**	(4)
Collateralized borrowings	**-**	**-**	**-**	**-**	**8,525,687**	**8,525,687**	(5)
Derivative financial instruments	**435,440**	**-**	**-**	**-**	**-**	**435,440**	(1)
Other liabilities	**-**	**-**	**-**	**-**	**1,077,159**	**1,077,159**	(1)
Total other liabilities	**435,440**	**271,002**	**-**	-	**14,604,459**	**15,310,901**	
Subordinated debentures	**-**	-	**-**	-	**-**	**-**	

1 Fair value is estimated to equal carrying value.

2 Fair value of loans is estimated at $48,194,933.

3 Fair value of deposits is estimated at $34,897,041.

4 Fair value of wholesale borrowings is estimated at $5,051,387.

5 Fair value of collateralized borrowings is estimated at $8,599,924.

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

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

b. Fair-Value Hierarchy

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

As at December 31, 2019 *($ in thousands)*	Level 1	Level 2	Level 3	Total
Financial assets				
Interest-bearing deposits with financial institutions	**$ -**	**$ 979,162**	**$ -**	**$ 979,162**
Securities				
Securities measured at FVTPL	**11,559**	**-**	**40,968**	**52,527**
Securities measured at FVOCI	**5,035,937**	**-**	**7,863**	**5,043,800**
Other assets				
Derivative financial instruments	-	**476,774**	**-**	**476,774**
Total financial assets	**$ 5,047,495**	**$ 1,455,936**	**$ 48,831**	**$ 6,552,264**
Financial liabilities				
Wholesale borrowings	**-**	**271,002**	**-**	**271,002**
Other liabilities				
Derivative financial instruments	**1,113**	**434,327**	**-**	**435,440**
Total financial liabilities	**$ 1,113**	**$ 705,329**	**$ -**	**$ 706,442**

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

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

The following table presents the changes in fair value of Level 3 financial instruments for the nine months ended December 31, 2019.

($ in thousands)	Securities designated as at FVOCI	Securities classified as at FVTPL
Fair value as at March 31, 2019	$ 1,628	$ 35,440
Total realized and unrealized gains included in net income	-	2,844
Total realized and unrealized losses included in other comprehensive income	(310)	-
Purchases and issuances	6,545	7,482
Sales and settlements	-	(4,798)
Fair value as at December 31, 2019	$ 7,863	$ 40,968
Change in unrealized gains included in income with respect to financial instruments held as at December 31, 2019	$ -	$ 2,844

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

6 Financial Instruments – Risk Management

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

7 Securities

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

As at *($ in thousands)*				**December 31 2019**	March 31 2019
	Within 1 year	**1–5 years**	**Over 5 years**	**Total carrying value**	Total carrying value
Securities measured at FVTPL					
Issued or guaranteed by the Canadian federal or provincial governments	**$ 11,558**	**$ -**	**$ -**	**$ 11,558**	$ 15,000
Other securities	**-**	**34,699**	**6,270**	**40,969**	53,502
Total securities measured at FVTPL	**$ 11,558**	**$ 34,699**	**$ 6,270**	**$ 52,527**	$ 68,502
Securities measured at FVOCI					
Issued or guaranteed by the Canadian federal or provincial governments	**$ 3,788,617**	**$ 1,076,315**	**$ 171,005**	**$ 5,035,937**	$ 3,910,168
Other securities	**-**	**-**	**7,863**	**7,863**	1,628
Total securities measured at FVOCI	**$ 3,788,617**	**$ 1,076,315**	**$ 178,868**	**$ 5,043,800**	$ 3,911,796
Securities purchased under reverse repurchase agreements					
Issued or guaranteed by the Canadian federal or provincial governments	**$ -**	**$ -**	**$ -**	**$ -**	$ 400,355
Total securities purchased under reverse repurchase agreements	**$ -**	**$ -**	**$ -**	**$ -**	$ 400,355

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

These securities in the current year relate to investments made by AltaCorp and investments made by ATB into a broad range of private Alberta companies. There is no observable market price for the investments made in these private Alberta companies as at the balance sheet date. ATB estimated the fair value using a combination of discounted cash flows and market multiples derived from quoted prices of comparative companies, specifically the expected earnings before interest, income tax, depreciation, and amortization (EBITDA). The key assumptions in this model are the EBITDA multiple of 3.6 to 13.0, the weighted average cost of capital of 12.5% to 19.5%, annualized revenue multiple of 0.3 to 27.3 and a market based approach of 3.5 to 4.5. A 10% change to each multiple would change the fair value by $1.5 million (September 2019: $3.1 million; December 2018: $2.3 million). The estimate is also adjusted for the effect of the non-marketability of these investments.

