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FY19 Q2 Financial Highlights

	For the three months ended			For the six months ended	
	September 30	June 30	September 30	**September 30**	September 30
($ in thousands)	**2018**	2018	2017	**2018**	2017
Operating results					
Net interest income	**$ 299,019**	$ 296,781	$ 283,542	**$ 595,800**	$ 548,250
Other income	**123,228**	115,243	108,800	**238,471**	215,448
Operating revenue	**422,247**	412,024	392,342	**834,271**	763,698
Provision for loan losses	**53,042**	50,322	47,228	**103,364**	68,723
Non-interest expenses	**278,913**	287,207	263,618	**566,120**	531,479
Net income before payment in lieu of tax	**90,292**	74,495	81,496	**164,787**	163,496
Payment in lieu of tax	**20,812**	17,199	18,744	**38,011**	37,604
Net income	**$ 69,480**	$ 57,296	$ 62,752	**$ 126,776**	$ 125,892
Income before provision for loan losses[1]					
Operating revenue	**$ 422,247**	$ 412,024	$ 392,342	**$ 834,271**	$ 763,698
Less: non-interest expenses	**(278,913)**	(287,207)	(263,618)	**(566,120)**	(531,479)
Income before provision for loan losses	**$ 143,334**	$ 124,817	$ 128,724	**$ 268,151**	$ 232,219
Financial position *($ in thousands)*					
Net loans	**$ 46,078,401**	$ 45,110,251	$ 42,277,376	**$ 46,078,401**	$ 42,277,376
Total assets	**$ 54,289,158**	$ 53,332,092	$ 49,605,998	**$ 54,289,158**	$ 49,605,998
Total risk-weighted assets	**$ 36,988,347**	$ 35,831,982	$ 33,909,415	**$ 36,988,347**	$ 33,909,415
Total deposits	**$ 34,891,423**	$ 34,453,566	$ 33,005,193	**$ 34,891,423**	$ 33,005,193
Equity	**$ 3,434,720**	$ 3,426,124	$ 3,148,277	**$ 3,434,720**	$ 3,148,277
Key performance measures *(%)*					
Return on average assets	**0.51**	0.44	0.51	**0.48**	0.52
Return on average risk-weighted assets	**0.76**	0.64	0.74	**0.70**	0.75
Operating revenue growth[2]	**7.6**	11.0	5.3	**9.2**	1.4
Other income to operating revenue	**29.2**	28.0	27.7	**28.6**	28.2
Operating expense growth[2]	**5.8**	7.2	6.1	**6.5**	5.7
Efficiency ratio	**66.1**	69.7	67.2	**67.9**	69.6
Net interest margin	**2.27**	2.33	2.37	**2.30**	2.31
Loan losses to average loans	**0.46**	0.45	0.45	**0.46**	0.33
Net loan growth[3]	**2.1**	2.3	1.5	**4.5**	3.6
Total deposit growth[3]	**1.3**	5.4	(2.0)	**6.8**	(2.7)
Growth in assets under administration[3]	**2.9**	3.7	2.6	**6.6**	5.4
Tier 1 capital ratio[4]	**9.9**	10.0	9.8	**9.9**	9.8
Total capital ratio[4]	**14.5**	15.0	13.8	**14.5**	13.8
Other information					
ATB Wealth assets under administration *($ in thousands)*	**19,908,122**	19,355,357	17,631,988	**19,908,122**	17,631,988
Total customers	**763,611**	756,690	740,125	**763,611**	740,125
Team members[5]	**5,452**	5,459	5,175	**5,452**	5,175

(1)A non-GAAP (generally accepted accounting principles) measure, is defined as operating revenue less non-interest expenses.
(2)Measures are calculated by comparing current quarter balances against the same quarter of the previous year.
(3)Measures are calculated by comparing current quarter balances against the prior quarter. The year-to-date measures are calculated by comparing current year balances against balances at March 31, 2018. Due to rounding, the year-to-date results may not equal the aggregate of the first and second quarter results.
(4)Calculated in accordance with the Alberta Superintendent of Financial Institutions (ASFI) capital requirements guidelines.
(5)Number of team members includes casual and commissioned.

Caution regarding forward-looking statements

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

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

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

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

The following Management's Discussion and Analysis (MD&A) considers ATB's results of operations and financial position for the six months ended September 30, 2018 and is dated November 15, 2018. The MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements and related notes for the period ended September 30, 2018 as well as the audited consolidated financial statements and MD&A for the year ended March 31, 2018.

Economic Outlook

Alberta's economy at a glance

	Calendar Year		
	2018	**2019**	**2020**
Real GDP growth (annual % change)	2.7	2.3	2.3
Consumer Price Index (annual % change)	2.0	1.8	1.7
Unemployment rate (%)	6.4	6.1	5.7
Exchange Rate ($1 CAD / USD)	0.77	0.75	0.80
Bank of Canada overnight lending rate (%)	1.50	2.0	2.25

Alberta's economic growth in the final months of the year is expected to lead all provinces and to grow steadily over the next couple of years with NAFTA resolved and new Canadian trade opportunities being explored.

ATB is forecasting real GDP growth close to 3% this year, and approximately 2% in FY20. However, the province is not without its challenges.

Alberta's economic challenges

Even though North America's benchmark price for oil (West Texas Intermediate, WTI) has strengthened, domestically, Canadian oil prices (Western Canadian Select, WCS) face challenges. Recently, energy transportation and refinery maintenance have caused WCS to trade at a USD $40-45 discount to WTI. Looking forward, these issues will continue to keep WCS prices low and hamper oil and gas investment in the short and medium term.

Alberta is also facing labour market challenges. Despite progress in a few key job categories over the past twelve months, Alberta's job market continues to be volatile, with job gains and losses during the year. We expect this trend to continue throughout FY19 as Alberta's labour market continues its recovery.

NAFTA's renegotiation this autumn reduced trade uncertainty and alleviated some angst for both Canadian and Alberta businesses. It is too soon to tell how the new US-Mexico-Canada Agreement (USMCA) will affect Alberta, but the preliminary outlook is optimistic.

Despite the challenges Alberta is facing, the province's economy continues to forge ahead. A few key sectors, particularly the manufacturing, retail, technology, agriculture, agri-food, and tourism industries, are expected to help Alberta's economy expand in FY20 and FY21.

