MANAGEMENT'S DISCUSSION AND ANALYSIS

FY2024 Q1 Financial Highlights

For the three months ended	June 30 2023	March 31 2023	June 30 2022
Operating results *($ in thousands)*			
Net interest income	$ 331,827	$ 333,636	$ 324,033
Other income	166,132	158,298	152,084
Total revenue	497,959	491,934	476,117
Provision for (recovery of) loan losses	(2,909)	16,092	767
Non-interest expenses	345,061	361,071	326,559
Income before payment in lieu of tax	155,807	114,771	148,791
Payment in lieu of tax	35,836	26,397	34,222
Net income	**$ 119,971**	**$ 88,374**	**$ 114,569**
Income before provisions (1)			
Total revenue	$ 497,959	$ 491,934	$ 476,117
Less: non-interest expenses	345,061	361,071	326,559
Income before provisions	**$ 152,898**	**$ 130,863**	**$ 149,558**
Financial position *($ in thousands)*			
Net loans	$ 48,001,389	$ 47,234,083	$ 46,343,631
Total assets	58,330,310	57,470,857	58,971,239
Total risk-weighted assets (1)	39,319,773	38,526,125	38,455,329
Total deposits	40,329,613	39,473,493	38,554,179
Equity	4,876,866	4,816,920	4,435,150
Key performance measures *(%)* (1)			
Return on average assets	0.8	0.6	0.8
Return on average risk-weighted assets	1.2	0.9	1.2
Total revenue change	4.6	(2.3)	3.5
Other income to total revenue	33.4	32.2	31.9
Total expense change	5.7	(1.7)	5.0
Efficiency ratio	69.3	73.4	68.6
Net interest margin	2.41	2.44	2.36
Provision for (recovery of) loan losses to average loans	(0.02)	0.10	0.01
Net loan change	1.6	(0.1)	0.9
Total asset change	1.5	(1.7)	3.4
Total deposit change	2.2	1.1	3.3
Change in assets under administration	1.0	4.5	(8.4)
Tier 1 capital ratio	13.0	12.9	12.1
Total capital ratio	15.8	16.6	15.5
Other information			
ATB Wealth's assets under administration ($ in thousands)	$ 26,169,357	$ 25,905,220	$ 23,984,485
Total clients	803,147	799,183	803,949
Team members (2)	5,431	5,239	5,126

(1) Refer to the glossary for definitions of the key performance measures listed.
(2) Reported as full-time equivalents.

INTRODUCTION

This is Management's Discussion and Analysis (MD&A) of the consolidated results of operations and the financial position of ATB Financial (ATB) for the three months ended June 30, 2023, and is dated August 16, 2023. (See the Glossary and Acronyms for our defined terms.) The MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements and related notes for the period ended June 30, 2023, as well as the audited consolidated financial statements for the year ended March 31, 2023.

Caution Regarding Forward-Looking Statements

This report includes forward-looking statements. ATB may also from time to time 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 terms, our planned strategies or actions to achieve those objectives and the outlook for our 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 expectations, estimates or intentions expressed in the forward-looking statements. Such factors include, but are not limited to, changes in our legislative or regulatory environment; changes in ATB's markets; technological changes; changes in general economic conditions, including fluctuations in interest rates, commodity prices, currency value and liquidity conditions; the ongoing impacts on the global economy due to the COVID-19 pandemic and the current geopolitical uncertainty; 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 adversely affect ATB's future results, as there is a significant risk that forward-looking statements will not be accurate.

ECONOMIC OUTLOOK

Unless otherwise stated, all references to years in this section refer to calendar years.

As an Alberta-based financial institution, ATB regularly monitors provincial, national and international economies and considers how these may impact our clients and operations.

Looking at the latter half of 2023 and into 2024, Alberta's economy is expected to continue to outperform the national economy. Driven by strong population growth, a healthy increase in oil and gas capital spending and a resilient labour market, Alberta's real gross domestic product (GDP) is forecast to increase by 2.4% in 2023 and 2.2% in 2024.

At the same time, the negative effects of high borrowing costs here at home and around the world are impacting Alberta households and businesses and will increase over the near term. Concerns also remain about the resiliency of China's recovery and a potential escalation of the war in Ukraine. An outright recession is not expected, but risks of a significant downturn are elevated due to these socioeconomic and geopolitical factors.

The Bank of Canada has taken its trendsetting policy interest rate from 0.25% at the start of last year to 5.0% as of this July. The full impact of the hikes on consumer spending, business investment and hiring is still to come as loans mature and are renewed at higher rates. If the national inflation rate continues to edge down and approach the 2.0% target late next year, a reduction in the policy interest rate should follow and begin to reduce the drag of high borrowing costs.

Despite the ongoing war in Ukraine and efforts by the Organization of Petroleum Exporting Countries (OPEC) to constrict oil supply, concern over the negative effects of tight monetary policy and China's lacklustre expansion on global demand is keeping a lid on oil prices, which have come down from last year. Energy prices, however, remain above their pre-pandemic levels and are backstopping stronger activity and investment in the sector. In addition, the soon-to-be-completed twinning of the Trans Mountain Pipeline will add much-needed crude oil transportation capacity—the light-heavy price differential has narrowed, liquified natural gas export capacity is being added on the British Columbia coast and large-scale carbon capture and storage projects have been proposed.

Population growth is another reason for Alberta's strong economic performance in the face of global headwinds. As of April 1, Alberta's population was 4.7 million, a stunning 4.5% increase from the same time last year—beating the national growth rate of 3.1% and second only to Prince Edward Island's increase. That's 200,900 new residents, or the equivalent of two Red Deers. Population growth means higher pressure on housing, more job vacancies filled and increased support for consumer spending, cushioning the impacts of higher interest rates.

Employment in Alberta rose 3.4% (or 80,200) in the first half of the year compared to the same period last year, outpacing the national increase of 2.4% and ahead of all provinces except New Brunswick (+3.6%). Gains in the first half have been led by service-producing industries, namely professional and scientific services, as well as transportation and warehousing. Alberta employment is now 6.7% higher than pre-COVID levels (February 2020) compared to 4.9% nationally. It is forecast that jobs would level out in the second half, as higher interest rates and slowing global conditions continue. But given Alberta's solid year-to-date results, our current forecast of 2.8% for annual employment growth in 2023 is conservative. At the same time, the population boom is leading to large inflows into Alberta's labour force. So far this year, the unemployment rate has been relatively stable, as job growth has kept pace with the number of job seekers. The unemployment rate is expected to edge up slightly as employment levels off.

Although some parts of the province are facing severe drought, Alberta's primary agriculture and food manufacturing sectors will continue to contribute to the province's economic growth. Last year's record crop is now adding significantly to Alberta's exports. Major crop prices have come down from last year's highs, but they are well above their pre-pandemic levels. While higher feed costs are a concern, cattle prices remain robust, and Alberta's food manufacturing sector is in expansion mode.

Despite the boost provided by population growth, the construction sector has been hampered by higher interest rates and ongoing labour shortages. Residential construction activity has fallen so far this year but is expected to pick up in 2024 as the industry responds to surging population growth and the associated demand for housing. Alberta's tourism industry is still recovering from the damage inflicted by the pandemic, but spending is expected to return to pre-COVID levels as early as this year. Alberta's economy will also benefit from growth in a wide range of other sectors, including petrochemicals, renewable energy, aviation and tech.

Implications for our clients

The economic challenges faced by our personal and business clients will spill over into their banking needs. Examples of economic issues that have the potential to affect our business decisions and practices include:

- High levels of financial anxiety.
- Lost income due to market volatility.
- Business disruptions due to labour shortages, supply chain issues and higher input costs.
- Cash flow uncertainty.
- Increased debt.
- Mortgage stress.
- Debt repayment challenges, especially among low-income households.

REVIEW OF CONSOLIDATED OPERATING RESULTS

Net Income

For the quarter ended June 30, 2023, net income (NI) has increased from last quarter and the same time last year. The quarterly increase is due to a recovery of loan loss provision (LLP), higher total revenue and lower non-interest expense (NIE). The year-over-year change is driven by a recovery of LLP and higher total revenue, partially offset by higher NIE.

ATB's net contribution—composed of NI, payment in lieu of tax (PILOT) and deposit guarantee fee—to the Government of Alberta (GoA) was $171.4 million this quarter, an increase from last quarter ($130.5 million) and the same time last year ($164.1 million). This increase is driven by higher NI due to the factors previously noted.

Total Revenue

Total revenue consists of net interest income (NII) and other income (OI). This quarter's total revenue is $498.0 million, comprising $331.8 million in NII and $166.1 million in OI. The increase from last quarter is due to higher OI, slightly offset by lower NII. Compared to the same period last year, total revenue increased due to higher NII and OI.

Net Interest Income

NII represents the difference between the interest earned on assets (such as cash, loans and securities) and interest paid on liabilities (such as deposits and wholesale or collateralized borrowings). NII decreased slightly from last quarter, driven by a change in our deposit mix as clients continue to migrate to higher-cost fixed-date deposits. This was partially offset by the benefit of Bank of Canada prime rate increases on loans along with growth in our business and residential mortgage loan portfolios. Compared to the same period last year, NII increased due to the Bank of Canada prime rate increases on loans, along with higher loan balances.

Table 1: Changes in Net Interest Income

	June 30, 2023 vs. March 31, 2023			June 30, 2023 vs. June 30, 2022		
	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	$ (3,756)	$ 6,462	$ 2,706	$ (2,934)	$ 68,476	$ 65,542
Loans	3,611	13,540	17,151	13,687	130,034	143,721
Change in interest income	(145)	20,002	19,857	10,753	198,510	209,263
Liabilities						
Deposits	7,996	17,453	25,449	12,603	166,477	179,080
Wholesale borrowings	(5,214)	960	(4,254)	(10,208)	6,761	(3,447)
Collateralized borrowings	(2,423)	4,471	2,048	(25)	25,619	25,594
Securities sold under repurchase agreements	(1,600)	23	(1,577)	(34)	276	242
Change in interest expense	(1,241)	22,907	21,666	2,336	199,133	201,469
Change in net interest income	$ 1,096	$ (2,905)	$ (1,809)	$ 8,417	$ (623)	$ 7,794

Net Interest Margin

Net interest margin (NIM) is the ratio of NII to average total interest-earning assets for the year. It is an important measure for ATB as it demonstrates how profitable our banking business is. This quarter's ratio was 2.41%, lower than the 2.44% achieved last quarter and higher than the 2.36% achieved for the same period last year. The change in the ratios is driven by the same factors that drove our NII changes as previously noted.

Other Income

OI consists of all revenue not classified as NII.

OI increased from last quarter and the same time last year. The increases are mainly driven by net gains from ATB's strategic investments and higher financial markets revenue earned from supporting our clients' risk management needs. Compared to last quarter, the increase in OI was partially offset by lower credit fees. Year-over-year, capital markets revenue also increased, attributed to improving market conditions and investor optimism.

Provision for Loan Losses

ATB's LLP—comprising net write-offs, recoveries and required changes to the allowance for Stage 1, 2 and 3 loans—saw a recovery of $2.9 million this quarter, a contrast to the provision recorded both last quarter and this time last year. The changes are primarily due to a recovery in Stage 3, from a few business clients returning to performing combined with new impairments remaining low for the quarter, while, year-over-year, the main driver for the recovery was a reduction in the allowance in the credit card portfolio.

We remain committed to providing our clients with access to sound advice and a range of products and services in support of Alberta's economy, while taking appropriate measures to limit losses. As at June 30, 2023, gross impaired loans of $0.5 billion comprised 1.1% (March 31, 2023: 1.1%, June 30, 2022: 1.3%) of the total loan portfolio.

Non-Interest Expense

NIE consists of all expenses incurred by ATB except for interest expenses and LLP.

Compared to the previous quarter, NIE decreased due to an insurance recovery on a previously recognized operational loss, as well as lower technology costs. This was partially offset by higher people costs.

NIE increased from this time last year mainly due to continued investment in our people and amortization of major technology projects such as modernization of our banking platform. These were partially offset by the insurance recovery as well as slower spending on general and administrative expenses.