8 Loans

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

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

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

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

Credit Quality

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

As at				**December 31 2019**				March 31 2019
	Performing		**Impaired**		Performing		Impaired	
($ in thousands)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Very low risk	**$ 3,262,153**	**$ 407,667**	**$ -**	**$ 3,669,820**	$ 3,051,685	$ 329,503	$ -	$ 3,381,188
Low risk	**6,518,064**	**7,842,730**	**-**	**14,360,794**	6,975,076	7,571,098	-	14,546,174
Medium risk	**1,377,301**	**2,962,797**	**-**	**4,340,098**	1,574,296	2,774,313	-	4,348,609
High risk	**-**	**524,175**	**-**	**524,175**	3,408	532,346	-	535,754
Not rated	**57,452**	**20,043**	**-**	**77,495**	186,953	13,986	-	200,939
Impaired	**-**	**-**	**818,484**	**818,484**	-	-	821,010	821,010
Total business	**11,214,970**	**11,757,412**	**818,484**	**23,790,866**	11,791,418	11,221,246	821,010	23,833,674
Very low risk	**6,562,098**	**9,105**	**-**	**6,571,203**	6,663,812	14,392	-	6,678,204
Low risk	**5,756,230**	**24,900**	**-**	**5,781,130**	5,842,586	25,892	-	5,868,478
Medium risk	**2,700,616**	**53,913**	**-**	**2,754,529**	2,779,640	37,595	-	2,817,235
High risk	**621,623**	**402,255**	**-**	**1,023,878**	634,932	339,389	-	974,321
Not rated	**15,544**	**78**	**-**	**15,622**	18,176	850	-	19,026
Impaired	**-**	**-**	**90,274**	**90,274**	-	-	81,475	81,475
Total residential mortgages	**15,656,111**	**490,251**	**90,274**	**16,236,636**	15,939,146	418,118	81,475	16,438,739
Very low risk	**2,509,025**	**43,150**	**-**	**2,552,175**	2,571,482	15,264	-	2,586,746
Low risk	**1,893,901**	**334,082**	**-**	**2,227,983**	2,063,146	224,641	-	2,287,787
Medium risk	**895,867**	**255,234**	**-**	**1,151,101**	958,758	264,940	-	1,223,698
High risk	**255,766**	**186,748**	**-**	**442,514**	280,698	187,243	-	467,941
Not rated	**18,958**	**6,697**	**-**	**25,655**	28,847	7,206	-	36,053
Impaired	**-**	**-**	**61,454**	**61,454**	-	-	65,318	65,318
Total personal	**5,573,517**	**825,911**	**61,454**	**6,460,882**	5,902,931	699,294	65,318	6,667,543
Very low risk	**80,272**	**15,846**	**-**	**96,118**	70,167	14,246	-	84,413
Low risk	**208,306**	**74,576**	**-**	**282,882**	182,586	77,615	-	260,201
Medium risk	**155,867**	**58,039**	**-**	**213,906**	134,752	74,598	-	209,350
High risk	**37,028**	**58,364**	**-**	**95,392**	24,806	67,151	-	91,957
Not rated	**14,539**	**66,281**	**-**	**80,820**	9,419	68,207	-	77,626
Impaired	**-**	**-**	**6,701**	**6,701**	-	-	7,134	7,134
Total credit card	**496,012**	**273,106**	**6,701**	**775,819**	421,730	301,817	7,134	730,681
Total loans	**32,940,610**	**13,346,680**	**976,913**	**47,264,203**	34,055,225	12,640,475	974,937	47,670,637
Total allowance for loan losses	**(67,476)**	**(142,992)**	**(423,691)**	**(634,159)**	(73,273)	(116,620)	(475,019)	(664,912)
Total net loans	**$ 32,873,134**	**$ 13,203,688**	**$ 553,222**	**$ 46,630,044**	$ 33,981,952	$ 12,523,855	$ 499,918	$ 47,005,725