Net Income

For the quarter ended September 30, 2018, ATB earned $69.5 million, a $12.2 million (21.3%) increase from the previous quarter, led by an increase in other income and a decrease in non-interest expenses. Compared to the same quarter last year, net income increased $6.7 million (10.7%), driven by operating revenue growth. Year-to-date net income is $126.8 million and is consistent with last year.

ATB's net contribution to the Government of Alberta, comprised of net income, ATB's portion of payment in lieu of taxes, and deposit guarantee fee for the quarter, was $103.9 million, an increase of $16.0 million (18.2%) from last quarter's $87.9 million. For the same quarter last year, net contribution was $94.0 million, an increase of $9.9 million (10.6%). Year-to-date net contribution is $191.8 million, an increase of $3.3 million (1.7%) compared to the first six months of last year.

Income before provision for loan losses this quarter is $143.3 million, a $18.5 million (14.8%) increase from last quarter, and a $14.6 million (11.3%) increase from the same quarter last year. Year-to-date income before provision for loan losses is $268.2 million, a $35.9 million (15.5%) increase over last year. The increases are due to the same factors driving net income.

Operating Revenue

Total operating revenue, which consists of net interest income and other income, ended the quarter at $422.2 million, with $299.0 million in net interest income and $123.2 million in other income. This represents an increase of $10.2 million (2.5%) from the previous quarter, driven by an increase in other income. Compared to the same quarter last year, operating revenue increased $29.9 million (7.6%), equally driven by net interest income and other income. This is largely due to loans outgrowing deposits and ATB Wealth and capital markets revenue generated by AltaCorp Capital Inc. (AltaCorp).

On a year-to-date basis, operating revenue is $834.3 million, representing a $70.6 million (9.2%) increase over the first six months of last year. This is due to the same drivers as our year-over-year growth along with the three prime rate increases.

Net Interest Income

Net interest income represents the difference between interest earned on assets, such as loans and securities, and interest paid on liabilities, such as deposits and collateralized borrowings. Net interest income was $299.0 million this quarter, an increase of $2.2 million (0.8%) from last quarter and $15.5 million (5.5%) from the same quarter last year. This is primarily driven by loans outgrowing deposits, which is partially offset by higher deposit costs.

Net Interest Margin

Net interest margin is the ratio of net interest income to average interest-earning assets. This is an important measure to ATB as it indicates the profitability of our lending business. For the quarter ended September 30, 2018, net interest margin was 2.27%, lower than the 2.33% attained last quarter and the 2.37% achieved during the same quarter last year. The decrease from last quarter was mainly driven by deposit costs due to the new non-redeemable fixed-date deposit last quarter. The decrease from the same time last year was driven by not only the new deposit as previously noted, but higher deposit costs as we change our deposit pricing strategies to support loan growth.

Net Interest Income

($ in thousands)	For the three months ended September 30, 2018 vs. June 30, 2018 — Increase (decrease) due to changes in: Volume	Rate	Net change	September 30, 2018 vs. September 30, 2017 — Increase (decrease) due to changes in: Volume	Rate	Net change	For the six months ended September 30, 2018 vs. September 30, 2017 — Increase (decrease) due to changes in: Volume	Rate	Net change
Assets									
Interest-bearing deposits with financial institutions, and securities	$ 50	$ 2,859	$ 2,909	$ 2,171	$ 13,649	$ 15,820	$ 2,702	$ 26,216	$ 28,918
Loans	10,610	14,625	25,235	37,988	21,543	59,531	72,540	44,309	116,849
Change in interest income	$ 10,660	$ 17,484	$ 28,144	$ 40,159	$ 35,192	$ 75,351	$ 75,242	$ 70,525	$ 145,767
Liabilities									
Deposits	4,052	19,430	23,482	3,724	34,487	38,211	1,775	51,830	53,605
Wholesale borrowings	(704)	1,144	440	8,661	587	9,248	19,927	(895)	19,032
Collateralized borrowings	875	1,158	2,033	6,221	4,761	10,982	13,213	8,947	22,160
Securities sold under repurchase agreements	(444)	371	(73)	644	767	1,411	1,902	1,784	3,686
Subordinated debentures	50	(26)	24	58	(36)	22	(25)	(241)	(266)
Change in interest expense	$ 3,829	$ 22,077	$ 25,906	$ 19,308	$ 40,566	$ 59,874	$ 36,792	$ 61,425	$ 98,217
Change in net interest income	$ 6,831	$ (4,593)	$ 2,238	$ 20,851	$ (5,374)	$ 15,477	$ 38,450	$ 9,100	$ 47,550

Other Income

Other income consists of all operating revenue not classified as net interest income. ATB recorded $123.2 million this quarter, which is $8.0 million (6.9%) higher than the previous quarter. The increase is mainly driven by higher foreign-exchange revenue, due to a combination of the movement in the Canadian dollar and increased foreign-exchange activity. ATB Wealth revenue also increased as assets under administration continue to grow, increasing $0.6 billion (2.9%). This is partially offset by lower realized gains from securities sold in our liquidity risk management portfolio.

Compared to the same quarter last year, other income increased by $14.4 million (13.3%). Again, this was driven by revenue generated by ATB Wealth. In addition, we earned capital markets revenue with AltaCorp becoming a wholly controlled subsidiary in the fourth quarter last year.

On a year-to-date basis, other income is $238.5 million, representing an increase of $23.0 million (10.7%) over the first six months of last year, again driven by ATB Wealth and capital markets revenue generated by AltaCorp. This is partially offset by a decrease in foreign-exchange revenue, as the Canadian dollar showed a stronger recovery last year during this period compared to the current year.

Credit Quality

The provision for loan losses is recorded to recognize the net of write-offs, recoveries and required changes to the allowance for Stage 1, 2 and 3 loans over the quarter. During the quarter, ATB recorded a $53.0 million provision, driven by write-offs in our retail portfolio and Stage 3 impairments for our independent business loans. Overall, the provision increased by $2.7 million (5.4%) from last quarter, and by $5.8 million (12.3%) from the same quarter last year. Loan losses for the current fiscal year reflect the methodology under International Financial Reporting Standards (IFRS) 9, which replaces the guidance in International Accounting Standards (IAS) 39.

Unlike the recoveries seen throughout the last fiscal year and last quarter, the total Stage 1 and Stage 2 provision significantly increased this quarter. More impairments, along with credit deterioration in the non-retail portfolio, resulted in loans moving from Stage 1 to Stage 2 during the quarter. The year-over-year increase is due to the new IFRS 9 expected credit loss methodology that came into effect this fiscal year. The Stage 2 increase this quarter highlights the volatility that IFRS 9 has introduced.