Efficiency Ratio

The efficiency ratio, measured as total NIE divided by total revenue, measures how much it costs ATB to generate revenue. A lower ratio indicates higher efficiency at generating income. Our efficiency ratio of 69.3% improved from last quarter's 73.4% but is consistent with the same period last year. The improvement over last quarter is mainly due to a decrease in expenses previously noted.

REVIEW OF OPERATING RESULTS BY AREA OF EXPERTISE

Results presented in the following schedules are based on ATB's internal financial reporting systems. The accounting policies used in preparing the schedules are consistent with those followed in preparing the interim financial statements, as disclosed in the notes to the financial statements. As these results are based on ATB's internal management structure, they may not be directly comparable to those of other financial institutions. (See Note 12 in the financial statements for more on ATB's organizational structure.)

The NII, OI, NIE and LLP reported for each area of expertise (AOE) may also include certain interline charges. The net effects of the internal funds transfer pricing (FTP) that impact an AOE's loan and deposit spread, and allocation charges, if any, are offset by amounts reported for strategic support units (SSUs).

Everyday Financial Services

Table 2: Everyday Financial Services Financial Performance

For the three months ended *($ in thousands)*	**June 30 2023**	**March 31 2023**	**June 30 2022**
Net interest income	$ 139,932	$ 141,124	$ 128,941
Other income	35,919	36,248	31,030
Total revenue	175,851	177,372	159,971
Provision for (recovery of) loan losses	(3,779)	1,553	10,648
Non-interest expense (1)	138,950	138,203	133,178
Net income before payment in lieu of tax	40,680	37,616	16,145
Payment in lieu of tax	9,356	8,651	3,713
Net income	**$ 31,324**	**$ 28,965**	**$ 12,432**
Net loans	$ 20,421,460	$ 20,064,611	$ 20,019,449
Total deposits	18,597,200	18,438,461	17,884,161

(1) Certain costs are allocated from the SSUs to the AOEs. The allocation method, revised annually, may create fluctuations in ATB's segmented results.

Everyday Financial Services' (EFS's) NI increased from last quarter mainly due to a recovery in the LLP, compared to a small LLP last quarter. NI increased from the same time last year due to higher total revenue and a recovery in the LLP, partially offset by higher NIE and PILOT.

NII decreased from last quarter due to competitive pressure driving lower fixed mortgage yields, despite the Bank of Canada prime rate increases. NII increased from the same time last year as a result of the Bank of Canada prime rate increases, which allowed EFS to offer attractive rates on deposits, leading to increased deposit growth and bolstered spreads earned on deposits.

OI is consistent with last quarter and increased from the same time last year due to higher third-party insurance revenue received on loans; an increase in card revenue as clients spent more, driven by inflation and seasonality; and an increase in service charges due to an increase in the number of small business clients.

The LLP recovery this quarter is due to a Stage 1 and 2 recovery as a result of the improvement in the retail portfolio. The recovery over the provision compared to the same time last year is driven by the credit card portfolio.

NIE was consistent with last quarter and increased from the same time last year primarily due to higher employee costs and higher credit card fees associated with increased revenue.

Loans increased over last quarter and the same time last year primarily due to competitive mortgage rates driving higher mortgage growth. Deposits increased over last quarter and the same time last year as clients continue to take advantage of higher interest rates being offered and are holding more fixed-date deposits.

ATB Business

Table 3: ATB Business Financial Performance

For the three months ended *($ in thousands)*	**June 30 2023**	**March 31 2023**	**June 30 2022**
Net interest income	$ 189,993	$ 191,858	$ 182,959
Other income	62,356	61,882	50,531
Total revenue	252,349	253,740	233,490
Provision for (recovery of) loan losses	(20)	14,909	(4,057)
Non-interest expense (1)	127,636	137,103	118,145
Net income before payment in lieu of tax	124,733	101,728	119,402
Payment in lieu of tax	28,689	23,397	27,462
Net income	**$ 96,044**	**$ 78,331**	**$ 91,940**
Net loans	$ 25,784,946	$ 25,254,071	$ 24,167,567
Total deposits	18,681,146	17,954,131	17,955,356

(1) Certain costs are allocated from the SSUs to the AOEs. The allocation method, revised annually, may create fluctuations in ATB's segmented results.

ATB Business's NI increased from last quarter due to a Stage 3 LLP recovery and a decrease in NIE. NI increased from the same period last year due to an increase in total revenue.

NII is consistent with last quarter and increased from the same time last year due to strategic deposit pricing and strong loan growth. This favourability was partially offset by lower loan spreads as the credit risk ratings of ATB's Business clients improved.

OI is consistent with last quarter. OI increased from the same period last year due to an increase in capital markets revenue due to improved market conditions, and an increase in financial markets revenue from strong interest rate sales.

The loan loss recovery over the provision last quarter is due to a Stage 3 recovery, as a result of impaired business loans returning to performing or being paid down. The loan loss recovery decreased over the same period last year due to the softening economic outlook driven by rising inflation, interest rates and supply chain concerns.

NIE decreased from last quarter and increased from the same time last year due to fluctuations in performance compensation.

Loan growth is due largely to the energy and extraction sectors. Deposits have also increased as ATB offers attractive interest rates and a safe balance sheet.

ATB Wealth

Table 4: ATB Wealth Financial Performance

For the three months ended *($ in thousands)*	**June 30** **2023**	**March 31** **2023**	**June 30** **2022**
Net interest income	$ 10,487	$ 11,138	$ 9,314
Other income	66,098	65,099	66,594
Total revenue	76,585	76,237	75,908
Provision for (recovery of) loan losses	(82)	(72)	664
Non-interest expense (1)	70,043	73,972	63,452
Net income before payment in lieu of tax	6,624	2,337	11,792
Payment in lieu of tax	1,523	537	2,712
Net income	**$ 5,101**	**$ 1,800**	**$ 9,080**
Net loans	$ 1,214,886	$ 1,241,496	$ 1,296,196
Total deposits	2,950,024	2,970,082	2,553,708
Total assets under administration	26,169,357	25,905,220	23,984,485

(1) Certain costs are allocated from the SSUs to the AOEs. The allocation method, revised annually, may create fluctuations in ATB's segmented results.

ATB Wealth's NI is higher than last quarter primarily due to lower NIE, while NI decreased from the same time last year primarily due to an increase in NIE.

NII is lower than last quarter due to lower deposit spreads arising from competitive pricing. NII is higher than the same time last year due to the effect of the Bank of Canada prime rate increases on ATB Wealth's interest-bearing deposits.

OI is higher than last quarter due to higher assets under administration (AUA) balances. OI is consistent with the same time last year.

NIE decreased from last quarter due to an insurance recovery. NIE increased from the same time last year primarily due to higher variable costs associated with AUA, higher corporate support costs and an increase in costs to support ATB Wealth's strategic initiatives. The increase in NIE from the same time last year was partially offset by the insurance recovery received this quarter.

Loan balances decreased from last quarter and this time last year as the increases in prime rates have resulted in private banking clients paying down lines of credit.

Deposits are relatively consistent with last quarter and increased from the same time last year as clients moved funds to fixed-date deposits to take advantage of the higher interest rate environment.

ATB Wealth's AUA increased over last quarter due to recent positive market momentum. AUA increased from the same time last year as a result of strong market returns and improving investor optimism.

Strategic Support Units

Table 5: Strategic Support Units Financial Performance

For the three months ended *($ in thousands)*	**June 30 2023**	**March 31 2023**	**June 30 2022**
Net interest income (loss)	$ (8,585)	$ (10,484)	$ 2,819
Other income (loss)	1,759	(4,931)	3,929
Total revenue (loss)	(6,826)	(15,415)	6,748
Provision for (recovery of) loan losses	972	(298)	(6,488)
Non-interest expenses (1)	8,432	11,793	11,784
Loss before payment in lieu of taxes	(16,230)	(26,910)	1,452
Payment in lieu (recovery) of tax	(3,732)	(6,188)	335
Net Income (loss)	**$ (12,498)**	**$ (20,722)**	**$ 1,117**

(1) Certain costs are allocated from the SSUs to the AOEs. The allocation method, revised annually, may create fluctuations in ATB's segmented results.

NII increased compared to last quarter but decreased from this time last year due to balance sheet management activity.

OI increased from last quarter, but decreased in comparison to this time last year, largely due to the net gains on our strategic investments.

LLP increased compared to last quarter and same time last year, as a result of the softening economic outlook driven by rising inflation, interest rates and supply chain concerns.

NIE decreased this quarter and year-over-year due to lower data processing costs.

REVIEW OF CONSOLIDATED FINANCIAL POSITION

Total Assets

Our total assets as at June 30, 2023, were $58.3 billion, which is higher than last quarter, mainly driven by increases in cash resources and loans. Compared to the same time last year, total assets decreased primarily due to lower securities and derivative assets.

Loans

Net loans were $48.0 billion and continue to trend higher when compared to last quarter and the same time last year mainly due to increasing business loans and residential mortgages, which are slightly offset by decreasing personal loans.

The allowance for loan losses decreased quarter-over-quarter and compared to the same time last year. This is driven by lower allowances for Stage 2 and Stage 3 as a result of low unemployment rates offsetting the impact of persistent inflationary pressures and rising interest rates. Our loan portfolio and the related allowance for loan losses are discussed in greater detail in Notes 7 and 8 to the financial statements.

Other Assets

ATB's other assets are composed primarily of derivative financial instruments, which have decreased year-over-year and increased quarter-over-quarter. Fluctuations are mainly related to the impact of market conditions on the fair value of our commodity deals and foreign exchange contracts and are associated with similar fluctuations in derivative liabilities noted in Other Liabilities. (For more on how we use derivatives to manage risk, refer to the Derivatives section of the 2023 annual consolidated financial statements.)

Total Liabilities

Total liabilities ended the quarter at $53.5 billion, which is higher than last quarter, mainly driven by an increase in deposits. The decrease compared to the same time last year is primarily related to wholesale borrowings, partially offset by an increase in deposits.

Deposits

ATB's principal sources of funding are client deposits, which consist of transaction, savings, notice and fixed-date deposits. Deposits have increased compared to last quarter and the same time last year as clients are generally holding more assets in fixed-date deposits to take advantage of higher interest rates. Our deposit mix has also changed since the same time last year as clients hold fewer liquid deposits and more fixed-date deposits.

Other Liabilities

ATB's other liabilities are composed primarily of collateralized and wholesale borrowings and derivative financial instruments. Collateralized and wholesale borrowings are used as a funding source to supplement client deposits.

Collateralized borrowings represent ATB's participation in the Canada Mortgage Bonds (CMB) program and securitization of credit card receivables. Wholesale borrowings consist primarily of bearer-deposit and mid-term notes issued on ATB's behalf by the GoA, to a limit of $9.0 billion. (See Note 20 of the 2023 annual consolidated financial statements.) The overall balance decreased compared to last quarter and the same time last year as strong deposit growth resulted in less reliance on alternative funding sources.

Derivative liabilities increased compared to last quarter and decreased compared to the same time last year. The changes are associated with similar period-over-period changes in derivative assets noted in the Other Assets section.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income (AOCI) includes unrealized gains and losses that are recorded on the interim condensed consolidated statement of income only when realized. AOCI decreased from last quarter as our hedge-accounted swap portfolio was unfavourably impacted due to swap rates increasing. Compared to the same time last year, there was a slight increase in AOCI as the unfavourable impact of swap rates increasing was more than offset by favourable changes in securities measured at fair value through other comprehensive income and a net pension asset resulting from an increase in discount rates.

Regulatory Capital

ATB measures and reports capital adequacy to ensure we meet the minimum levels set out by our regulator, Alberta Superintendent of Financial Institutions (ASFI), while supporting the continued growth of our business and building value for our Shareholder, the GoA.

As a Crown corporation, ATB and our subsidiaries operate under a regulatory framework established pursuant to the *ATB Financial Act (ATB Act)*, *ATB Financial Regulation (ATB Regulation)* and Capital Adequacy Requirements Guideline (CAR Guideline). (Refer to Note 24 of the 2023 financial statements for more on ATB's regulatory capital.) As at June 30, 2023, ATB had a Tier 1 capital ratio of 13.0% and a total capital ratio of 15.8%, both exceeding our regulatory requirements.

The shaded areas of the MD&A represent a discussion related to credit, market and liquidity risk and form an integral part of the interim consolidated financial statements for the period ended June 30, 2023.