As at				December 31 2019				March 31 2019
	Performing		**Impaired**		Performing		Impaired	
($ in thousands)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Very low risk	**4,047,227**	**89,820**	**-**	**4,137,046**	4,196,800	25,059	-	4,221,859
Low risk	**881,071**	**156,865**	**-**	**1,037,936**	969,986	85,306	-	1,055,292
Medium risk	**109,085**	**43,009**	**-**	**152,093**	133,182	43,728	-	176,910
High risk	**12,931**	**26,789**	**-**	**39,719**	15,328	28,796	-	44,124
Not rated	**8,841**	**7,978**	**-**	**16,820**	12,544	10,275	-	22,819
Total undrawn loan commitments – retail	**$ 5,059,153**	**$ 324,461**	**-**	**$ 5,383,614**	$ 5,327,840	$ 193,164	$ -	$ 5,521,004
Very low risk	**4,256,489**	**286,521**	**-**	**4,543,010**	4,770,110	292,746	-	5,062,856
Low risk	**4,248,863**	**1,964,532**	**-**	**6,213,395**	3,258,313	3,485,152	-	6,743,465
Medium risk	**280,694**	**494,858**	**-**	**775,552**	254,893	675,335	-	930,228
High risk	**7,101**	**137,436**	**-**	**144,537**	180	297,076	-	297,256
Not rated	**37,226**	**160,169**	**-**	**197,395**	39,034	206,142	-	245,176
Total undrawn loan commitments – non-retail	**$ 8,830,373**	**$ 3,043,516**	**-**	**$ 11,873,889**	8322530	$ 4,956,451	$ -	$ 13,278,981

Loans Past Due

The following are the loans past due but not impaired because they are less than 90 days past due or because we can reasonably expect timely collection of principal and interest.

As at December 31, 2019 ($ in thousands)	**Residential mortgages**	**Business**	**Personal**	**Credit card**	**Total**	**Percentage of total gross loans**
Up to 1 month	**$ 107,581**	**$ 47,023**	**$ 67,071**	**$ 40,270**	**$ 261,945**	**0.55%**
Over 1 month, up to 2 months	**100,507**	**123,188**	**67,776**	**9,147**	**300,618**	**0.64%**
Over 2 months, up to 3 months	**43,671**	**55,724**	**29,570**	**4,230**	**133,195**	**0.28%**
Over 3 months	**235**	**3,634**	**124**	**7,563**	**11,556**	**0.02%**
Total past due but not impaired	**$ 251,994**	**$ 229,569**	**$ 164,541**	**$ 61,210**	**$ 707,314**	**1.5%**

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

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

9 Allowance for Loan Losses

Key Inputs and Assumptions

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

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

	For the three months ended December 31, 2019				
($ in thousands)	**Balance at beginning of period**	**Provision for loan losses**	**Net write-offs**	**Discounted cash flows on impaired loans and other**	**Balance at end of period**
Business	**$ 544,904**	**$ 32,019**	**$ (59,295)**	**$ (464)**	**$ 517,164**
Residential mortgages	**6,950**	**1,499**	**(1,129)**	**6**	**7,326**
Personal	**76,964**	**8,001**	**(14,137)**	**(90)**	**70,738**
Credit card	**43,316**	**760**	**(5,139)**	**(6)**	**38,931**
Total	**$ 672,134**	**$ 42,279**	**$ (79,700)**	**$ (554)**	**$ 634,159**

	For the three months ended December 31, 2018				
($ in thousands)	Balance at beginning of period	Provision for loan losses	Net write-offs	Discounted cash flows on impaired loans and other	Balance at end of period
Business	$ 395,927	$ 47,964	$ (2,466)	$ 604	$ 442,029
Residential mortgages	3,704	1,855	(145)	(13)	5,401
Personal	57,074	10,736	(6,711)	(62)	61,037
Credit card	35,037	8,718	(3,544)	48	40,259
Total	$ 491,742	$ 69,273	$ (12,866)	$ 577	$ 548,726

($ in thousands)	Balance at beginning of period	Provision for loan losses	Net write-offs	Discounted cash flows on impaired loans and other	Balance at end of period
	For the nine months ended December 31, 2019				
Business	**$ 546,825**	**$ 92,506**	**$ (114,513)**	**$ (7,654)**	**$ 517,164**
Residential mortgages	**5,493**	**4,184**	**(2,358)**	**7**	**7,326**
Personal	**71,498**	**33,452**	**(33,895)**	**(317)**	**70,738**
Credit card	**41,097**	**10,556**	**(12,669)**	**(53)**	**38,931**
Total	**$ 664,913**	**$ 140,698**	**$ (163,435)**	**$ (8,017)**	**$ 634,159**