While economic growth is expected, concerns remain over Canadian oil prices, pipeline infrastructure, and labour market challenges that unfavourably impacted our macroeconomic factors used to calculate our loan losses. Overall, the credit quality of our customers in CFS has remained steady.

On a year-to-date basis, the provision for loan losses is $103.4 million, an increase of $34.7 million (50.4%) from the same time last year, resulting from a significant increase in our Stage 3 provision as more accounts, particularly in independent business, have become impaired.

Management remains confident in the overall quality of the portfolio, supported by our strong credit- and loss-limitation practices. As at September 30, 2018, gross impaired loans of $508.3 million comprise 1.1% of the total loan portfolio (June 30, 2018: 1.5%, September 30, 2017: 1.5%).

Non-Interest Expenses

Non-interest expenses consist of all expenses except for interest expenses and the provision for loan losses. This quarter’s total non-interest expenses are $278.9 million, a $8.3 million (2.9%) decrease from last quarter, primarily due to lower salary and employee benefits, data processing and occupancy costs. Salaries and benefits decreased with the most noticeable contributor being team members meeting their maximum employee contribution limits last quarter. Data processing was lower mainly due to lower software maintenance, and premises and occupancy decreased due to one-time savings.

Compared to the same quarter last year, non-interest expenses increased by $15.3 million (5.8%), primarily due to an increase in salaries and employee benefits related to and increase in team members and one-time payments. Software and data processing costs driven by ATB’s transformation initiatives also contributed to the higher non-interest expenses.

On a year-to-date basis, non-interest expenses are $566.1 million, a $34.6 million (6.5%) increase over the first six months of last year and is again a result of the year-over-year drivers previously noted. In addition, higher sponsorship and media and advertising costs further contributed to the increase.

The efficiency ratio is calculated by dividing non-interest expenses by operating revenue and measures how much it costs ATB to generate revenue. A lower ratio is indicative of higher efficiency at generating income. For the quarter ended September 30, 2018, ATB reported an efficiency ratio of 66.1% compared to 69.7% last quarter, and 67.2% for the same period last year.

On a year-to-date basis, the efficiency ratio is 67.9%, which improved from last year’s ratio of 69.6%, as our growth in operating revenue outpaced the investment in team members and transforming ATB.

The improvements over prior periods are due to the same factors described above that influenced our revenues and expenses.

Review of Business Segments

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

- **Retail Financial Services** comprises the branch, agency, and ABM networks and provides financial services to individuals.
- **Business and Agriculture** provides financial services to independent business and agricultural customers.
- **Corporate Financial Services** provides financial services to mid-sized and large corporate borrowers.
- **ATB Wealth** provides wealth management solutions, including retail brokerage, mutual funds, portfolio management, and investment advice.
- **AltaCorp Capital** provides advisory and institutional financial services, including corporate mergers and acquisitions, equity financings, debt capital markets, acquisitions and divestitures, equity research, sales and trading, market making, and private wealth management.

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

Retail Financial Services (RFS)

	For the three months ended		
($ in thousands)	**September 30 2018**	June 30 2018	September 30 2017
Net interest income	**$ 111,282**	$ 111,216	$ 115,303
Other income	**22,786**	21,196	20,764
Operating revenue	**134,068**	132,412	136,067
Provision for loan losses	**9,220**	1,087	4,367
Non-interest expenses	**121,259**	127,187	122,967
Net income	**$ 3,589**	$ 4,138	$ 8,733
Total assets	**$ 22,423,432**	$ 22,168,317	$ 21,576,287
Total liabilities	**$ 12,233,425**	$ 12,195,639	$ 12,058,040

	For the six months ended	
($ in thousands)	**September 30 2018**	September 30 2017
Net interest income	**$ 222,498**	$ 227,426
Other income	**43,982**	40,494
Operating revenue	**266,480**	267,920
Provision for loan losses	**10,307**	11,278
Non-interest expenses	**248,446**	247,547
Net income	**$ 7,727**	$ 9,095

Net income decreased by $0.5 million (13.3%) from last quarter and $5.1 million (58.9%) from the same time last year, both mainly due to lower interest income on residential mortgages. On a year-to-date basis net income has also decreased, driven by the same factor noted.

Operating revenue increased by $1.7 million (1.3%) from last quarter, but decreased $2.0 million (1.5%) from this time last year. The drivers are an increase in transaction revenue and lower interest income as stated above. This also drove our year-to-date decrease.

The provision for loan losses increased $8.1 million from the prior quarter and $4.9 million (111.1%) from the prior year due to a lower Stage 1 and 2 recovery from an increase in the probability of default (PD).

Non-interest expenses decreased $5.9 million (13.3%) from the prior quarter and are consistent with the same time last year. Driving the decrease this quarter is a $1.3 million reduction in employee benefit costs as team members reached their maximum employee contribution limit, and a $1.8 million decrease in allocated corporate costs. On a year-to-date basis, non-interest expenses are consistent.

Loans increased from last quarter and from this time last year due to significant growth in residential mortgages.

Deposits are up from last quarter and last year due to attractive rates offered on select fixed date deposits and a continued focus on deepening relationships with our clients and growing deposits.

Business and Agriculture (B&Ag)

	For the three months ended		
($ in thousands)	**September 30 2018**	June 30 2018	September 30 2017
Net interest income	**$ 84,409**	$ 83,416	$ 78,364
Other income	**20,660**	20,597	18,564
Operating revenue	**105,069**	104,013	96,928
Provision for loan losses	**36,996**	14,847	8,680
Non-interest expenses	**65,133**	67,221	55,724
Net income	**$ 2,940**	$ 21,945	$ 32,524
Total assets	**$ 8,253,421**	$ 7,792,393	$ 7,686,054
Total liabilities	**$ 9,699,920**	$ 9,315,761	$ 9,394,680

	For the six months ended	
($ in thousands)	**September 30 2018**	September 30 2017
Net interest income	**$ 167,825**	$ 153,121
Other income	**41,257**	35,662
Operating revenue	**209,082**	188,783
Provision for loan losses	**51,843**	25,324
Non-interest expenses	**132,354**	110,695
Net income	**$ 24,885**	$ 52,764

Net income for the quarter decreased by $19.0 million (86.6%) from last quarter, and by $29.6 million (91.0%) over this time last year. The year-to-date net income has also decreased, with all three the result of significant increases in the provision for loan losses.