Credit Risk

Credit risk is the risk of financial loss resulting from failure of a debtor, for whatever reason, to fully honour its financial or contractual obligations to ATB. Examples of typical products bearing credit risk include retail, commercial and corporate loans, guarantees, letters of credit and derivatives. Credit risk typically poses the greatest inherent risk of financial loss to lending institutions and is further amplified for ATB given our concentration in Alberta.

Key measures as at June 30, 2023, are outlined below.

Table 6: Credit Risk Exposure

The amounts shown in the table below best represent ATB's exposure to credit risk, mainly comprised of loans. (See Note 4.)

As at *($ in thousands)*	**June 30** **2023**	**March 31** **2023**
Financial assets (1)	$ 57,092,142	$ 56,427,404
Other commitments and off-balance-sheet items (2)	22,644,506	22,210,668
Total credit risk	**$ 79,736,648**	**$ 78,638,072**

(1) Financial assets include derivatives stated net of collateral held and master netting agreements.
(2) Other commitments and off-balance-sheet items include the undrawn portion of ATB's loan commitments, guarantees and letters of credit.

Table 7: Industry Concentration

ATB is inherently exposed to significant concentrations of credit risk as our clients predominantly participate in the Alberta economy. The following table presents a breakdown of the three largest single-industry segments and the single largest borrower:

		June 30 **2023**		**March 31** **2023**
As at *($ in thousands)*		**Percentage of total gross loans**		**Percentage of total gross loans**
Commercial real estate	$ 6,778,100	14.0%	$ 6,694,144	14.1%
Agriculture, forestry, fishing and hunting	4,671,209	9.7%	4,566,795	9.6%
Mining and oil-and-gas extraction	5,267,607	10.9%	4,874,883	10.2%
Largest borrower	$ 267,928	0.6%	$ 290,628	0.5%

Table 8: Real Estate Secured Lending (Insured and Uninsured)

Residential mortgage loans (RMLs) and home equity lines of credit (HELOCs) are secured by residential properties. The following table breaks down the amounts and percentages of insured and uninsured RMLs and HELOCs:

As at *($ in thousands)*			June 30 2023		March 31 2023
Residential mortgages	Insured (1)	$ 10,255,185	59.6%	$ 10,027,437	59.6%
	Uninsured	6,938,022	40.4%	6,803,283	40.4%
Total residential mortgages		**$ 17,193,207**	**100.0%**	**$ 16,830,720**	**100.0%**
Total home equity lines of credit	Uninsured	**$ 2,098,823**	**100.0%**	**$ 2,166,527**	**100.0%**
Total	**Insured**	**$ 10,255,185**	**53.2%**	**$ 10,027,437**	**52.8%**
	Uninsured	**9,036,845**	**46.8%**	**8,969,810**	**47.2%**

(1) Insured residential mortgages are mortgages insured against a loss caused by a borrower defaulting and include both individual and portfolio insurance. The amounts presented include bulk-insured conventional mortgages and mortgages insured by the Canada Mortgage and Housing Corporation, Sagen and Canada Guaranty Mortgage Insurance Company.

Table 9: Real Estate Secured Lending (Amortization Period)

The following table shows the percentages of our RML portfolio that fall within various amortization periods:

As at	June 30 2023	March 31 2023
Less than 25 years	95.7%	96.0%
25 years and above	4.3%	4.0%
Total	**100.0%**	**100.0%**

Table 10: Real Estate Secured Lending (Average Loan-to-Value Ratio)

The following table provides a summary of our average loan-to-value ratio for newly originated and acquired uninsured RML and HELOC products:

As at	June 30 2023	March 31 2023
Residential mortgages	**64.4%**	68.1%
Home equity lines of credit	**56.4%**	58.0%

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

ATB has limited exposure to variable rate mortgages, which comprised 10.0% of total mortgages as at June 30, 2023, and 10.6% as at March 31, 2023.

Market Risk

Market risk can arise due to changes in interest rates, trading activity, foreign exchange (FX) rates and commodity prices. ATB primarily has market risk exposure to both the risk-sensitive assets and liabilities on our balance sheet as well as to the derivatives and other financial instruments that we use to manage the various risk exposures we face.

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, rate spreads, the shape of the yield curve or any other interest rate relationship. It occurs when there is a mismatch in the repricing characteristics of interest-rate-sensitive assets (e.g., loans and investments) and interest-rate-sensitive liabilities (e.g., deposits).

Table 11: Interest Rate Sensitivity

The following table provides the potential impact of an immediate and sustained 100- and 200-basis-point increase and decrease, respectively, in interest rates on ATB's NI:

As at *($ in thousands)*	June 30 2023	March 31 2023
Impact on net earnings in succeeding year from:		
Increase in interest rates of:		
100 basis points	$ 50,028	$ 51,304
200 basis points	97,349	101,604
Decrease in interest rates of:		
100 basis points (1)	(46,436)	(48,089)
200 basis points (1)	(94,913)	(105,994)

(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 increase is well within our interest-rate-risk-management policy.

Foreign Exchange Risk

FX risk is the risk of loss resulting from fluctuations in FX rates. This risk arises from the existence of a net asset or liability position denominated in foreign currency and/or a difference in maturity profiles for purchases and sales of a given currency.

ATB has an FX risk management policy, which establishes approved limits to our trading and non-trading FX portfolios and defines the roles and responsibilities across the three lines of defence for the ongoing identification, measurement, monitoring and management of FX risk.

ATB manages our foreign currency exposure through, for example, FX limits, measurement of non-trading exposures and buying/selling currency to remain within the Board-approved risk appetite.

ATB is within our Board-approved minimum limits as at June 30, 2023, and March 31, 2023.

Liquidity Risk

Liquidity risk is the risk that ATB may not meet all our financial commitments in a timely manner, at reasonable prices. ATB manages liquidity risk to ensure we have timely access to cost-effective funds to meet our financial obligations as they become due, in both routine and crisis situations. We do so by managing cash flows, diversifying our funding sources and regularly stress testing, monitoring and reporting our current and forecasted liquidity position.

We measure liquidity through a series of short- and intermediate-term metrics, including the liquidity coverage ratio (LCR), net stable funding ratio and net cumulative cash flow metrics defined in the Office of the Superintendent of Financial Institutions Liquidity Adequacy Requirements Guideline.

On June 30, 2023, the LCR was 125.2% (March 31, 2023: 134.6%) above the Board-approved minimum limit.

Table 12: Long-Term Funding Sources

The following table describes ATB's long-term funding sources:

	June 30 2023		March 31 2023	
As at *($ in thousands)*	Long-term funding	Percentage of total	Long-term funding	Percentage of total
Wholesale borrowings	$ 2,664,940	25.9%	$ 2,520,360	24.2%
Collateralized borrowings	7,634,979	74.1%	7,903,625	75.8%
Total long-term funding	**$ 10,299,919**	**100.0%**	**$ 10,423,985**	**100.0%**

CONSOLIDATED FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited)

As at *($ in thousands)*	Note	June 30 2023	March 31 2023	June 30 2022
Cash		$ 3,161,115	$ 2,091,699	$ 2,405,955
Interest-bearing deposits with financial institutions		300,799	267,758	1,316,433
Total cash resources		**3,461,914**	**2,359,457**	**3,722,388**
Total securities	6	**4,638,005**	**5,888,220**	**5,831,756**
Business		26,197,864	25,734,540	24,611,038
Residential mortgages		17,193,207	16,830,720	16,584,643
Personal		4,175,786	4,305,315	4,812,492
Credit card		757,933	719,313	731,225
Total gross loans		**48,324,790**	**47,589,888**	**46,739,398**
Allowance for loan losses	8	(323,401)	(355,805)	(395,767)
Total net loans	7	**48,001,389**	**47,234,083**	**46,343,631**
Derivative financial instruments		1,283,540	1,051,015	1,814,454
Property and equipment		203,421	205,466	225,208
Software and other intangibles		206,639	216,199	227,712
Other assets		535,402	516,417	806,090
Total other assets		**2,229,002**	**1,989,097**	**3,073,464**
Total assets		**$ 58,330,310**	**$ 57,470,857**	**$ 58,971,239**
Transaction accounts		$ 13,183,196	$ 13,106,160	$ 14,044,845
Saving accounts		10,543,467	10,086,677	11,627,488
Notice accounts		5,920,417	5,676,301	5,889,448
Non-redeemable fixed-date deposits		9,223,463	9,307,271	5,739,033
Redeemable fixed-date deposits		1,459,070	1,297,084	1,253,365
Total deposits		**40,329,613**	**39,473,493**	**38,554,179**
Collateralized borrowings	9	7,576,445	7,891,866	7,793,742
Wholesale borrowings		2,653,388	2,512,503	4,741,606
Derivative financial instruments		1,518,013	1,212,289	2,028,007
Securities sold under repurchase agreements		-	122,568	244,068
Other liabilities		1,375,985	1,441,218	1,174,487
Total other liabilities		**13,123,831**	**13,180,444**	**15,981,910**
Total liabilities		**53,453,444**	**52,653,937**	**54,536,089**
Retained earnings		5,096,593	4,976,622	4,662,788
Accumulated other comprehensive income (loss)		(219,727)	(159,702)	(227,638)
Total equity		**4,876,866**	**4,816,920**	**4,435,150**
Total liabilities and equity		**$ 58,330,310**	**$ 57,470,857**	**$ 58,971,239**

The accompanying notes are an integral part of these 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 *($ in thousands)*	Note	June 30 2023	March 31 2023	June 30 2022
Loans		$ 581,033	$ 563,882	$ 437,312
Securities		64,022	60,032	13,982
Interest-bearing deposits with financial institutions		24,660	25,944	9,158
Interest income		**669,715**	**649,858**	**460,452**
Deposits		254,091	230,219	74,769
Wholesale borrowings		18,302	22,556	21,749
Collateralized borrowings		65,495	63,447	39,901
Interest expense		**337,888**	**316,222**	**136,419**
Net interest income		**331,827**	**333,636**	**324,033**
Wealth management		65,286	64,260	65,619
Service charges		23,040	23,121	22,360
Card fees		22,640	21,176	20,993
Credit fees		11,144	16,242	9,353
Financial markets		16,413	14,186	13,090
Capital markets		15,231	16,135	9,761
Foreign exchange		3,529	1,809	4,861
Insurance		5,260	5,831	3,377
Net gains (losses) on derivative financial instruments		(348)	(2,802)	9,858
Net gains (losses) on securities		1,799	(3,986)	1,260
Sundry		2,138	2,326	(8,448)
Other income		**166,132**	**158,298**	**152,084**
Total revenue		**497,959**	**491,934**	**476,117**
Provision for (recovery of) loan losses	8	**(2,909)**	**16,092**	**767**
Salaries and employee benefits		202,403	198,009	183,808
Data processing		40,463	47,019	41,608
Premises and occupancy, including depreciation		18,489	20,308	17,846
Professional and consulting costs		16,843	23,460	16,765
Deposit guarantee fee		14,143	14,014	13,225
Equipment, including depreciation		2,937	2,968	3,039
Software and other intangibles amortization		22,982	20,867	17,601
General and administrative		19,116	18,975	21,251
ATB agencies		4,270	4,225	4,115
Other		3,415	11,226	7,301
Non-interest expense		**345,061**	**361,071**	**326,559**
Income before payment in lieu of tax		**155,807**	**114,771**	**148,791**
Payment in lieu of tax	10	35,836	26,397	34,222
Net income		**$ 119,971**	**$ 88,374**	**$ 114,569**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)

For the three months ended *($ in thousands)*	June 30 2023	March 31 2023	June 30 2022
Net income	$ 119,971	$ 88,374	$ 114,569
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss			
Unrealized net gains (losses) on securities measured at fair value through other comprehensive income (loss)			
Unrealized net gains (losses) arising during the period	12,454	18,237	(19,316)
Net losses (gains) reclassified to net income	862	(11,297)	15,989
Unrealized net gains (losses) on derivative financial instruments designated as cash flow hedges			
Unrealized net gains (losses) arising during the period	(130,229)	30,702	(92,339)
Net losses (gains) reclassified to net income	50,397	49,361	(23,166)
Items that will not be reclassified to profit or loss			
Remeasurement of defined-benefit plan liabilities	6,490	(27,475)	(12,810)
Other comprehensive income (loss)	**(60,026)**	**59,528**	**(131,642)**
Comprehensive income (loss)	**$ 59,945**	**$ 147,902**	**$ (17,073)**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