($ in thousands)	Balance at beginning of period	Provision for loan losses	Net write-offs	Discounted cash flows on impaired loans and other	Balance at end of period
	For the nine months ended December 31, 2018				
Business	$ 342,366	$ 133,926	$ (30,968)	$ (3,295)	$ 442,029
Residential mortgages	5,406	702	(631)	(76)	5,401
Personal	59,201	28,041	(25,922)	(283)	61,037
Credit card	39,657	9,968	(9,420)	54	40,259
Total	$ 446,630	$ 172,637	$ (66,941)	$ (3,600)	$ 548,726

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, 2019**				For the three 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	**$ 15,780**	**$ 110,902**	**$ 418,222**	**$ 544,904**	$ 23,322	$ 42,452	$ 330,153	$ 395,927
Provision for loan losses								
Transfers (out of) into Stage 1[1]	**(628)**	**546**	**82**	**-**	(3,144)	3,073	71	-
Transfers (out of) into Stage 2[1]	**(378)**	**(2,477)**	**2,855**	**-**	(8,525)	6,681	1,844	-
Transfers (out of) into Stage 3[1]	**(4,473)**	**(10,513)**	**14,986**	**-**	(2,973)	(15,518)	18,491	-
New originations[2]	**4,749**	**9,741**	**13,029**	**27,519**	4,173	8,603	10,934	23,710
Repayments[3]	**(5)**	**(13,229)**	**(3,292)**	**(16,526)**	(1,774)	(5,430)	(2,218)	(9,422)
Remeasurements[4]	**1,480**	**4,660**	**14,886**	**21,026**	15,330	18,234	112	33,676
Write-offs	**-**	**-**	**(77,345)**	**(77,345)**	-	-	(4,457)	(4,457)
Recoveries	**-**	**-**	**18,050**	**18,050**	-	-	1,991	1,991
Discounted cash flows on impaired loans and other	**(5)**	**(22)**	**(437)**	**(464)**	42	253	309	604
Balance at end of period	**$ 16,520**	**$ 99,608**	**$ 401,036**	**$ 517,164**	$ 26,451	$ 58,348	$ 357,230	$ 442,029

Allowance for loan losses – residential mortgages	For the three months ended December 31, 2019				For the three 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	**$ 2,193**	**$ 1,588**	**$ 3,169**	**$ 6,950**	$ 1,643	$ 865	$ 1,196	$ 3,704
Provision for loan losses								
Transfers (out of) into Stage 1[1]	**(56)**	**48**	**8**	**-**	(44)	42	2	-
Transfers (out of) into Stage 2[1]	**(200)**	**125**	**75**	**-**	(331)	194	137	-
Transfers (out of) into Stage 3[1]	**(517)**	**(114)**	**631**	**-**	(103)	(743)	846	-
New originations[2]	**106**	**39**	**24**	**169**	122	77	58	257
Repayments[3]	**-**	**(23)**	**-**	**(23)**	(22)	(18)	(12)	(52)
Remeasurements[4]	**492**	**(39)**	**900**	**1,353**	769	792	89	1,650
Write-offs	**-**	**-**	**(1,270)**	**(1,270)**	-	-	(337)	(337)
Recoveries	**-**	**-**	**141**	**141**	-	-	192	192
Discounted cash flows on impaired loans and other	**-**	**-**	**6**	**6**	-	-	(13)	(13)
Balance at end of period	**$ 2,018**	**$ 1,624**	**$ 3,684**	**$ 7,326**	$ 2,034	$ 1,209	$ 2,158	$ 5,401

Allowance for loan losses – personal	For the three months ended December 31, 2019				For the three 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	**$ 41,392**	**$ 12,951**	**$ 22,621**	**$ 76,964**	$ 28,638	$ 8,980	$ 19,456	$ 57,074
Provision for loan losses								
Transfers (out of) into Stage 1[1]	**(501)**	**442**	**59**	**-**	(592)	437	155	-
Transfers (out of) into Stage 2[1]	**(2,883)**	**1,623**	**1,260**	**-**	(2,569)	1,407	1,162	-
Transfers (out of) into Stage 3[1]	**(1,169)**	**(2,442)**	**3,611**	**-**	(2,525)	(2,724)	5,249	-
New originations[2]	**1,579**	**295**	**187**	**2,061**	1,958	175	502	2,635
Repayments[3]	**(267)**	**(417)**	**(33)**	**(717)**	(740)	(250)	(57)	(1,047)
Remeasurements[4]	**2,792**	**1,247**	**2,618**	**6,657**	6,533	1,798	817	9,148
Write-offs	**-**	**-**	**(15,076)**	**(15,076)**	-	-	(7,426)	(7,426)
Recoveries	**-**	**-**	**939**	**939**	-	-	715	715
Discounted cash flows on impaired loans and other	**-**	**-**	**(90)**	**(90)**	-	-	(62)	(62)
Balance at end of period	**$ 40,943**	**$ 13,699**	**$ 16,096**	**$ 70,738**	$ 30,703	$ 9,823	$ 20,511	$ 61,037