Operating revenue is consistent with last quarter, and up $8.1 million (8.4%) over the same time last year. The year-over-year increase is due to balance sheet growth driving net income, and service charges along with card revenue driving other income. On a year-to-date basis, operating revenue has increased $20.3 million (10.8%) due to the same factors previously noted.

The provision for loan losses has increased significantly from last quarter and this time last year. This quarter again experienced a high Stage 3 provision due to the number of impairments, along with an increase in the Stage 1 and Stage 2 provision resulting from a higher PD. On a year-to-date basis, the provision has also increased, again due to the Stage 3 provision as previously noted. However, we have seen the credit quality of our portfolio improve, with a Stage 1 and 2 recovery.

Non-interest expenses are $2.1 million (3.1%) lower than last quarter, but $9.4 million (16.9%) higher than this time last year. This is a result of lower incentive pay and employee contributions over last quarter. The higher corporate allocations drove the year-to-date increase over last year.

Loans continue to grow from last quarter and this time last year. Both are driven by a combination of farmland financing, term, and professional practice loans.

Deposits have grown, particularly municipal deposits. In addition, the attractive rates offered to our customers have also supported our growth from last quarter and this time last year.

Corporate Financial Services (CFS)

	For the three months ended		
($ in thousands)	**September 30 2018**	June 30 2018	September 30 2017
Net interest income	**$ 85,962**	$ 85,516	$ 81,909
Other income	**21,589**	18,360	17,529
Operating revenue	**107,551**	103,876	99,438
Provision for loan losses	**4,602**	34,388	34,181
Non-interest expenses	**30,523**	32,444	26,027
Net income	**$ 72,426**	$ 37,044	$ 39,230
Total assets	**$ 13,308,817**	$ 13,463,720	$ 11,943,239
Total liabilities	**$ 10,257,420**	$ 10,515,734	$ 9,406,608

	For the six months ended	
($ in thousands)	**September 30 2018**	September 30 2017
Net interest income	**$ 171,478**	$ 162,594
Other income	**39,949**	37,450
Operating revenue	**211,427**	200,044
Provision for loan losses	**38,990**	32,121
Non-interest expenses	**62,967**	53,070
Net income	**$ 109,470**	$ 114,853

Net income increased over the prior quarter and the same quarter last year, both driven by higher other income and lower provision for loan losses. However, year-to-date net income has decreased as a result of higher non-interest expenses and provision for loan losses.

Operating revenue increased over the previous quarter, led by income generated by the Financial Markets Group. Compared to the same quarter last year, the growth was due to net interest income and other income increasing equally. On a year-to-date basis, operating revenue increased as a result of net interest income driven by strong loan growth.

Provision for loan losses has decreased quarter-over-quarter and year-over-year, as Stage 3 provisions are lower. Both result from prior periods recording a significant provision for a few high-value customers. However, the six-month provision for loan losses increased from last year, due to a lifetime loss provided on more loans as a result of lower credit quality.

Non-interest expenses decreased from the previous quarter, but increased from the same quarter last year due to corporate allocations. The allocations also drove the year-to-date increase over last year.

The majority of the loan portfolio continues to grow both quarter-over-quarter and year-over-year.

Although deposit balances are lower as a result of strong market competition this quarter, we continue to focus on gathering deposits.

ATB Wealth

($ in thousands)	September 30 2018	June 30 2018[1]	September 30 2017[2]
	For the three months ended		
Net interest income	**$ 3,843**	$ 3,593	$ 151
Other income	**53,915**	51,722	47,441
Operating revenue	**57,758**	55,315	47,592
Provision for loan losses	**2,224**	-	-
Non-interest expenses	**50,153**	50,346	34,557
Net income before payment in lieu of tax	**5,381**	4,969	13,035
Payment in lieu of tax	**3,301**	3,083	2,998
Net income	**$ 2,080**	$ 1,886	$ 10,037
Total assets	**$ 872,128**	$ 814,770	$ 132,645
Total liabilities	**$ 892,947**	$ 844,269	$ 93,153
Assets under administration	**$ 19,908,122**	$ 19,355,357	$ 17,631,988

($ in thousands)	September 30 2018	September 30 2017[2]
	For the six months ended	
Net interest income	**$ 7,436**	$ 284
Other income	**105,637**	94,385
Operating revenue	**113,073**	94,669
Provision for loan losses	**2,224**	-
Non-interest expenses	**100,499**	68,367
Net income before payment in lieu of tax	**10,350**	26,302
Payment in lieu of tax	**6,384**	6,049
Net income	**$ 3,966**	$ 20,253

[1] Effective September 2018, ATB Wealth includes ATB Investor Services and Alberta Private Client (APC). Results for the three months ended June 30, 2018 have been restated.

[2] Results for the three months and six months ended September 30, 2017 were not restated to include APC. Previously, APC and the related provision for loan losses were reported under RFS.

Assets under administration (AUA) increased $0.6 billion (2.9%) from the prior quarter and $2.3 billion (12.9%) from the same quarter last year. Most of the increase this quarter came from net assets gathered, with the remainder from modest market growth. Investment in the Compass portfolio remains high, representing 76.6% of AUA.

Net income increased slightly from last quarter, due primarily to other income, which was mostly offset by provision for loan losses in APC.

Operating revenue increased by $2.4 million (4.4%) from the prior quarter and is again due to other income driven by AUA growth.

Non-interest expenses are in line with last quarter.

AltaCorp Capital

	For the three months ended		
	September 30	June 30	September 30
($ in thousands)	**2018**	2018	2017
Net interest expense	**$ 284**	$ (33)	$ -
Other income	**5,148**	5,858	-
Operating revenue	**5,432**	5,825	-
Non-interest expenses	**5,267**	6,066	-
Net (loss) income before income taxes	**165**	(241)	-
Income taxes	**73**	64	-
Net (loss) income	**$ 92**	$ (305)	$ -
Total assets	**$ 29,425**	$ 37,440	$ -
Total liabilities	**$ 18,530**	$ 29,050	$ -

	For the six months ended	
	September 30	September 30
($ in thousands)	**2018**	2017
Net interest income	**$ 251**	$ -
Other income	**11,006**	-
Operating revenue	**11,257**	-
Non-interest expenses	**11,332**	-
Net income before payment in lieu of tax	**(75)**	-
Payment in lieu of tax	**137**	-
Net income	**$ (212)**	$ -

Net income increased from last quarter by $0.4 million (130.0%) as non-interest expenses were lower, offsetting the $0.4 million (6.7%) decline in operating revenue due to fewer advisory deals closed this quarter. This in turn led to lower commission expenses that drove the $0.8 million (13.2%) decrease in non-interest expenses from last quarter.