For the three months ended *($ in thousands)*	June 30 2023	March 31 2023	June 30 2022
Retained earnings			
Balance at beginning of the period	$ 4,976,622	$ 4,888,248	$ 4,548,190
Net income	119,971	88,374	114,569
Other	-	-	29
Balance at end of the period	**5,096,593**	**4,976,622**	**4,662,788**
Accumulated other comprehensive income (loss)			
Securities measured at fair value through other comprehensive income			
Balance at beginning of the year	18,177	11,237	3,515
Other comprehensive income (loss)	13,317	6,940	(3,327)
Balance at end of the period	**31,494**	**18,177**	**188**
Derivative financial instruments designated as cash flow hedges			
Balance at beginning of the period	(249,310)	(329,373)	(176,246)
Other comprehensive income (loss)	(79,832)	80,063	(115,505)
Balance at end of the period	**(329,142)**	**(249,310)**	**(291,751)**
Defined-benefit-plan liabilities			
Balance at beginning of the year	71,431	98,906	76,735
Other comprehensive income (loss)	6,490	(27,475)	(12,810)
Balance at end of the period	**77,921**	**71,431**	**63,925**
Accumulated other comprehensive income (loss)	**(219,727)**	**(159,702)**	**(227,638)**
Equity	**$ 4,876,866**	**$ 4,816,920**	**$ 4,435,150**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

For the three months ended *($ in thousands)*	June 30 2023	March 31 2023	June 30 2022
Cash flows from operating activities			
Net income	$ 119,971	$ 88,374	$ 114,569
Adjustments for non-cash items and other items			
Provision for (recovery of) loan losses	(2,909)	16,092	767
Depreciation and amortization	33,319	31,111	28,981
Net (gains) losses on securities	(1,799)	3,987	(1,260)
(Gains) losses on foreign-denominated wholesale borrowings	(5,425)	(242)	7,678
Adjustments for net changes in operating assets and liabilities			
Loans	(798,373)	41,872	(415,694)
Deposits	851,782	442,676	1,234,699
Derivative financial instruments	(6,632)	(10)	(4,780)
Prepayments and other receivables	(12,207)	17,237	(28,466)
Accounts receivable—financial market products	(6,420)	-	(221,470)
Due to (from) clients, brokers and dealers	(8,099)	(15,434)	(7,151)
Deposit guarantee fee payable	(43,368)	12,356	(43,845)
Accounts payable and accrued liabilities	51,431	1,142	148,635
Accounts payable—financial market products	13,085	-	(95,754)
Liability for payment in lieu of tax	(92,137)	26,397	(140,930)
Net interest receivable and payable	24,891	72,095	(29,647)
Change in accrued-pension-benefit liability	463	(1,815)	(1,729)
Other	(7,882)	(6,022)	(213)
Net cash provided by (used in) operating activities	**109,691**	**729,816**	**544,390**
Cash flows from investing activities			
Purchase of securities	(1,376,676)	(1,765,523)	(3,446,113)
Proceeds from sales and maturities of securities	2,640,685	1,742,554	2,125,589
Change in interest-bearing deposits with financial institutions	(33,041)	257,053	(105,532)
Purchases and disposals of property and equipment, software and other intangibles	(21,714)	(24,832)	(31,342)
Net cash provided by (used in) investing activities	**1,209,254**	**209,252**	**(1,457,398)**
Cash flows from financing activities			
Issuance of wholesale borrowings	350,000	917,003	3,461,729
Repayment of wholesale borrowings	(200,000)	(2,171,964)	(3,175,000)
Issuance of collateralized borrowings	286,019	106,550	673,570
Repayment of collateralized borrowings	(554,666)	(204,393)	(483,561)
Change in securities sold under repurchase agreements	(122,556)	35,925	244,068
Repayment of lease liabilities	(8,326)	(8,175)	(8,222)
Net cash provided by (used in) financing activities	**(249,529)**	**(1,325,054)**	**712,584**
Net increase (decrease) in cash	1,069,416	(385,986)	(200,424)
Cash at beginning of the period	2,091,699	2,477,685	2,606,379
Cash at end of the period	**$ 3,161,115**	**$ 2,091,699**	**$ 2,405,955**
Net cash provided by (used in) operating activities includes:			
Interest paid	$ (316,587)	$ (248,527)	$ (154,973)
Interest received	672,630	651,341	445,271

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 (Unaudited)

1 Nature of Operations

ATB is an Alberta-based financial services provider engaged in retail and commercial banking, credit cards and wealth management, investment-management and capital-markets 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. Under the Alberta Public Agencies Governance Act, ATB is recognized as a government commercial enterprise and remains operationally independent from the provincial government. The address of the head office is 2100, 10020-100 Street, Edmonton, Alberta, Canada, T5J 0N3.

ATB is exempt from Canadian federal and Alberta provincial income taxes but pays an amount to the GoA designed to be in lieu of such charges. (See Note 10.)

2 Significant Accounting Policies

Basis of Preparation

These interim condensed consolidated financial statements ("interim statements") have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB) and the accounting requirements of ASFI. The interim statements do not include all information required for complete annual consolidated financial statements and should be read in conjunction with ATB's 2023 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 August 16, 2023.

These interim statements are presented in Canadian dollars, and all values are rounded to the nearest thousand dollars, unless otherwise indicated. They include the assets, liabilities and results of operations and cash flows of ATB and our 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 consolidated financial statements. The most significant judgments and estimates include the allowance for loan losses, the fair value of financial instruments and the assumptions underlying the accounting for employee benefit obligations. 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

Accounting standards that are newly effective for this fiscal year-end are detailed in Note 3 to the 2023 annual consolidated financial statements. There were no new accounting policies that have been adopted by ATB for the three months ended June 30, 2023.

Interest Rate Benchmark Reform Phase 2

In August 2020, the IASB finalized amendments to International Financial Reporting Standards (IFRS) 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases*. The amendments provide guidance to address instances, for issues that may affect financial reporting, where an existing interest rate benchmark is replaced with an alternative interest rate that modifies financial assets and financial liabilities, including lease liabilities, hedge accounting requirements and interbank offered rate (IBOR)-reform-related disclosures. In October 2020, the Accounting Standards Board (AcSB) approved the amendments.

The amendments provide relief when a financial instrument moves to an alternative interest rate that is economically equivalent to IBOR:

- For modifications of financial instruments carried at amortized cost, benchmark interest rate changes are reflected prospectively by updating the effective interest rate with no immediate gain or loss recognized.
- Existing hedging relationships are allowed to continue upon moving to an alternative rate under certain qualifying criteria. If an alternative interest rate is not specifically identified at the date it is designated for hedge accounting, it will be deemed to meet the requirements if the rate can be identified within a 24-month period. If this criterion cannot be met, then hedge accounting will be discontinued prospectively.

On June 30, 2023, the United States Dollar (USD) London Interbank Offered Rate (LIBOR) benchmark rate was discontinued. ATB has ceased offering new LIBOR-based products and has incorporated appropriate fallback language to alternative rates into agreements referencing the benchmark.

In December 2021, the Canadian Alternative Reference Rate Working Group (CARR) recommended that the Canadian Dollar Offered Rate (CDOR) should cease being calculated and published after June 28, 2024, with the Canadian Overnight Repo Rate Average (CORRA) suggested as the replacement benchmark rate. On May 16, 2022, the CDOR administrator announced the cessation of CDOR consistent with the recommendations outlined by CARR. Term CORRA is expected to be launched by the end of Q2 of FY2024, and we are following the recommended target dates for cessation of CDOR-based products. For CDOR-based derivatives and securities, this was June 28, 2023, and for CDOR-based loans, this will be June 28, 2024 with no new loan contracts initiated after November 1, 2023.

Hedging Relationships Impacted by the Interest Rate Benchmark Reform

The following table presents the notional amount of our hedging instruments as at June 30, 2023, and at March 31, 2023, which reference CDOR that will expire after June 28, 2024, and represents our opening balances for the annual period ending on March 31, 2024. The notional amounts of our hedging instruments also approximate the extent of the risk exposure we manage through hedging relationships. Changes in our exposures during the period did not result in significant changes to the risks arising from transition. In the normal course of business, our derivative notional amounts may fluctuate with no significant impact to our CDOR transition plans.

As at *($ in thousands)*	**June 30** **2023**	**March 31** **2023**
Interest rate swaps		
USD LIBOR	**$ 7,365**	**$ 427,491**
CDOR	**26,684,360**	**24,803,780**

Non-Derivative Financial Assets and Undrawn Commitments

The following table reflects ATB's exposure to non-derivative financial assets, non-derivative financial liabilities and undrawn commitments maturing after June 28, 2024, as at June 30, 2023, and March 31, 2023, which represent our opening balances for the annual period ending on March 31, 2024. These are subject to reforms that have yet to transition to alternative benchmark rates. These exposures will remain outstanding until CDOR ceases, which is expected to be June 28, 2024. Changes in our exposures during the period did not result in significant changes to the risks arising from transition.

As at	June 30, 2023		March 31, 2023	
($ in thousands)	**LIBOR**	**CDOR**	**LIBOR**	**CDOR**
Non-derivative financial assets (1)	**$ 78,821**	**$ 1,747,252**	$ 223,219	$ 1,336,173
Non-derivative financial liabilities (2)	**-**	**1,056,313**	1,144	1,474,246
Authorized and committed undrawn commitments	**-**	**64,316**	-	54,315

(1) Non-derivative financial assets include carrying amounts of loans.
(2) Non-derivative financial liabilities include carrying amounts of deposits.

Future Accounting Policy Changes

The following standards have been issued but are not yet effective on the date of issuance of our interim condensed consolidated financial statements.

IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*

In June 2023, the International Sustainability Standards Board (ISSB) published its inaugural sustainability-related standards—IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*—with the objective of creating a global baseline for sustainability reporting to meet the needs of users of general purpose financial reporting. IFRS S1 establishes the core foundation for reporting on material sustainability-related risks and opportunities an entity faces over the short, medium and long term across the four pillars of governance, strategy, risk management and metrics and targets. IFRS S2 is the first thematic ISSB standard that builds on the four pillars of IFRS S1, specifically for climate-related disclosures. IFRS S2 includes disclosure requirements related to physical and transition risks; climate-related opportunities; climate transition plans; Scope 1, 2 and 3 greenhouse gas emissions; scenario analysis and general and industry-specific metrics and targets.

The ISSB standards are effective for annual reporting periods beginning on or after January 1, 2024, with early application permitted. However, the specific application date will depend on endorsement by local jurisdictions. In Canada, the Canadian Sustainability Standards Board has been established to work with the ISSB to support uptake. ATB is carefully monitoring developments related to the ISSB standards to prepare for adoption of the disclosure requirements.

Supplier Finance Arrangements (Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*)

In May 2023, the IASB issued *Supplier Finance Arrangements,* which amended IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures.* The amendments introduce new disclosure requirements to enhance the transparency of supplier finance arrangements.

ATB is currently assessing the impact of the amendments, which are effective for annual reporting periods beginning on or after January 1, 2024, and are applied prospectively, with earlier application permitted. The amendments to IAS 7 and IFRS 7 take effect April 1, 2024—the start of ATB's FY2025.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 *Leases*)

In September 2022, the IASB issued *Lease Liability in a Sale and Leaseback* (Amendments to IFRS 16). The amendment clarifies how a seller-lessee should apply the subsequent measurement requirements in IFRS 16 to the lease liability arising from a sale and leaseback transaction that qualifies under IFRS 15 *Revenue from Contracts with Customers*. Specifically, this prevents a seller-lessee from recognizing any gain or loss that relates to the right of use it retains over an asset.

ATB is currently assessing the impact of the amendment, which is effective for annual reporting periods beginning on or after January 1, 2024, and is applied retrospectively, with earlier application permitted. The amendments to IFRS 16 take effect April 1, 2024—the start of ATB's FY2025.