Allowance for loan losses – credit cards	For the three months ended December 31, 2019				For the three 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	**$ 10,465**	**$ 29,823**	**$ 3,028**	**$ 43,316**	$ 11,787	$ 21,694	$ 1,556	$ 35,037
Provision for loan losses								
Transfers (out of) into Stage 1[1]	**(117)**	**100**	**17**	**-**	(393)	400	(7)	-
Transfers into (out of) Stage 2[1]	**534**	**(1,096)**	**562**	**-**	(4,485)	3,126	1,359	-
Transfers (out of) into Stage 3[1]	**(197)**	**(1,393)**	**1,590**	**-**	123	(2,244)	2,121	-
New originations[2]	**141**	**116**	**-**	**257**	302	205	-	507
Repayments[3]	**(19)**	**(898)**	**-**	**(917)**	(187)	(1,051)	-	(1,238)
Remeasurements[4]	**(2,803)**	**1,412**	**2,811**	**1,420**	5,490	3,259	700	9,449
Write-offs	**-**	**-**	**(6,855)**	**(6,855)**	-	-	(4,694)	(4,694)
Recoveries	**-**	**-**	**1,716**	**1,716**	-	-	1,150	1,150
Discounted cash flows on impaired loans and other	**(9)**	**(3)**	**6**	**(6)**	30	18	-	48
Balance at end of period	**$ 7,995**	**$ 28,061**	**$ 2,875**	**$ 38,931**	$ 12,667	$ 25,407	$ 2,185	$ 40,259

Allowance for loan losses – business	For the nine months ended December 31, 2019				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	**$ 22,314**	**$ 77,863**	**$ 446,648**	**$ 546,825**	$ 27,702	$ 50,214	$ 264,450	$ 342,366
Provision for loan losses								
Transfers (out of) into Stage 1[1]	**(1,888)**	**1,634**	**254**	**-**	1,239	(1,433)	194	-
Transfers (out of) into Stage 2[1]	**(3,879)**	**(3,242)**	**7,121**	**-**	(9,733)	2,505	7,228	-
Transfers (out of) into Stage 3[1]	**(2,822)**	**(45,604)**	**48,426**	**-**	(5,503)	(34,158)	39,661	-
New originations[2]	**13,963**	**38,450**	**53,843**	**106,256**	11,170	15,437	18,321	44,928
Repayments[3]	**(3,691)**	**(31,408)**	**(25,149)**	**(60,248)**	(4,182)	(10,262)	(3,228)	(17,672)
Remeasurements[4]	**(7,447)**	**62,038**	**(8,093)**	**46,498**	5,721	35,804	65,145	106,670
Write-offs	**-**	**-**	**(135,961)**	**(135,961)**	-	-	(34,536)	(34,536)
Recoveries	**-**	**-**	**21,448**	**21,448**	-	-	3,568	3,568
Discounted cash flows on impaired loans and other	**(30)**	**(123)**	**(7,501)**	**(7,654)**	37	241	(3,573)	(3,295)
Balance at end of period	**$ 16,520**	**$ 99,608**	**$ 401,036**	**$ 517,164**	$ 26,451	$ 58,348	$ 357,230	$ 442,029

Allowance for loan losses – residential mortgages	For the nine months ended December 31, 2019				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	**$ 1,495**	**$ 952**	**$ 3,046**	**$ 5,493**	$ 2,110	$ 1,313	$ 1,983	$ 5,406
Provision for loan losses								
Transfers (out of) into Stage 1[1]	**(59)**	**50**	**9**	**-**	(20)	16	4	-
Transfers (out of) into Stage 2[1]	**(640)**	**320**	**320**	**-**	(308)	33	275	-
Transfers (out of) into Stage 3[1]	**(630)**	**(1,362)**	**1,992**	**-**	(171)	(1,221)	1,392	-
New originations[2]	**346**	**238**	**63**	**647**	254	103	105	462
Repayments[3]	**-**	**(54)**	**-**	**(54)**	(54)	(42)	(450)	(546)
Remeasurements[4]	**1,506**	**1,480**	**605**	**3,591**	223	1,007	(444)	786
Write-offs	**-**	**-**	**(2,745)**	**(2,745)**	-	-	(1,294)	(1,294)
Recoveries	**-**	**-**	**387**	**387**	-	-	663	663
Discounted cash flows on impaired loans and other	**-**	**-**	**7**	**7**	-	-	(76)	(76)
Balance at end of period	**$ 2,018**	**$ 1,624**	**$ 3,684**	**$ 7,326**	$ 2,034	$ 1,209	$ 2,158	$ 5,401