Statement of Financial Position

Total Assets

Assets continue to grow, increasing by $1.0 billion (1.8%) and $4.7 billion (9.4%) from last quarter and the same time last year, ending the quarter at $54.3 billion, with loans being the driving factor.

Loans

Net loans grew by $1.0 billion (2.1%) over the quarter, primarily driven by a $0.7 billion (3.1%) increase in business loans supported by the agriculture, commercial and project finance portfolios, and a $0.3 billion (1.8%) increase in residential mortgages. These same factors also led to our $3.8 billion (9.0%) growth over the same quarter last year.

Total Liabilities

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

Total liabilities stood at $50.9 billion for the quarter, an increase of $0.9 billion (1.9%) from last quarter as a result of higher fixed date deposits and collateralized borrowings. Collateralized borrowings also contributed to the $4.4 billion (9.5%) increase over the same quarter last year, along with a $1.4 billion (26.0%) increase in notice accounts.

Deposits

Deposits are $34.9 billion, which represents a $0.4 billion (1.3%) and a $1.9 billion (5.7%) increase from last quarter and the same time last year, respectively. The majority of our growth last quarter came from fixed date GIC deposits, as demand has increased for these relatively short-term products due to their attractive rates and cashable features. The growth from last year is mainly due to the same reasons described above, but was partially offset by lower savings and transaction accounts.

Wholesale Borrowings

Wholesale borrowings, consisting primarily of bearer deposit notes, interest-bearing deposits, and mid-term notes issued by the Government of Alberta, can fluctuate quarter to quarter. The agreement with the Government of Alberta currently limits the total volume of such borrowings to $7.0 billion. The balance as at September 30, 2018 is $4.7 billion, $0.3 billion (6.1%) higher than last quarter. This year, we have relied more on short-term bearer deposit notes and fewer mid-term notes that drove the $1.0 billion (25.7%) increase from the same time last year.

Collateralized Borrowings

Collateralized borrowings, which represents ATB's participation in the Canada Mortgage Bonds (CMB) program, consists of securitized residential mortgages sold through the CMB program and to third-party investors, as well as securitized credit card receivables. As at September 30, 2018, balances were $8.8 billion, $0.3 billion (3.6%) higher than last quarter, and $1.3 billion (17.7%) more than last year. The increase from both last quarter and last year is the result of our ability to securitize more of the growing mortgage book.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss continues to be volatile as it decreased compared to both last quarter and the same quarter last year, with both driven by unrealized losses from our interest rate management products designated for hedge accounting. This was, however, offset by our pension obligation experiencing an actuarial gain.

Capital Management

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

As a Crown corporation, ATB and its subsidiaries operate under a regulatory framework established pursuant to the *Alberta Treasury Branches Act* and associated regulations and guidelines. The capital adequacy requirements for ATB are defined in a guideline authorized by the Government of Alberta's President of Treasury Board and Minister of Finance, which was modelled after guidelines governing other Canadian deposit-taking institutions. ATB's minimum Tier 1 capital requirement is 7.0%, and the total capital requirement is the greater of 10.0% of risk-weighted assets or 5.0% of total assets. As at September 30, 2018, ATB had a Tier 1 capital ratio of 9.9% and a total capital ratio of 14.5%, both exceeding our regulatory requirements.

Credit Risk

Credit risk is the potential for financial loss in the event that a borrower or counterparty fails to repay a loan or otherwise honour their financial or contractual obligations. Examples of typical products bearing credit risk include retail and commercial loans, guarantees, and letters of credit.

Key measures as at September 30, 2018 are outlined below.

Total Credit Exposure

The amounts shown in the table below best represent ATB's maximum exposure to credit risk as at September 30, 2018, without taking into account any non-cash collateral held or any other credit enhancements.

As at *($ in thousands)*	**September 30 2018**	March 31 2018
Financial assets[(1)]	**$ 52,756,496**	$ 50,685,126
Other commitments and off-balance sheet items	**19,960,295**	20,148,902
Total credit risk	**$ 72,716,791**	$ 70,834,028

[(1)]Includes derivatives stated net of collateral held and master netting agreements.

Industry Concentration

ATB is inherently exposed to significant concentrations of credit risk, as its customers all participate in the Alberta economy which, in the past, has shown strong growth and occasional sharp declines. ATB manages its credit through diversification of its credit portfolio by limiting concentrations to single borrowers, industries, and geographic regions of Alberta. As at September 30, 2018, commercial real estate is the largest single-industry segment at $6.0 billion (March 31, 2018: $6.0 billion). This represents no more than 12.9% (March 31, 2018: 13.5%) of the total gross loan portfolio. The outstanding principal for the single-largest borrower is $98.6 million (March 31, 2018: $100.0 million), which represents no more than 0.21% (March 31, 2018: 0.22%) of the total gross loan portfolio.

Residential Real Estate Secured Lending

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

As at *($ in thousands)*		**September 30, 2018**		March 31, 2018	
Residential mortgages	Insured	**$ 7,392,628**	**45.4%**	$ 7,209,387	45.8%
	Uninsured	**8,883,620**	**54.6%**	8,541,043	54.2%
Total residential mortgages		**16,276,248**	**100.0%**	15,750,430	100.0%
Home equity lines of credit	Uninsured	**3,339,540**	**100.0%**	3,383,789	100.0%
Total home equity lines of credit		**3,339,540**	**100.0%**	3,383,789	100.0%
Total	**Insured**	**$ 7,392,628**	**37.7%**	$ 7,209,387	37.7%
	Uninsured	**$ 12,223,160**	**62.3%**	$ 11,924,832	62.3%

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

As at	**September 30 2018**	March 31 2018
< 25 years	**81.3%**	79.7%
25–30 years	**18.0%**	18.8%
30–35 years	**0.7%**	1.5%
Total	**100.0%**	100.0%

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

As at	**September 30 2018**	March 31 2018
Residential mortgages	**0.69**	0.69
Home equity lines of credit	**0.57**	0.57

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

Market Risk

Market risk is the risk that ATB may incur a loss due to adverse changes in interest rates, foreign-exchange rates, and equity or commodity market prices. ATB's risk management practices and key measures are disclosed in note 23 to the consolidated financial statements for the year ended March 31, 2018 and the Risk Management section of the MD&A in the 2018 Annual Report.