Non-current Liabilities with Covenants (Amendments to IAS 1 *Presentation of Financial Statements*)

In October 2022, the IASB issued *Non-current Liabilities with Covenants* (Amendments to IAS 1). The purpose of the amendment is to clarify the classification of liabilities with covenants as current or non-current and improve the disclosures of these covenants in the notes to the financial statements.

ATB is currently assessing the impact of the amendment, which is effective for annual reporting periods beginning on or after January 1, 2024, and is applied retrospectively, with earlier application permitted. The amendments to IAS 1 take effect April 1, 2024—the start of ATB's FY2025.

4 Financial Instruments

Classification and Carrying Value

The following tables summarize ATB's financial instruments classified or designated as fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) and provides their carrying value and fair values:

	Carrying value					
As at June 30, 2023 ($ in thousands)	Financial instruments classified as FVTPL	Financial instruments designated as FVTPL	Financial instruments classified as FVOCI	Financial instruments designated as FVOCI	Financial instruments measured at amortized cost	Total carrying value
Financial assets						
Cash (1)	$ -	$ -	$ -	$ -	$ 3,161,115	$ 3,161,115
Interest-bearing deposits with financial institutions (1)	-	300,799	-	-	-	300,799
Total cash resources	-	300,799	-	-	3,161,115	3,461,914
Total securities (1)	81,744	21,788	4,466,746	67,727	-	4,638,005
Total net loans (2)	-	-	-	-	48,001,389	48,001,389
Derivative financial instruments	1,283,540	-	-	-	-	1,283,540
Other assets (1) (6)	-	-	-	-	386,617	386,617
Total other assets	1,283,540	-	-	-	386,617	1,670,157
Total financial assets	**$ 1,365,284**	**$ 322,587**	**$ 4,466,746**	**$ 67,727**	**$ 51,549,121**	**$ 57,771,465**
Financial liabilities						
Total deposits (3)	-	-	-	-	40,329,613	40,329,613
Collateralized borrowings (4)	-	-	-	-	7,576,445	7,576,445
Wholesale borrowings (5)	-	263,133	-	-	2,390,255	2,653,388
Derivative financial instruments (1)	1,518,013	-	-	-	-	1,518,013
Securities sold under repurchase agreements (1)	-	-	-	-	-	-
Other liabilities (1) (6)	-	-	-	-	1,283,301	1,283,301
Total other liabilities	1,518,013	263,133	-	-	11,250,001	13,031,147
Total financial liabilities	**$ 1,518,013**	**$ 263,133**	**$ -**	**$ -**	**$ 51,579,614**	**$ 53,360,760**

(1) The fair value is estimated to equal carrying value.
(2) The fair value of loans is estimated at $48,265,822.
(3) The fair value of deposits is estimated at $39,542,362.
(4) The fair value of collateralized borrowings is estimated at $7,386,751.
(5) The fair value of wholesale borrowings is estimated at $2,540,193.
(6) Amounts presented here exclude certain other assets and other liabilities not considered financial instruments.

As at March 31, 2023 ($ in thousands)	Carrying value Financial instruments classified as FVTPL	Financial instruments designated as FVTPL	Financial instruments classified as FVOCI	Financial instruments designated as FVOCI	Financial instruments measured at amortized cost	Total carrying value
Financial assets						
Cash (1)	$ -	$ -	$ -	$ -	$ 2,091,699	$ 2,091,699
Interest-bearing deposits with financial institutions (1)	-	267,758	-	-	-	267,758
Total cash resources	-	267,758	-	-	2,091,699	2,359,457
Total securities (1)	83,112	33,953	5,717,014	54,141	-	5,888,220
Total net loans (2)	-	-	-	-	47,234,083	47,234,083
Derivative financial instruments	1,051,015	-	-	-	-	1,051,015
Other assets (1) (6)	-	-	-	-	377,601	377,601
Total other assets	1,051,015	-	-	-	377,601	1,428,616
Total financial assets	**$ 1,134,127**	**$ 301,711**	**$ 5,717,014**	**$ 54,141**	**$ 49,703,383**	**$ 56,910,376**
Financial liabilities						
Total deposits (3)	-	-	-	-	39,473,493	39,473,493
Collateralized borrowings (4)	-	-	-	-	7,891,866	7,891,866
Wholesale borrowings (5)	-	267,959	-	-	2,244,544	2,512,503
Derivative financial instruments (1)	1,212,289	-	-	-	-	1,212,289
Securities sold under repurchase agreements (1)	-	-	-	-	122,568	122,568
Other liabilities (1) (6)	-	-	-	-	1,254,176	1,254,176
Total other liabilities	1,212,289	267,959	-	-	11,513,154	12,993,402
Total financial liabilities	**$ 1,212,289**	**$ 267,959**	**$ -**	**$ -**	**$ 50,986,647**	**$ 52,466,895**

(1) The fair value is estimated to equal carrying value.
(2) The fair value of loans is estimated at $47,810,374.
(3) The fair value of deposits is estimated at $38,872,151.
(4) The fair value of collateralized borrowings is estimated at $7,743,224.
(5) The fair value of wholesale borrowings is estimated at $2,451,396.
(6) Amounts presented here exclude certain other assets and other liabilities not considered financial instruments.

Fair-Value Hierarchy

The following tables present the level within the fair-value hierarchy as described in Note 4 of the 2023 annual consolidated financial statements, of ATB's financial assets and liabilities measured at fair value. Transfers between fair-value levels can result from additional, revised or new information about the availability of quoted market prices or observable market inputs. For the three months ended June 30, 2023, and the year ended March 31, 2023, there were no transfers of financial instruments between Levels 1 and 2 or into and out of Level 3.

As at *($ in thousands)*	Level 1	Level 2	Level 3	Total
June 30, 2023				
Financial assets				
Interest-bearing deposits with financial institutions	$ -	$ 300,799	$ -	$ 300,799
Securities				
Securities measured at FVTPL	23,282	-	80,250	103,532
Securities measured at FVOCI	4,466,746	-	67,727	4,534,473
Other assets				
Derivative financial instruments	-	1,283,540	-	1,283,540
Total financial assets	**$ 4,490,028**	**$ 1,584,339**	**$ 147,977**	**$ 6,222,344**
Financial liabilities				
Wholesale borrowings	$ 263,133	$ -	$ -	$ 263,133
Other liabilities				
Derivative financial instruments	-	1,518,013	-	1,518,013
Total financial liabilities	**$ 263,133**	**$ 1,518,013**	**$ -**	**$ 1,781,146**
March 31, 2023				
Financial assets				
Interest-bearing deposits with financial institutions	$ -	$ 267,758	$ -	$ 267,758
Securities				
Securities measured at FVTPL	34,152	-	82,913	117,065
Securities measured at FVOCI	5,717,014	-	54,141	5,771,155
Other assets				
Derivative financial instruments	-	1,051,015	-	1,051,015
Total financial assets	**$ 5,751,166**	**$ 1,318,773**	**$ 137,054**	**$ 7,206,993**
Financial liabilities				
Wholesale borrowings	$ 267,959	$ -	$ -	$ 267,959
Other liabilities				
Derivative financial instruments	-	1,212,289	-	1,212,289
Total financial liabilities	**$ 267,959**	**$ 1,212,289**	**$ -**	**$ 1,480,248**

Valuation of Level 3 Instruments

For direct investments in private companies—as there is no observable market price as at the balance sheet date—ATB estimates 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). For direct investments in capital funds, the net asset value is used in estimating the fair value of ATB's interest.

The following table presents ATB's sensitivity analysis for fair-value measurements classified as Level 3, substituting one or more reasonably possible alternative assumptions for the unobservable inputs:

			June 30 2023		March 31 2023	
			Range of input values		Range of input values	
Product	Valuation technique	Significant unobservable inputs	Low	High	Low	High
Equity	Valuation multiple	Enterprise value/EBITDA multiple	4.7	5.9	4.0	6.4
		Enterprise value/revenue multiple	5.1	9.6	6.1	9.6
	Adjusted net asset value (1)	Net asset value (2)	n/a	n/a	n/a	n/a

(1) Adjusted net asset value is determined using reported net asset values obtained from the fund manager or general partner of the limited partnership and may be adjusted for current market levels where appropriate.
(2) ATB holds limited partnership interests in certain private capital funds. Net asset values are provided quarterly by each fund's general partner and, due to the wide range and diverse nature of the investments, no inputs are disclosed.

A 10% change to each multiple would result in a $4.7 million increase and $4.7 million decrease in fair value (March 2023: $7.6 million increase and $6.8 million decrease in fair value). The estimate is adjusted depending on the type of investment. Valuation techniques are detailed in Note 2 of the 2023 annual consolidated financial statements.

The following tables present the changes in fair value of Level 3 financial instruments:

($ in thousands)	Securities designated as FVOCI	Securities classified as FVTPL
Fair value as at March 31, 2023	$ 54,141	$ 82,913
Total realized and unrealized gains (losses) included in net income	-	613
Total realized and unrealized gains (losses) included in other comprehensive income	12,084	-
Purchases and issuances	1,502	1,890
Sales and settlements	-	(5,166)
Fair value as at June 30, 2023	**$ 67,727**	**$ 80,250**
Change in unrealized gain included in income regarding financial instruments held as at June 30, 2023	$ -	$ (2,860)

Fair value as at March 31, 2022	$ 47,682	$ 84,421
Total realized and unrealized gains (losses) included in net income	-	(143)
Total realized and unrealized gains (losses) included in other comprehensive income	(333)	-
Purchases and issuances	6,792	4,461
Sales and settlements	-	(5,826)
Fair value as at March 31, 2023	**$ 54,141**	**$ 82,913**
Change in unrealized gain included in income regarding financial instruments held as at March 31, 2023	$ -	$ (143)

The consolidated statement of income line item for net gains on securities includes realized and unrealized fair-value movements on all financial instruments classified and designated at FVTPL and realized gains on securities measured at FVOCI.

5 Financial Instruments—Risk Management

ATB has included in the Risk Management section of the MD&A certain disclosures required by IFRS 7 relating to credit, market, foreign exchange and liquidity risks. These risks are shaded in blue and form an integral part of the 2023 annual consolidated financial statements.

6 Securities

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

As at *($ in thousands)*	Within 1 year	1 to 5 years	Over 5 years	No maturity	Total carrying value
June 30, 2023					
Securities measured at FVTPL					
Issued or guaranteed by the federal or provincial government	$ 21,736	$ -	$ -	$ -	$ 21,736
Other securities (1)	1,456	30	47,646	32,664	81,796
Total securities measured at FVTPL	**$ 23,192**	**$ 30**	**$ 47,646**	**$ 32,664**	**$ 103,532**
Securities measured at FVOCI					
Issued or guaranteed by the federal or provincial government	$ 2,795,344	$ 1,135,461	$ 535,941	$ -	$ 4,466,746
Other securities (1)	-	-	67,727	-	67,727
Total securities measured at FVOCI	**$ 2,795,344**	**$ 1,135,461**	**$ 603,668**	**$ -**	**$ 4,534,473**
March 31, 2023					
Securities measured at FVTPL					
Issued or guaranteed by the federal or provincial government	$ 33,894	$ -	$ -	$ -	$ 33,894
Other securities (1)	145	55	45,141	37,830	83,171
Total securities measured at FVTPL	**$ 34,039**	**$ 55**	**$ 45,141**	**$ 37,830**	**$ 117,065**
Securities measured at FVOCI					
Issued or guaranteed by the federal or provincial government	$ 3,264,849	$ 2,098,262	$ 353,903	$ -	$ 5,717,014
Other securities (1)	-	-	54,141	-	54,141
Total securities measured at FVOCI	**$ 3,264,849**	**$ 2,098,262**	**$ 408,044**	**$ -**	**$ 5,771,155**

(1) These securities relate to investments made by ATB and our subsidiaries in a broad range of mainly private Alberta companies and funds.

As at June 30, 2023, and March 31, 2023, we had no securities classified as held-to-maturity.