Allowance for loan losses – personal	For the nine months ended December 31, 2019				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	**$ 38,898**	**$ 11,764**	**$ 20,836**	**$ 71,498**	$ 27,676	$ 11,152	$ 20,373	$ 59,201
Provision for loan losses								
Transfers (out of) into Stage 1[1]	**(1,666)**	**1,299**	**367**	**-**	(1,140)	854	286	-
Transfers (out of) into Stage 2[1]	**(6,284)**	**1,573**	**4,711**	**-**	(4,720)	1,876	2,844	-
Transfers (out of) into Stage 3[1]	**(6,771)**	**(10,174)**	**16,945**	**-**	(4,926)	(6,424)	11,350	-
New originations[2]	**5,247**	**1,002**	**1,396**	**7,645**	6,313	713	950	7,976
Repayments[3]	**(366)**	**(1,012)**	**(154)**	**(1,532)**	(1,654)	(637)	(293)	(2,584)
Remeasurements[4]	**11,885**	**9,247**	**6,207**	**27,339**	9,164	2,310	11,173	22,647
Write-offs	**-**	**-**	**(36,203)**	**(36,203)**	(10)	(21)	(27,949)	(27,980)
Recoveries	**-**	**-**	**2,308**	**2,308**	-	-	2,059	2,059
Discounted cash flows on impaired loans and other	**-**	**-**	**(317)**	**(317)**	-	-	(282)	(282)
Balance at end of period	**$ 40,943**	**$ 13,699**	**$ 16,096**	**$ 70,738**	$ 30,703	$ 9,823	$ 20,511	$ 61,037

Allowance for loan losses – credit cards	**For the nine months ended December 31, 2019**				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	**$ 10,567**	**$ 26,041**	**$ 4,489**	**$ 41,097**	$ 13,151	$ 24,104	$ 2,402	$ 39,657
Provision for loan losses								
Transfers into (out of) Stage 1[(1)]	**778**	**(818)**	**40**	**-**	657	(638)	(19)	-
Transfers into (out of) Stage 2[(1)]	**4,139**	**(5,593)**	**1,454**	**-**	(2,636)	279	2,357	-
Transfers (out of) into Stage 3[(1)]	**(569)**	**(3,508)**	**4,077**	**-**	212	(4,385)	4,173	-
New originations[(2)]	**622**	**370**	**-**	**992**	834	447	-	1,281
Repayments[(3)]	**(284)**	**(1,877)**	**(2)**	**(2,163)**	(616)	(2,762)	(2,963)	(6,341)
Remeasurements[(4)]	**(7,244)**	**13,454**	**5,517**	**11,727**	1,037	8,336	5,655	15,028
Write-offs	**-**	**-**	**(21,521)**	**(21,521)**	-	-	(15,178)	(15,178)
Recoveries	**-**	**-**	**8,852**	**8,852**	-	-	5,758	5,758
Discounted cash flows on impaired loans and other	**(14)**	**(8)**	**(31)**	**(53)**	28	26	-	54
Balance at end of period	**$ 7,995**	**$ 28,061**	**$ 2,875**	**$ 38,931**	$ 12,667	$ 25,407	$ 2,185	$ 40,259

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

10 Derivative Financial Instruments

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

			December 31 2019			March 31 2019
As at ($ in thousands)	**Notional amount**	**Assets**	**Liabilities**	Notional amount	Assets	Liabilities
Over-the-counter contracts						
Interest rate contracts						
Swaps	**$ 31,201,749**	**$ 177,198**	**$ (169,890)**	$ 28,071,449	$ 216,770	$ (183,980)
Other	**3,738,914**	**45,111**	**(31,481)**	2,999,052	51,940	(31,897)
Foreign-exchange contracts						
Forwards	**2,434,989**	**42,600**	**(63,238)**	2,879,492	25,648	(20,482)
Cross-currency swaps	**1,881,488**	**57,290**	**(32,822)**	1,748,581	61,388	(24,211)
Commodity contracts						
Forwards	**1,998,494**	**154,575**	**(134,977)**	2,553,397	284,464	(242,324)
Embedded derivatives						
Market-linked deposits	**415,474**	**-**	**(1,919)**	384,098	-	(1,449)
Exchange-traded contracts						
Interest rate contracts						
Futures	**2,300,000**	**-**	**(1,113)**	800,000	1,860	(2,803)
Total	**$ 43,971,108**	**$ 476,774**	**$ (435,440)**	$ 39,436,069	$ 642,070	$ (507,146)

In addition to the notional amounts shown above, ATB has made certain foreign-exchange spot deals that settle in one day, with notional amounts of $25.3 million as at December 31, 2019 (March 31, 2019: $112.7 million).