A description of ATB's key market risks and their measurement as at September 30, 2018 are outlined below:

Interest Rate Risk

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

Interest Rate Sensitivity

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

As at *($ in thousands)*	**September 30** **2018**	March 31 2018
Increase in interest rates of:		
100 basis points	**$ 33,273**	$ 39,371
200 basis points	**60,938**	76,137
Decrease in interest rates of:		
100 basis points(1)	**(36,425)**	(48,732)
200 basis points(1)	**(101,492)**	(105,026)

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

The potential impact of a 100- and 200-basis-point change is well within our interest rate risk management policy of $79.8 million and $136.7 million, respectively.

Foreign-Exchange Risk

Foreign-exchange risk is the potential risk of loss resulting from fluctuations in foreign-exchange rates. This risk arises from the existence of a net asset or liability position denominated in foreign currencies and/or a difference in maturity profiles for purchases and sales of a given currency. ATB manages its foreign currency exposure through foreign-exchange forward contracts. The board-approved foreign-exchange principal limit is $50.0 million. ATB is within its limit as at September 30, 2018.

Liquidity Risk

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

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

On September 30, 2018, the Liquidity Coverage Ratio (LCR) is 130.4% (March 31, 2018: 129.0%) versus a current-year board-approved minimum of 110.0%.

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

							September 30 2018	March 31 2018
As at *($ in thousands)*	**Within 1 year**	**1–2 years**	**2–3 years**	**3–4 years**	**4–5 years**	**Over 5 years**	**Total**	Total
Mid-term notes	**$ 199,877**	**$ 199,753**	**$ -**	**$ -**	**$ -**	**$ 1,579,749**	**$ 1,979,379**	$ 2,189,477
Bearer deposit notes	**2,751,587**	**-**	**-**	**-**	**-**	**-**	**2,751,587**	2,466,992
Mortgage-backed securities	**1,094,862**	**1,236,753**	**2,233,425**	**-**	**1,354,225**	**2,415,732**	**8,334,997**	7,908,453
Credit card securitization	**500,000**	**-**	**-**	**-**	**-**	**-**	**500,000**	500,000
Securities sold under repurchase agreements	**348,836**	**-**	**-**	**-**	**-**	**-**	**348,836**	790,827
Subordinated debentures	**82,564**	**98,177**	**32,298**	**45,038**	**81,437**	**-**	**339,514**	331,199
Total long-term funding	**$ 4,977,726**	**$ 1,534,683**	**$ 2,265,723**	**$ 45,038**	**$ 1,435,662**	**$ 3,995,481**	**$ 14,254,313**	$ 14,186,948
Of which:								
Secured	**$ 1,943,698**	**$ 1,236,753**	**$ 2,233,425**	**$ -**	**$ 1,354,225**	**$ 2,415,732**	**$ 9,183,833**	$ 9,199,280
Unsecured	**3,034,028**	**297,930**	**32,298**	**45,038**	**81,437**	**1,579,749**	**5,070,480**	4,987,668
Total long-term funding	**$ 4,977,726**	**$ 1,534,683**	**$ 2,265,723**	**$ 45,038**	**$ 1,435,662**	**$ 3,995,481**	**$ 14,254,313**	$ 14,186,948

Interim Condensed Consolidated Statement of Financial Position

(Unaudited)

As at		**September 30**	June 30	March 31	September 30
($ in thousands)	Note	**2018**	2018	2018	2017
Cash		**$ 119,402**	$ 183,502	$ 285,527	$ 143,269
Interest-bearing deposits with financial institutions		**1,290,546**	1,127,903	1,110,848	679,811
Total cash resources		**1,409,948**	1,311,405	1,396,375	823,080
Securities measured at fair value through profit or loss		**80,557**	95,755	4,760,130	4,258,480
Securities measured at fair value through other comprehensive income		**4,908,282**	4,898,386	-	-
Securities purchased under reverse repurchase agreements		**249,726**	299,481	50,096	649,967
Total securities	7	**5,238,565**	5,293,622	4,810,226	4,908,447
Business		**22,784,390**	22,090,814	21,439,814	19,956,760
Residential mortgages		**16,276,248**	15,988,157	15,750,430	15,400,565
Personal		**6,760,456**	6,757,674	6,711,755	6,714,597
Credit card		**749,049**	745,716	718,065	737,909
		46,570,143	45,582,361	44,620,064	42,809,831
Allowance for loan losses	9	**(491,742)**	(472,110)	(509,024)	(532,455)
Total net loans	8	**46,078,401**	45,110,251	44,111,040	42,277,376
Derivative financial instruments	10	**616,994**	672,465	576,712	445,016
Property and equipment		**319,866**	322,510	333,092	347,576
Software and other intangibles		**296,334**	295,240	292,796	272,106
Other assets		**329,050**	326,599	372,850	532,397
Total other assets		**1,562,244**	1,616,814	1,575,450	1,597,095
Total assets		**$ 54,289,158**	$ 53,332,092	$ 51,893,091	$ 49,605,998
Redeemable Fixed Date Deposits		**4,593,321**	4,721,690	4,738,787	2,535,214
Non-redeemable Fixed Date Deposits		**6,594,841**	5,923,715	4,354,113	6,751,206
Saving Accounts		**9,323,213**	9,559,542	9,525,181	9,928,217
Transaction Accounts		**7,704,040**	7,690,806	7,751,748	8,491,396
Notice Accounts		**6,676,008**	6,557,813	6,313,944	5,299,160
Total deposits		**34,891,423**	34,453,566	32,683,773	33,005,193
Securities sold under repurchase agreements		**348,836**	446,435	790,827	298,286
Wholesale borrowings		**4,730,966**	4,459,632	4,656,469	3,764,532
Collateralized borrowings	11	**8,834,997**	8,526,904	8,408,453	7,507,751
Derivative financial instruments	10	**795,304**	753,093	673,162	525,830
Other liabilities		**913,398**	926,824	1,070,052	1,024,930
Total other liabilities		**15,623,501**	15,112,888	15,598,963	13,121,329
Subordinated debentures		**339,514**	339,514	331,199	331,199
Total liabilities		**50,854,438**	49,905,968	48,613,935	46,457,721
Retained earnings		**3,642,820**	3,573,624	3,453,844	3,305,177
Non-controlling interest		**4,254**	2,460	3,508	-
Accumulated other comprehensive loss		**(212,354)**	(149,960)	(178,196)	(156,900)
Total equity		**3,434,720**	3,426,124	3,279,156	3,148,277
Total liabilities and equity		**$ 54,289,158**	$ 53,332,092	$ 51,893,091	$ 49,605,998