7 Loans

In the retail portfolio, each borrower is assessed based on its Fair Isaac Corporation (FICO) score. The following table outlines the borrower-risk-assessment level assigned to each FICO score range:

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

For non-retail loans, each borrower is assigned a borrower risk rating (BRR). The following table outlines the borrower-risk-assessment level 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 tables present 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 *($ in thousands)*				June 30 2023				March 31 2023
	Performing		**Impaired**		**Performing**		**Impaired**	
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Very low risk	$ 6,201,030	$ 25,575	$ -	$ 6,226,605	$ 5,429,095	$ 59,371	$ -	$ 5,488,466
Low risk	15,883,104	240,673	-	16,123,777	15,774,426	371,695	-	16,146,121
Medium risk	2,754,118	140,058	-	2,894,176	2,825,132	235,659	-	3,060,791
High risk	-	498,958	-	498,958	-	556,730	-	556,730
Not rated (1)	18,842	5,121	-	23,963	24,681	4,997	-	29,678
Impaired	-	-	430,385	430,385	-	-	452,754	452,754
Total business	**24,857,094**	**910,385**	**430,385**	**26,197,864**	**24,053,334**	**1,228,452**	**452,754**	**25,734,540**
Very low risk	8,390,996	8,308	-	8,399,304	8,167,679	10,021	-	8,177,700
Low risk	5,851,844	22,036	-	5,873,880	5,667,978	32,253	-	5,700,231
Medium risk	2,240,594	48,391	-	2,288,985	2,240,368	57,144	-	2,297,512
High risk	461,328	122,693	-	584,021	474,982	123,127	-	598,109
Not rated (1)	6,375	107	-	6,482	11,337	467	-	11,804
Impaired	-	-	40,535	40,535	-	-	45,364	45,364
Total residential mortgages	**16,951,137**	**201,535**	**40,535**	**17,193,207**	**16,562,344**	**223,012**	**45,364**	**16,830,720**
Very low risk	1,832,227	6,523	-	1,838,750	1,899,780	6,739	-	1,906,519
Low risk	1,437,852	21,274	-	1,459,126	1,475,912	15,073	-	1,490,985
Medium risk	615,310	32,078	-	647,388	643,102	26,941	-	670,043
High risk	144,360	43,311	-	187,671	143,559	47,988	-	191,547
Not rated (1)	10,370	253	-	10,623	14,321	64	-	14,385
Impaired	-	-	32,228	32,228	-	-	31,836	31,836
Total personal	**4,040,119**	**103,439**	**32,228**	**4,175,786**	**4,176,674**	**96,805**	**31,836**	**4,305,315**
Very low risk	121,234	1,900	-	123,134	106,326	2,256	-	108,582
Low risk	317,224	13,716	-	330,940	294,087	18,173	-	312,260
Medium risk	188,044	18,190	-	206,234	163,064	40,900	-	203,964
High risk	27,727	10,255	-	37,982	12,348	25,411	-	37,759
Not rated (1)	50,122	5,434	-	55,556	47,375	5,840	-	53,215
Impaired	-	-	4,087	4,087	-	-	3,533	3,533
Total credit card	**704,351**	**49,495**	**4,087**	**757,933**	**623,200**	**92,580**	**3,533**	**719,313**
Total loans	**46,552,701**	**1,264,854**	**507,235**	**48,324,790**	**45,415,552**	**1,640,849**	**533,487**	**47,589,888**
Total allowance for loan losses	(88,204)	(73,575)	(161,622)	(323,401)	(76,159)	(93,072)	(186,574)	(355,805)
Total net loans	**$ 46,464,497**	**$ 1,191,279**	**$ 345,613**	**$ 48,001,389**	**$ 45,339,393**	**$ 1,547,777**	**$ 346,913**	**$ 47,234,083**

(1) Loans where the client account-level risk rating has not been determined have been included in the "not rated" category.

As at ($ in thousands)	June 30 2023				March 31 2023			
	Performing		Impaired		Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Very low risk	$ 4,911,184	$ 7,123	$ -	$ 4,918,307	$ 4,909,358	$ 9,021	$ -	$ 4,918,379
Low risk	1,257,752	7,009	-	1,264,761	1,251,200	11,479	-	1,262,679
Medium risk	180,301	2,672	-	182,973	172,579	14,463	-	187,042
High risk	18,742	2,371	-	21,113	13,406	7,850	-	21,256
Not rated (1)	12,442	155	-	12,597	12,447	160	-	12,607
Total undrawn loan commitments—retail	**6,380,421**	**19,330**	**-**	**6,399,751**	**6,358,990**	**42,973**	**-**	**6,401,963**
Total allowance for loan losses (2)	(13,999)	(2,300)	-	(16,299)	(15,344)	(4,471)	-	(19,815)
Total net undrawn	**$ 6,366,422**	**$ 17,030**	**$ -**	**$ 6,383,452**	**$ 6,343,646**	**$ 38,502**	**$ -**	**$ 6,382,148**
Very low risk	$ 5,932,297	$ 55,326	$ -	$ 5,987,623	$ 5,736,885	$ 37,382	$ -	$ 5,774,267
Low risk	8,465,913	126,919	-	8,592,832	8,437,598	163,799	-	8,601,397
Medium risk	688,990	18,065	-	707,055	650,221	32,042	-	682,263
High risk	2,585	66,978	-	69,563	3,617	94,559	-	98,176
Not rated (1)	146,837	3,873	-	150,710	146,839	4,263	-	151,102
Total undrawn loan commitments—non-retail	**15,236,622**	**271,161**	**-**	**15,507,783**	**14,975,160**	**332,045**	**-**	**15,307,205**
Total allowance for loan losses (2)	(15,001)	(6,265)	-	(21,266)	(13,194)	(9,182)	-	(22,376)
Total net undrawn	**$ 15,221,621**	**$ 264,896**	**$ -**	**$ 15,486,517**	**$ 14,961,966**	**$ 322,863**	**$ -**	**$ 15,284,829**

(1) Loans where the client account-level risk rating has not been determined have been included in the "not rated" category.
(2) The allowance is presented under other liabilities in the consolidated statement of financial position.

Loans Past Due

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

As at ($ in thousands)	Business	Residential mortgages	Personal	Credit card	Total	Percentage of total gross loans
June 30, 2023						
Up to 1 month (1)	$ 35,626	$ 189,125	$ 33,607	$ 26,340	$ 284,698	0.6%
Over 1 month up to 2 months	94,394	40,245	47,572	7,907	190,118	0.4%
Over 2 months up to 3 months	8,552	17,425	9,543	2,990	38,510	0.1%
Over 3 months	1,529	2,108	262	4,305	8,204	0.0%
Total past due but not impaired	**$ 140,101**	**$ 248,903**	**$ 90,984**	**$ 41,542**	**$ 521,530**	**1.1%**
March 31, 2023						
Up to 1 month (1)	$ 28,734	$ 131,818	$ 18,772	$ 27,160	$ 206,484	0.4%
Over 1 month up to 2 months	118,995	113,578	54,960	7,990	295,523	0.6%
Over 2 months up to 3 months	3,059	7,758	2,001	3,176	15,994	0.1%
Over 3 months	4,712	1,000	236	3,521	9,469	0.0%
Total past due but not impaired	**$ 155,500**	**$ 254,154**	**$ 75,969**	**$ 41,847**	**$ 527,470**	**1.1%**

(1) Loans past due by one day do not represent the borrowers' ability to meet their payment obligations and therefore are not administratively considered past due nor disclosed.

8 Allowance for Loan Losses

ATB records an allowance for losses for all loans by incorporating a forward-looking expected credit losses (ECLs) approach, as required under IFRS 9. This process involves complex models, with inputs and assumptions requiring a high degree of judgment to assess forecasts of macroeconomic variables and significant increases in credit risk. Our estimates and assumptions consider a range of possible scenarios, including the current interest rate environment. We continue to closely monitor external conditions and their impacts on our clients. Due to the unique conditions in the current environment, uncertainty in judgments and assumptions remain elevated as at June 30, 2023.

Key Inputs and Assumptions

Measuring ECLs requires a complex calculation that involves a number of variables and assumptions. The key inputs for determining ECLs are:

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

Forward-Looking Information

Relevant forward-looking economic information is incorporated for each loan portfolio when measuring ECLs, based on a five-year outlook considering a combination of past, current and future economic conditions and outlooks. (For more on how forward-looking information is incorporated to measure ECLs, refer to Note 9 of the 2023 annual consolidated financial statements.)

The following tables present the primary forward-looking economic information used to measure ECLs over the next 12 months, and the remaining two-year forecast period for the three probability-weighted scenarios:

	Baseline scenario			Optimistic scenario			Pessimistic scenario		
As at	**2023**	**2024**	**2025**	**2023**	**2024**	**2025**	**2023**	**2024**	**2025**
June 30, 2023									
GDP *(%)*	2.4	2.2	2.2	4.4	3.3	2.8	0.6	0.9	1.5
Unemployment rate *(%)*	6.1	5.9	5.8	5.1	4.6	4.4	7.0	7.4	7.2
Housing starts	31,945	37,102	35,132	37,774	44,021	42,448	27,003	30,129	27,520
Oil prices *(WTI, USD/bbl)*	76	74	73	89	93	92	63	56	55
3m T-bill yield *(%)*	4.5	3.8	3.2	5.2	4.7	3.9	3.7	2.8	2.4

	2023	**2024**	**2025**	**2023**	**2024**	**2025**	**2023**	**2024**	**2025**
March 31, 2023									
GDP *(%)*	2.6	2.3	2.3	4.8	3.3	2.9	0.3	1.3	1.6
Unemployment rate *(%)*	5.9	5.8	5.7	4.8	4.4	4.3	7.0	7.3	7.1
Housing starts	32,833	31,496	31,212	37,994	37,548	38,427	27,402	25,494	23,880
Oil prices *(WTI, USD/bbl)*	79	77	78	99	96	97	60	58	58
3m T-bill yield *(%)*	4.5	3.8	3.2	5.6	4.7	3.9	3.3	2.8	2.4

The following tables reconcile the opening and closing allowances for loans, by each major category:

For the three months ended ($ in thousands)	**Balance at beginning of period**	**Provision for (recovery of) loan losses**	**Net write-offs**	**Discounted cash flows on impaired loans and other**	**Balance at end of period**	**Comprises**	
						Loans	**Other credit instruments (1)**
June 30, 2023							
Business	$ 309,589	$ 1,309	$ (24,020)	$ (2,720)	$ 284,158	$ 263,622	$ 20,536
Residential mortgages	8,815	356	(342)	144	8,973	8,288	685
Personal	39,935	2,832	(5,274)	303	37,796	31,337	6,459
Credit card	39,657	(7,406)	(2,290)	78	30,039	20,154	9,885
Total	**$ 397,996**	**$ (2,909)**	**$ (31,926)**	**$ (2,195)**	**$ 360,966**	**$ 323,401**	**$ 37,565**
June 30, 2022							
Business	$ 347,800	$ (4,052)	$ (15,917)	$ 6,179	$ 334,010	$ 315,960	$ 18,050
Residential mortgages	9,197	1,174	(1,306)	117	9,182	8,211	971
Personal	57,202	487	(5,918)	156	51,927	41,076	10,851
Credit card	39,057	3,158	(1,320)	14	40,909	30,520	10,389
Total	**$ 453,256**	**$ 767**	**$ (24,461)**	**$ 6,466**	**$ 436,028**	**$ 395,767**	**$ 40,261**

(1) Other credit instruments, including off-balance-sheet items, are recorded to other liabilities on the consolidated statement of financial position.