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

11 Collateralized Borrowings

Canada Mortgage Bond Program

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

Credit Card Securitization

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

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

As at *($ in thousands)*	**December 31** **2019**	March 31 2019
Principal value of mortgages pledged as collateral	**$ 7,503,745**	$ 7,610,203
ATB mortgage-backed securities pledged as collateral through repurchase agreements	**558,872**	1,017,580
Principal value of credit card receivables pledged as collateral	**682,766**	677,148
Total	**$ 8,745,383**	$ 9,304,931
Associated liabilities	**$ 8,525,687**	$ 8,965,829

12 Payment in Lieu of Tax

For payment in lieu of tax (PILOT) for the three months ended December 31, 2019, ATB accrued a total of $23.6 million (December 31, 2018: $15.5 million). For the nine months ended December 31, 2019, ATB accrued $58.5 million (December 31, 2018: $53.4 million). The PILOT will continue to be settled by issuing subordinated debentures until ATB's Tier 2 notional capital is eliminated and is calculated as 23.0% of net income reported under IFRS, excluding AltaCorp Capital's net income, which is subject to income tax.

13 Capital Management

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

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

As at December 31, 2019, 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** **2019**	March 31 2019
Tier 1 capital		
Retained earnings	**$ 3,850,870**	$ 3,652,955
Tier 2 capital		
Eligible portions of:		
Subordinated debentures[1]	**-**	124,727
Wholesale borrowings	**1,858,916**	1,853,760
Collective allowance for loan losses	**210,468**	189,894
Notional capital	**49,721**	99,199
Total Tier 2 capital	**2,119,105**	2,267,580
Deductions from capital		
Software and other intangibles	**308,947**	302,865
Total capital	**$ 5,661,027**	$ 5,617,670
Total risk-weighted assets	**$ 37,007,381**	$ 37,441,480
Risk-weighted capital ratios		
Tier 1 capital ratio	**10.4%**	9.8%
Total capital ratio	**15.3%**	15.0%

1 On December 18, 2019, ATB repaid outstanding subordinated debentures.

14 Share Capital

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

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

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

(in thousands)	Shares	Value
Class B shares		
Balance, as of March 31, 2019, restated(1)	**2,493**	**$ 1,978**
Shares issued during the year	**100**	**230**
Shares repurchased during the year	**(219)**	**(454)**
Share purchase loan	**-**	**-**
Balance, as of Dec 31, 2019	**2,374**	**$ 1,754**