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

Curtis Stange
President and Chief Executive Officer

Bob McGee
Chief Financial Officer and Head of Operations

Interim Condensed Consolidated Statement of Income

(Unaudited)

($ in thousands)	Note	For the three months ended September 30 2018	June 30 2018	September 30 2017	For the six months ended September 30 2018	September 30 2017
Loans		**$ 474,109**	$ 448,874	$ 414,578	**$ 922,983**	$ 806,134
Securities		**22,492**	20,679	9,670	**43,171**	19,882
Interest-bearing deposits with financial institutions		**4,758**	3,662	1,760	**8,420**	2,791
Interest income		**501,359**	473,215	426,008	**974,574**	828,807
Deposits		**129,066**	105,657	89,444	**234,723**	177,432
Wholesale borrowings		**25,715**	25,275	16,467	**50,990**	31,958
Collateralized borrowings		**45,240**	43,207	34,258	**88,447**	66,287
Subordinated debentures		**2,319**	2,295	2,297	**4,614**	4,880
Interest expense		**202,340**	176,434	142,466	**378,774**	280,557
Net interest income		**299,019**	296,781	283,542	**595,800**	548,250
Service charges		**19,260**	18,828	17,293	**38,088**	34,547
ATB Wealth		**52,117**	49,832	45,527	**101,949**	90,538
Card fees		**16,669**	15,929	14,358	**32,598**	28,292
Credit fees		**10,796**	11,877	11,990	**22,673**	23,250
Insurance		**5,522**	4,668	5,451	**10,190**	9,856
Capital markets revenue		**5,359**	5,691	-	**11,050**	-
Foreign-exchange		**4,658**	(1,994)	4,934	**2,664**	12,782
Net gains on derivative financial instruments		**7,178**	6,807	7,499	**13,985**	16,974
Net gains (losses) on securities		**406**	2,677	889	**3,083**	(2,969)
Sundry		**1,263**	928	859	**2,191**	2,178
Other income		**123,228**	115,243	108,800	**238,471**	215,448
Operating revenue		**422,247**	412,024	392,342	**834,271**	763,698
Provision for loan losses	9	**53,042**	50,322	47,228	**103,364**	68,723
Salaries and employee benefits		**147,126**	151,214	137,878	**298,340**	282,207
Data processing		**29,078**	31,124	24,792	**60,202**	51,303
Premises and occupancy, including depreciation		**20,346**	22,281	22,466	**42,627**	44,776
Professional and consulting costs		**12,764**	13,197	15,569	**25,961**	29,841
Deposit guarantee fee		**11,576**	11,328	10,485	**22,904**	21,421
Equipment, including amortization		**6,509**	5,774	6,817	**12,283**	13,325
Software and other intangibles amortization		**19,967**	18,749	17,050	**38,716**	33,247
General and administrative		**13,959**	15,396	13,247	**29,355**	25,535
ATB agencies		**3,274**	3,195	2,910	**6,469**	5,740
Other		**14,314**	14,949	12,404	**29,263**	24,084
Non-interest expenses		**278,913**	287,207	263,618	**566,120**	531,479
Net income before payment in lieu of tax		**90,292**	74,495	81,496	**164,787**	163,496
Payment in lieu of tax	12	**20,812**	17,199	18,744	**38,011**	37,604
Net income		**$ 69,480**	$ 57,296	$ 62,752	**$ 126,776**	$ 125,892
Net income attributable to non-controlling interests		**$ 72**	$ (54)	-	**$ 18**	-

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

Interim Condensed Consolidated Statement of Comprehensive Income

(Unaudited)

($ in thousands)	For the three months ended **September 30 2018**	 June 30 2018	 September 30 2017	For the six months ended **September 30 2018**	 September 30 2017
Net income	**$ 69,480**	$ 57,296	$ 62,752	**$ 126,776**	$ 125,892
Items that may be reclassified subsequently to profit or loss:					
Unrealized net (losses) gains on securities measured at fair value through other comprehensive income:					
Unrealized net (losses) gains arising during the period	**(5,435)**	1,807	-	**(3,628)**	-
Net gains reclassified to net income	**(284)**	(2,684)	-	**(2,968)**	-
Unrealized net (losses) gains on derivative financial instruments designated as cash flow hedges:					
Unrealized net (losses) gains arising during the period	**(80,320)**	21,094	(63,546)	**(59,226)**	(106,749)
Net losses (gains) reclassified to net income	**8,479**	(13,627)	(12,405)	**(5,148)**	(27,778)
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit plan liabilities	**15,166**	21,646	28,471	**36,812**	9,626
Other comprehensive (loss) income	**(62,394)**	28,236	(47,480)	**(34,158)**	(124,901)
Comprehensive income	**$ 7,086**	$ 85,532	$ 15,272	**$ 92,618**	$ 991
Attributable to:					
ATB Financial	**$ 7,014**	$ 85,586	$ 15,272	**$ 92,600**	$ 991
Non-controlling interests	**72**	(54)	-	**18**	-

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

Interim Condensed Consolidated Statement of Changes in Equity

(Unaudited)