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

For the three months ended ($ in thousands)	June 30, 2023				June 30, 2022			
	Performing		Impaired		Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Allowance for loan losses—business loans								
Balance at beginning of period	$ 57,462	$ 77,943	$ 174,184	$ 309,589	$ 61,708	$ 85,846	$ 200,246	$ 347,800
Provision for (recovery of) loan losses								
Transfers into (out of) Stage 1 (1)	2,703	(2,481)	(222)	-	1,931	(1,359)	(572)	-
Transfers into (out of) Stage 2 (1)	(628)	1,842	(1,214)	-	(1,602)	2,917	(1,315)	-
Transfers into (out of) Stage 3 (1)	(396)	(755)	1,151	-	(26)	(683)	709	-
New originations (2)	2,271	-	-	2,271	9,971	20,258	9,085	39,314
Repayments (3)	(1,394)	(5,563)	(556)	(7,513)	(6,335)	(19,946)	(8,653)	(34,934)
Remeasurements (4)	12,845	(7,902)	1,608	6,551	(5,732)	1,053	(3,753)	(8,432)
Total provision for (recovery of) loan losses	**15,401**	**(14,859)**	**767**	**1,309**	**(1,793)**	**2,240**	**(4,499)**	**(4,052)**
Write-offs	-	-	(24,206)	(24,206)	-	-	(16,325)	(16,325)
Recoveries	-	-	186	186	-	-	408	408
Discounted cash flows on impaired loans and other	(62)	(9)	(2,649)	(2,720)	110	201	5,868	6,179
Balance at end of period	**$ 72,801**	**$ 63,075**	**$ 148,282**	**$ 284,158**	**$ 60,025**	**$ 88,287**	**$ 185,698**	**$ 334,010**

Allowance for loan losses—residential mortgages								
Balance at beginning of period	$ 4,997	$ 2,711	$ 1,107	$ 8,815	$ 4,269	$ 2,146	$ 2,782	$ 9,197
Provision for (recovery of) loan losses								
Transfers into (out of) Stage 1 (1)	577	(555)	(22)	-	356	(310)	(46)	-
Transfers into (out of) Stage 2 (1)	(63)	167	(104)	-	(30)	58	(28)	-
Transfers into (out of) Stage 3 (1)	(1)	(104)	105	-	(1)	(76)	77	-
New originations (2)	95	-	-	95	74	-	-	74
Repayments (3)	(42)	(47)	(19)	(108)	(44)	(39)	(155)	(238)
Remeasurements (4)	47	99	223	369	(178)	232	1,284	1,338
Total provision for (recovery of) loan losses	**613**	**(440)**	**183**	**356**	**177**	**(135)**	**1,132**	**1,174**
Write-offs	-	-	(364)	(364)	-	-	(1,329)	(1,329)
Recoveries	-	-	22	22	-	-	23	23
Discounted cash flows on impaired loans and other	-	-	144	144	-	-	117	117
Balance at end of period	**$ 5,610**	**$ 2,271**	**$ 1,092**	**$ 8,973**	**$ 4,446**	**$ 2,011**	**$ 2,725**	**$ 9,182**

(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 and risk and model parameters.

For the three months ended ($ in thousands)	June 30, 2023 Performing Stage 1	June 30, 2023 Performing Stage 2	June 30, 2023 Impaired Stage 3	June 30, 2023 Total	June 30, 2022 Performing Stage 1	June 30, 2022 Performing Stage 2	June 30, 2022 Impaired Stage 3	June 30, 2022 Total
Allowance for loan losses—personal loans								
Balance at beginning of period	$ 23,065	$ 7,856	$ 9,014	$ 39,935	$ 32,048	$ 16,157	$ 8,997	$ 57,202
Provision for (recovery of) loan losses								
Transfers into (out of) Stage 1 (1)	2,193	(1,936)	(257)	-	4,227	(4,060)	(167)	-
Transfers into (out of) Stage 2 (1)	(486)	846	(360)	-	(863)	1,152	(289)	-
Transfers into (out of) Stage 3 (1)	(163)	(673)	836	-	(21)	(646)	667	-
New originations (2)	766	-	-	766	1,293	302	201	1,796
Repayments (3)	(311)	(232)	(238)	(781)	(689)	(496)	(183)	(1,368)
Remeasurements (4)	(4,234)	1,579	5,502	2,847	(6,750)	1,898	4,911	59
Total provision for (recovery of) loan losses	**(2,235)**	**(416)**	**5,483**	**2,832**	**(2,803)**	**(1,850)**	**5,140**	**487**
Write-offs	-	-	(5,289)	(5,289)	-	-	(5,928)	(5,928)
Recoveries	-	-	15	15	-	-	10	10
Discounted cash flows on impaired loans and other	-	-	303	303	-	-	156	156
Balance at end of period	**$ 20,830**	**$ 7,440**	**$ 9,526**	**$ 37,796**	**$ 29,245**	**$ 14,307**	**$ 8,375**	**$ 51,927**
Allowance for loan losses—credit card								
Balance at beginning of period	$ 19,173	$ 18,215	$ 2,269	$ 39,657	$ 21,969	$ 13,880	$ 3,208	$ 39,057
Provision for (recovery of) loan losses								
Transfers into (out of) Stage 1 (1)	11,558	(11,558)	-	-	3,014	(3,014)	-	-
Transfers into (out of) Stage 2 (1)	(471)	471	-	-	(356)	356	-	-
Transfers into (out of) Stage 3 (1)	(32)	(636)	668	-	(30)	(437)	467	-
New originations (2)	255	-	-	255	137	30	-	167
Repayments (3)	(228)	(1,128)	-	(1,356)	129	562	11	702
Remeasurements (4)	(12,276)	3,996	1,975	(6,305)	(1,191)	3,208	272	2,289
Total provision for (recovery of) loan losses	**(1,194)**	**(8,855)**	**2,643**	**(7,406)**	**1,703**	**705**	**750**	**3,158**
Write-offs	-	-	(5,335)	(5,335)	-	-	(3,625)	(3,625)
Recoveries	-	-	3,045	3,045	-	-	2,305	2,305
Discounted cash flows on impaired loans and other	(16)	(6)	100	78	11	3	-	14
Balance at end of period	**$ 17,963**	**$ 9,354**	**$ 2,722**	**$ 30,039**	**$ 23,683**	**$ 14,588**	**$ 2,638**	**$ 40,909**
Total balance as at end of period	**$ 117,204**	**$ 82,140**	**$ 161,622**	**$ 360,966**	**$ 117,399**	**$ 119,193**	**$ 199,436**	**$ 436,028**
Comprises: Loans	$ 88,204	$ 73,575	$ 161,622	$ 323,401	$ 86,155	$ 110,176	$ 199,436	$ 395,767
Comprises: Other credit instruments (5)	29,000	8,565	-	37,565	31,244	9,017	-	40,261

(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 and risk and model parameters.
(5) Other credit instruments, including off-balance-sheet items, are recorded to other liabilities on the consolidated statement of financial position.

9 Collateralized Borrowings

Canada Mortgage Bonds Program

ATB periodically securitizes insured RMLs and certain securities by participating in the *National Housing Act* Mortgage-Backed Security (MBS) Program. The MBSs issued as a result of this program are pledged to the CMB program or to third-party investors. The sale of mortgage pools and certain securities that comprise the MBSs does not qualify for derecognition as outlined in IFRS 9 *Financial Instruments*, as ATB retains the prepayment, credit and interest rate risks, which represent substantially all the risks and rewards. Therefore, it is accounted for as a collateralized borrowing. (For more on the program, refer to Note 15 of the 2023 annual consolidated financial statements.)

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 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 RMLs, credit card receivables and assets pledged as collateral for the associated liability recognized in the consolidated statement of financial position:

As at *($ in thousands)*	**June 30 2023**	**March 31 2023**
Principal value of mortgages pledged as collateral	$ 6,143,332	$ 6,093,429
ATB mortgage-backed securities (MBSs) pledged as collateral through repurchase agreements	1,510,171	1,721,022
Externally purchased MBSs	95,176	99,829
Principal value of credit card receivables pledged as collateral	677,291	651,923
Total	**$ 8,425,970**	**$ 8,566,203**
Associated liabilities	$ 7,576,445	$ 7,891,866

10 Payment in Lieu of Tax

Pursuant to the *ATB Act*, the GoA may assess a charge to ATB as prescribed by the *Alberta Financial Regulation* (*ATB Regulation*). The *ATB Regulation* defines the charge to be an amount equal to 23% of ATB's consolidated NI as reported in our interim condensed consolidated statements of income under IFRS.

For the three months ended June 30, 2023, ATB has accrued a total of $35.8 million (March 31, 2023: $26.4 million and June 30, 2022: $34.2 million) for PILOT.

11 Capital Management

ATB measures and reports capital adequacy to ensure we meet the minimum levels set out by our regulator, the ASFI, while supporting the continued growth of our business.

As a Crown corporation, ATB and our 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%. The total capital requirement is the greater of 10% of risk-weighted assets or 5% of total assets. Risk weights are established for various on- 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 wholesale borrowings and the collective allowance for loan losses. (For more details, refer to Note 24 of the 2023 annual consolidated financial statements.)

As at June 30, 2023, ATB has exceeded the total capital requirements and Tier 1 capital requirement of the *Capital Requirements* guideline.

As at *($ in thousands)*	**June 30 2023**	**March 31 2023**
Tier 1 capital		
Retained earnings	$ 5,096,593	$ 4,976,622
Tier 2 capital		
Eligible portions of:		
Wholesale borrowings	1,105,324	1,437,268
Collective allowance for loan losses	199,344	211,422
Total Tier 2 capital	**$ 1,304,668**	**$ 1,648,690**
Deductions from capital		
Software and other intangibles	206,639	216,199
Total capital	**$ 6,194,622**	**$ 6,409,113**
Total risk-weighted assets	$ 39,319,773	$ 38,526,125
Risk-weighted capital ratios		
Tier 1 capital ratio	13.0%	12.9%
Total capital ratio	15.8%	16.6%

12 Segmented Information

ATB has organized our operations and activities around the following three AOEs, which differ in products and services offered:

- **Everyday Financial Services** provides financial services to individuals, entrepreneurs and small businesses through our online banking platforms (ATB Personal and ATB Business Banking), voice banking, automated banking machine network and physical distribution network, powered by the ATB team members in branches, agencies and ATB Client Care.
- **ATB Business** provides financial advisory services to medium and large businesses, corporations and agricultural clients.
- **ATB Wealth** provides investment advisory services, investment management, insurance solutions, private banking and institutional portfolio management solutions.

ATB's SSUs provide company-wide expertise and support our AOEs in being client-obsessed and providing and delivering the best experience, products and services to our clients. The SSUs comprise business units of a corporate nature, including finance, risk management, technology, treasury operations, human resources, internal assurance and other functions.

Basis of Presentation

Results presented in the following schedule are based on ATB's internal financial reporting systems. The accounting policies used in preparing the schedules are consistent with those followed in preparing the consolidated financial statements, as we disclose in the notes to the statements. Since these AOEs align with ATB's internal management structure, they may not be directly comparable to those of other financial institutions. (Refer to Note 26 of the 2023 annual consolidated financial statements.)

NII is attributed to each AOE according to ATB's internal funds transfer pricing (FTP) system: assets earn NII to the extent that external revenues exceed internal FTP expense, and liabilities earn NII to the extent that internal FTP revenues exceed external interest expenses. LLP is allocated based on the loans the AOE has issued and is determined based on the methodology outlined in Notes 2 and 9 of the 2023 annual consolidated financial statements.

Direct expenses are attributed across AOEs as incurred. Certain indirect expenses are allocated to ATB Wealth and ATB Capital Markets Inc. on the basis of service-level agreements. Other indirect costs are allocated between the reporting segments using indirect allocation methods that incorporate financial and activity-based cost drivers. Indirect expenses that are not allocated and direct expenses of a corporate or support nature are reported under SSUs.