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

15 Segmented Information

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

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

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

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

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

For the three months ended *($ in thousands)*	Everyday Financial Services[(1),(2)]	Business and Agriculture[(2)]	Corporate Financial Services	ATB Wealth	AltaCorp Capital Inc.	Strategic service units	Total
December 31, 2019							
Net interest income	**$ 125,253**	**$ 70,544**	**$ 84,148**	**$ 5,580**	**$ 88**	**$ 19,960**	**$ 305,573**
Other income	**28,506**	**15,735**	**23,671**	**57,966**	**4,376**	**10,975**	**141,229**
Total operating revenue	**153,759**	**86,279**	**107,819**	**63,546**	**4,464**	**30,935**	**446,802**
Provision for loan losses	**10,441**	**4,453**	**27,245**	**140**	-	**-**	**42,279**
Non-interest expenses[(3)]	**138,515**	**54,858**	**31,386**	**57,933**	**5,520**	**11,205**	**299,417**
Income (loss) before payment in lieu of tax (PILOT)	**4,803**	**26,968**	**49,188**	**5,473**	**(1,056)**	**19,730**	**105,106**
Payment in lieu of tax (PILOT)	-	-	-	**3,555**	**(189)**	**20,064**	**23,430**
Net income (loss)	**$ 4,803**	**$ 26,968**	**$ 49,188**	**$ 1,918**	**$ (867)**	**$ (334)**	**$ 81,676**
Total assets	**$ 24,708,491**	**$ 7,316,802**	**$ 12,939,873**	**$ 1,076,026**	**$ 23,715**	**$ 8,228,313**	**$ 54,293,220**
Total liabilities	**$ 14,927,609**	**$ 7,123,355**	**$ 9,421,818**	**$ 1,088,906**	**$ 18,767**	**$ 17,926,157**	**$ 50,506,612**
September 30, 2019							
Net interest income	$ 123,899	$ 70,537	$ 78,630	$ 5,392	$ 122	$ 17,071	$ 295,651
Other income (loss)	27,469	16,155	22,057	56,434	3,647	(2,184)	123,578
Total operating revenue	151,368	86,692	100,687	61,826	3,769	14,887	419,229
Provision for loan losses (recovery)	13,028	2,181	17,515	(393)	-	-	32,331
Non-interest expenses[(3)]	138,335	56,946	34,593	55,721	5,282	7,781	298,658
Income (loss) before PILOT	5	27,565	48,579	6,498	(1,513)	7,107	88,240
PILOT	-	-	-	3,600	(315)	16,992	20,277
Net income (loss)	$ 5	$ 27,565	$ 48,579	$ 2,897	$ (1,198)	$ (9,885)	$ 67,963
Total assets	$ 24,229,236	$ 7,605,363	$ 14,118,285	$ 1,059,076	$ 24,639	$ 6,909,002	$ 53,945,601
Total liabilities	$ 14,646,340	$ 7,515,888	$ 10,665,406	$ 1,070,088	$ 18,677	$ 16,227,247	$ 50,143,646
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[(3)]	126,240	69,598	35,083	53,380	6,137	220	290,658
(Loss) income before PILOT	(8,910)	1,061	62,679	3,425	2,102	6,914	67,271
PILOT	-	-	-	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

1 Effective June 26, 2019, Retail Financial Services relaunched as Everyday Financial Services (EFS) to better describe the changing work and focus of this group.
2 Effective April 2019, EFS includes ATB 360. Results for the three months ended December 31, 2018, were not restated for ATB 360. Previously ATB 360 was reported under B&Ag.
3 Certain costs are allocated from the strategic service units (SSUs) to the areas of expertise. The allocation method, revised annually, creates fluctuations in ATB's segmented results.

For the nine months ended *($ in thousands)*	Everyday Financial Services[(1),(2)]	Business and Agriculture[(2)]	Corporate Financial Services	ATB Wealth	AltaCorp Capital Inc.	Strategic service units	Total
December 31, 2019							
Net interest income	**$ 372,117**	**$ 211,333**	**$ 244,890**	**$ 15,709**	**$ 343**	**$ 55,855**	**$ 900,247**
Other income	**83,353**	**47,948**	**65,778**	**170,067**	**14,921**	**17,587**	**399,654**
Total operating revenue	**455,470**	**259,281**	**310,668**	**185,776**	**15,264**	**73,442**	**1,299,901**
Provision for loan losses	**38,186**	**25,164**	**76,968**	**380**	**-**	**-**	**140,698**
Non-interest expenses[(3)]	**416,483**	**168,849**	**101,107**	**167,803**	**20,769**	**31,459**	**906,470**
Income (loss) before PILOT	**801**	**65,268**	**132,593**	**17,593**	**(5,505)**	**41,983**	**252,733**
PILOT	**-**	**-**	**-**	**10,771**	**(1,138)**	**47,682**	**57,315**
Net income (loss)	**$ 801**	**$ 65,268**	**$ 132,593**	**$ 6,822**	**$ (4,367)**	**$ (5,699)**	**$ 195,418**
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	-	-	172,637
Non-interest expenses[(3)]	374,686	201,952	98,050	153,879	17,471	10,740	856,778
(Loss) income before PILOT	(1,183)	25,946	172,149	13,775	2,025	19,346	232,058
PILOT	-	-	-	9,621	142	43,746	53,509
Net (loss) income	$ (1,183)	$ 25,946	$ 172,149	$ 4,154	$ 1,883	$ (24,400)	$ 178,549

1 Effective June 26, 2019, Retail Financial Services relaunched as Everyday Financial Services (EFS) to better describe the changing work and focus of this group.
2 Effective April 2019, EFS includes ATB 360. Results for the nine months ended December 31, 2018, were not restated for ATB 360. Previously ATB 360 was reported under B&Ag.
3 Certain costs are allocated from the strategic service units (SSUs) to the areas of expertise. The allocation method, revised annually, creates fluctuations in ATB's segmented results.

16 Comparative Amounts

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