For the three months ended ($ in thousands)	Everyday Financial Services	ATB Business	ATB Wealth	Strategic support units	Total
June 30, 2023					
Net interest income (loss)	$ 139,932	$ 189,993	$ 10,487	$ (8,585)	$ 331,827
Other income (loss)	35,919	62,356	66,098	1,759	166,132
Total revenue (loss)	175,851	252,349	76,585	(6,826)	497,959
Provision for (recovery of) loan losses	(3,779)	(20)	(82)	972	(2,909)
Non-interest expenses (1)	138,950	127,636	70,043	8,432	345,061
Income (loss) before payment in lieu of tax	40,680	124,733	6,624	(16,230)	155,807
Payment in lieu of (recovery of) tax	9,356	28,689	1,523	(3,732)	35,836
Net income (loss)	**$ 31,324**	**$ 96,044**	**$ 5,101**	**$ (12,498)**	**$ 119,971**
Total assets	$ 30,092,944	$ 26,200,303	$ 1,560,261	$ 476,802	$ 58,330,310
Total liabilities	18,081,999	19,434,720	1,588,338	14,348,387	53,453,444
March 31, 2023					
Net interest income (loss)	$ 141,124	$ 191,858	$ 11,138	$ (10,484)	$ 333,636
Other income (loss)	36,248	61,882	65,099	(4,931)	158,298
Total revenue (loss)	177,372	253,740	76,237	(15,415)	491,934
Provision for (recovery of) loan losses	1,553	14,909	(72)	(298)	16,092
Non-interest expenses (1)	138,203	137,103	73,972	11,793	361,071
Income (loss) before payment in lieu of tax	37,616	101,728	2,337	(26,910)	114,771
Payment in lieu of (recovery of) tax	8,651	23,397	537	(6,188)	26,397
Net income (loss)	**$ 28,965**	**$ 78,331**	**$ 1,800**	**$ (20,722)**	**$ 88,374**
Total assets	$ 29,690,377	$ 25,138,891	$ 1,611,751	$ 1,029,838	$ 57,470,857
Total liabilities	17,855,557	18,647,478	1,636,339	14,514,563	52,653,937
June 30, 2022					
Net interest income	$ 128,941	$ 182,959	$ 9,314	$ 2,819	$ 324,033
Other income	31,030	50,531	66,594	3,929	152,084
Total revenue	159,971	233,490	75,908	6,748	476,117
Provision for (recovery of) loan losses	10,648	(4,057)	664	(6,488)	767
Non-interest expenses (1)	133,178	118,145	63,452	11,784	326,559
Income (loss) before payment in lieu of tax	16,145	119,402	11,792	1,452	148,791
Payment in lieu of (recovery of) tax	3,713	27,462	2,712	335	34,222
Net income (loss)	**$ 12,432**	**$ 91,940**	**$ 9,080**	**$ 1,117**	**$ 114,569**
Total assets	$ 28,658,056	$ 24,922,894	$ 1,219,846	$ 4,170,443	$ 58,971,239
Total liabilities	17,279,638	19,380,397	1,230,079	16,645,975	54,536,089

(1) Certain costs are allocated from the SSUs to the AOEs. The allocation method, revised annually, may create fluctuations in ATB's segmented results.

13 Comparative Amounts

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

GLOSSARY

(Unaudited)

Achievement note	A long-term investment note whose return is directly tied to the increasing or decreasing value of ATB Wealth.
Allowance for loan losses	A total allowance that represents management's best estimate of expected losses for both performing and impaired loans that ATB has issued. Losses are estimated based on probability-weighted scenarios that consider both historical and forward-looking economic assumptions over a 12-month and lifetime horizon or on the discounted contractual cash shortfall expected over the remaining lifetime.
Assets under administration	Assets that are beneficially owned by clients for which ATB provides management and custodial services. These assets are not reported on ATB's consolidated statement of financial position.
Average assets	The average of the daily total asset balances during the period.
Average interest-earning assets	The daily average for the period of cash held in the Bank of Canada's large-value transfer system, deposits with financial institutions, securities and net loans.
Average risk-weighted assets	The monthly average value of assets calculated by applying a prescribed risk-weighted factor to on- and off-balance-sheet asset exposures.
Basis point	One one-hundredth of one per cent (0.01%).
Carrying value	The net value of an asset or liability as reported within the consolidated financial statements.
Collateral	Assets pledged as security for a loan or other obligation.
Credit risk	The risk of financial loss resulting from failure of a debtor, for whatever reason, to fully honour its financial or contractual obligations to ATB.
Derivative or derivative contract	A contract whose value changes by reference to a specified underlying variable, such as interest rates, foreign exchange rates or equity or commodity prices. Use of derivatives allows for the mitigation of current or expected risks relating to these variables. Derivatives typically require little or no initial net investment and are settled at a future date. The most common types of derivatives ATB uses include interest rate swaps, foreign exchange and commodity forwards, and futures contracts.
Efficiency ratio	Non-interest expense for the period divided by total revenue for the period. May be referred to as the "productivity ratio" by other financial institutions.
Embedded derivative	A component of a financial instrument or other contract with features similar to a derivative.
Fair value	The amount for which an asset or liability could be exchanged between knowledgeable, willing parties in an arm's-length transaction.
Financial instrument	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset/liability is the right to receive/deliver cash or another financial asset or the right to exchange financial instruments with another party under favourable or unfavourable conditions. An equity instrument is a contract that represents a residual interest in another entity's assets.
Foreign exchange forward contract	A commitment to buy or sell a fixed amount of foreign currency on a future specified date at a set rate of exchange.
Foreign exchange risk	The potential risk of loss resulting from fluctuations in foreign exchange rates. It 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.
Forwards and futures	Commitments to buy or sell designated amounts of commodities or currencies on a specified date at a predetermined price. Forwards are customized contracts transacted in the over-the-counter market. Futures are traded on recognized exchanges.
Funds transfer pricing (FTP)	An internal allocation process used to calculate the profitability of the areas of expertise and isolate them from interest rate risk.
Hedging	A risk management technique used to reduce uncertainty associated with current or anticipated exposure to future movements in interest rates, foreign exchange rates and equity or commodity prices.
Impaired loan	A loan for which there is no longer reasonable assurance of the timely collection of principal or interest.
Income before provisions	All ATB revenue (operating revenue) minus non-interest expense (operating expenses). Does not include payment in lieu of tax or loan loss provision expenses.
Interest rate floor	A contract whereby the buyer pays the seller a premium in exchange for the payment of any difference below a set strike interest rate and the prevailing market interest rate on predetermined dates.

Interest rate risk	The potential for financial loss arising from changes in interest rates in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship.
Letter of credit	ATB's guarantee of payment to an interested third party in the event the client defaults on an agreement.
Letter of guarantee	A contract issued by ATB for a client to purchase goods from a supplier, even if the client defaults.
Liquidity coverage ratio (LCR)	High-quality liquid assets divided by total net cash outflows over the next 30 calendar days. LCR is designed to ensure sufficient liquid assets are on hand to endure a short-term liquidity stress scenario over 30 calendar days. Under normal conditions, the LCR should be no lower than 100%.
Liquidity risk	The risk of being unable to meet financial commitments, under all circumstances, without having to raise funds at unreasonable prices or force the sale of assets. As with other similar financial institutions, ATB's risk arises from fluctuations in cash flows from lending, deposit-taking, investing and other activities. These commitments are generally met through cash flows supplemented by investment assets readily convertible to cash or through our capacity to borrow.
Loan loss provision (LLP)	An expense representing management's best estimate of expected losses for both performing and impaired loans as well as related off-balance-sheet loan commitments that ATB has issued. Losses are estimated based on probability-weighted scenarios that consider both historical and forward-looking economic assumptions over a 12-month or lifetime horizon or based on the discounted contractual cash shortfall expected over the remaining lifetime.
Loan losses to average loans	The provision for loan losses divided by average net loans.
Market risk	The risk that a loss may be incurred as a result of adverse changes in interest rates, foreign exchange rates and equity or commodity market prices.
Mortgage-backed securities (MBSs)	Securities established through the securitization of residential mortgage loans.
Net assets gathered	Net of assets inflows and outflows at period end.
Net income (NI)	Income after the removal of expenses, provision for loan losses and payment in lieu of tax.
Net interest income (NII)	The difference between interest earned on assets, such as cash, securities and loans, and interest paid on liabilities, such as deposits and wholesale and collateralized borrowings.
Net interest margin (NIM)	The ratio of net interest income for the period to the value of average interest-earning assets for the period.
Net loan change	Net loans outstanding at period end less net loans outstanding at the previous period end, divided by net loans outstanding at the previous period end.
Net loans	Gross loans less the allowance for loan losses.
Notional amount	The principal value used to calculate interest and other payments under derivative contracts. The amounts are termed "notional" because they are not usually exchanged, except in the case of cross-currency swaps; they serve only as the basis for calculating amounts that do change hands.
Off-balance-sheet instruments	Assets or liabilities that are not recorded on the balance sheet but have the potential to produce future positive or negative cash flows. Various products offered to clients can be classified as off-balance sheet, and they fall into two general categories: credit-related arrangements, such as letters of credit and letters of guarantee, and the notional amount of derivatives.
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal risk but not strategic or reputational.
Option	A contract between two parties whereby the buyer of the option has the right but no obligation to buy (call) or sell (put) a specified financial instrument or currency at a set price or rate on or before a specified future date or on a series of specified future dates.
Other income to total revenue	Other income for the period divided by total revenue for the period.
Performing loan change	Performing loans outstanding at period end less performing loans outstanding at the previous period end, divided by performing loans outstanding at the previous period end.
Performing loans	Net loans, excluding impaired loans.
Provision for loan losses (LLP)	See "loan loss provision."
Regulatory risk	The risk of non-compliance with applicable regulatory requirements: (a) the *ATB Act* and *ATB Regulation* and guidelines, and (b) other laws, rules, regulations and prescribed practices applicable to ATB in any jurisdiction in which we operate.
Reputational risk	The potential that negative stakeholder impressions, whether true or not, regarding ATB's business practices, actions or inaction will or may cause deterioration in ATB's value, brand, liquidity, client base or relationship with our Shareholder.

Return on average assets	Net income for the period divided by average total assets for the period.
Return on average risk-weighted assets	Net income for the period divided by average risk-weighted assets for the period.
Securities purchased under reverse repurchase agreements	The purchase of securities for cash and the concurrent sale of the securities for value at a later date. Normally, such transactions are not considered economic sales and consequently are treated as collateralized financing transactions.
Securities sold under repurchase agreements	The cash sale of securities and the concurrent repurchase of the securities for value at a later date. Normally, such transactions are not considered economic sales and consequently are treated as collateralized financing transactions.
Securitization	The process by which a pool of financial assets, mainly loans, are converted into asset-backed securities and transferred to a trust that normally issues a series of asset-backed securities to investors to fund the purchase of loans.
Swaps	A contractual agreement between two parties to exchange a series of cash flows. For interest rate swaps, counterparties generally exchange fixed- and floating-rate interest payments based on a notional amount in a single currency. For cross-currency swaps, counterparties generally exchange one currency for another at a set date.
Tier 1 capital	A measure of retained earnings used to determine regulatory ratios set out by our regulator, the Alberta Superintendent of Financial Institutions.
Tier 1 capital ratio	Tier 1 capital divided by risk-weighted assets.
Total asset change	Total assets outstanding at period end less total assets outstanding at the previous period end, divided by total assets outstanding at the previous period end.
Total capital	An assessed regulatory measure of Tier 1 capital; Tier 2 capital consisting of eligible portions of subordinated debentures, wholesale borrowings and the collective allowance for loan losses; and the deduction of software and other intangibles.
Total capital ratio	Total capital divided by risk-weighted assets.
Total deposit change	Total deposits outstanding at period end less total deposits outstanding at the previous period end, divided by total deposits outstanding at the previous period end.
Total expense change	The current period's non-interest expense less the previous period's non-interest expense, divided by the previous period's non-interest expense.
Total revenue	The sum of net interest income and other income.
Total revenue change	The current period's total revenue less the previous period's total revenue, divided by the previous period's total revenue.

ACRONYMS

(unaudited)

AcSB	Accounting Standards Board
AOCI	Accumulated other comprehensive income
AOE	Area of expertise
ASFI	Alberta Superintendent of Financial Institutions
AUA	Assets under administration
BRR	Borrower risk rating
CAR Guideline	Capital Adequacy Requirements Guideline
CARR	Canadian Alternative Reference Rate working group
CDOR	Canadian Dollar Offered Rate
CMB	Canada Mortgage Bonds
CORRA	Canadian Overnight Repo Rate Average
EBITDA	Earnings before interest, income tax, depreciation and amortization
ECL	Expected credit loss
EFS	Everyday Financial Services
FICO	Fair Isaac Corporation
FTE	Full-time equivalent
FTP	Funds transfer pricing
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
FX	Foreign exchange
FY	Fiscal year (e.g., FY2024)
GDP	Gross domestic product
GoA	Government of Alberta
HELOC	Home equity line of credit
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IBOR	Interbank offered rate
IFRS	International Financial Reporting Standards
ISSB	International Sustainability Standards Board
LCR	Liquidity coverage ratio
LIBOR	London Interbank Offered Rate
LLP	Loan loss provision (also “provision for loan losses”)
MBS	Mortgage-backed security
MD&A	Management’s discussion and analysis
NI	Net income
NIE	Non-interest expense
NII	Net interest income
NIM	Net interest margin
OI	Other income
PILOT	Payment in lieu of tax
RML	Residential mortgage loan
SSU	Strategic support unit
WTI	West Texas Intermediate