	For the three months ended			For the six months ended	
($ in thousands)	**September 30 2018**	June 30 2018	September 30 2017	**September 30 2018**	September 30 2017
Retained earnings					
Balance at beginning of the period	**$ 3,573,624**	$ 3,453,844	$ 3,242,425	**$ 3,453,844**	$ 3,179,285
Net income	**69,480**	57,296	62,752	**126,776**	125,892
Transition adjustment (Note 4)	**-**	62,394	-	**62,394**	-
Other	**(284)**	90	-	**(194)**	-
Balance at end of the period	**3,642,820**	3,573,624	3,305,177	**3,642,820**	3,305,177
Non-controlling interest					
Balance at beginning of the period	**2,460**	3,508	-	**3,508**	-
Balance at the date of acquisition	**-**	-	-	**-**	-
Net income (loss) attributable to non-controlling interests in subsidiaries	**72**	(54)	-	**18**	-
Other[(1)]	**1,722**	(994)	-	**728**	-
Balance at end of the period	**4,254**	2,460	-	**4,254**	-
Accumulated other comprehensive loss					
Securities measured at fair value through other comprehensive income					
Balance at beginning of the period	**(877)**	-	-	**-**	-
Other comprehensive loss	**(5,719)**	(877)	-	**(6,596)**	-
Balance at end of the period	**(6,596)**	(877)	-	**(6,596)**	-
Derivative financial instruments designated as cash flow hedges					
Balance at beginning of the period	**(118,895)**	(126,362)	(18,555)	**(126,362)**	40,021
Other comprehensive (loss) income	**(71,841)**	7,467	(75,951)	**(64,374)**	(134,527)
Balance at end of the period	**(190,736)**	(118,895)	(94,506)	**(190,736)**	(94,506)
Defined benefit plan liabilities					
Balance at beginning of the period	**(30,188)**	(51,834)	(90,865)	**(51,834)**	(72,020)
Other comprehensive income	**15,166**	21,646	28,471	**36,812**	9,626
Balance at end of the period	**(15,022)**	(30,188)	(64,394)	**(15,022)**	(62,394)
Accumulated other comprehensive loss	**(212,354)**	(149,960)	(156,900)	**(212,354)**	(156,900)
Equity	**$ 3,434,720**	$ 3,426,124	$ 3,148,277	**$ 3,434,720**	$ 3,148,277

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

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

Interim Condensed Consolidated Statement of Cash Flows

(Unaudited)

	For the three months ended			For the six months ended	
($ in thousands)	**September 30 2018**	June 30 2018	September 30 2017	**September 30 2018**	September 30 2017
Cash flows from operating activities:					
Net income	**$ 69,480**	$ 57,296	$ 62,752	**$ 126,776**	$ 125,892
Adjustments for non-cash items and others:					
Provision for loan losses	**53,042**	50,322	47,228	**103,364**	68,723
Depreciation and amortization	**33,392**	32,600	31,974	**65,992**	63,261
Net gains on securities	**(406)**	(2,677)	(889)	**(3,083)**	2,969
Adjustments for net changes in operating assets and liabilities:					
Loans	**(1,018,911)**	(954,166)	(644,377)	**(1,973,077)**	(1,492,390)
Deposits	**438,065**	1,769,999	(669,226)	**2,208,064**	(922,152)
Derivative financial instruments	**27,842**	(15,473)	24,768	**12,369**	58,042
Prepayments and other receivables	**6,347**	(45,325)	(2,377)	**(38,978)**	4,465
Due to clients, brokers and dealers	**903**	(14,187)	(1,364)	**(13,284)**	(7,053)
Deposit guarantee fee payable	**13,767**	(36,006)	12,493	**(22,239)**	(22,563)
Accounts payable and accrued liabilities	**(72,190)**	5,908	(24,564)	**(66,282)**	(8,847)
Liability for payment in lieu of tax	**20,541**	(64,478)	18,744	**(43,937)**	(7,434)
Net interest receivable and payable	**35,548**	(21,147)	21,948	**14,401**	(2,010)
Change in accrued pension-benefit liability	**(14,889)**	(21,201)	(37,779)	**(36,090)**	(17,185)
Others, net	**(3,445)**	98,641	(262,951)	**95,196**	(302,032)
Net cash (used in) provided by operating activities	**(410,914)**	840,106	(1,423,620)	**429,192**	(2,458,314)
Cash flows from investing activities:					
Change in securities measured at fair value through net income	**9,716**	(236,979)	184,611	**(227,264)**	712,097
Change in securities purchased under reverse repurchase agreements	**49,755**	(249,385)	(400,388)	**(199,630)**	(199,306)
Change in interest-bearing deposits with financial institutions	**(162,643)**	(17,055)	(142,674)	**(179,698)**	(32,262)
Purchases of property and equipment, software and other intangibles	**(31,842)**	(24,463)	(24,528)	**(56,304)**	(45,577)
Net cash (used in) provided by investing activities	**(135,014)**	(527,882)	(382,979)	**(662,896)**	434,952
Cash flows from financing activities:					
Issuance of wholesale borrowings	**2,281,337**	2,782,436	1,936,293	**5,063,773**	2,285,908
Repayment of wholesale borrowings	**(2,010,003)**	(2,979,273)	(823,712)	**(4,989,276)**	(1,413,712)
Issuance of collateralized borrowings	**308,093**	360,231	304,062	**668,324**	695,091
Repayment of collateralized borrowings	-	(241,780)	-	**(241,780)**	-
Change in securities sold under repurchase agreements	**(97,599)**	(344,392)	99,823	**(441,991)**	298,286
Issuance of subordinated debentures	**-**	81,651	-	**81,651**	45,038
Repayment of subordinated debentures	**-**	(73,122)	-	**(73,122)**	(58,280)
Net cash provided by (used in) financing activities	**481,828**	(414,249)	1,516,466	**67,579**	1,852,331
Net (decrease) increase in cash and cash equivalents	**(64,100)**	(102,025)	(290,133)	**(166,125)**	(171,031)
Cash at beginning of period	**183,502**	285,527	433,402	**285,527**	314,300
Cash at end of period	**$ 119,402**	$ 183,502	$ 143,269	**$ 119,402**	$ 143,269
Net cash (used in) provided by operating activities include:					
Interest paid	**(163,899)**	(189,696)	(109,852)	**(353,595)**	(276,258)
Interest received	**$ 498,465**	$ 465,294	$ 415,342	**$ 963,759**	$ 822,498

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended September 30, 2018

Note 1 Nature of Operations

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

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

Note 2 Significant Accounting Policies

Basis of Preparation

These Interim Condensed Consolidated Financial Statements are prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the accounting requirements of the Alberta Superintendent of Financial Institutions (ASFI). The Interim Condensed Consolidated Financial Statements do not include all of the information required for complete annual consolidated financial statements and should be read in conjunction with ATB's 2018 annual consolidated financial statements. The accounting policies, methods of computation and presentation of these Interim Condensed Consolidated Financial Statements are consistent with the most recent annual consolidated financial statements. These Interim Condensed Consolidated Financial Statements were approved by the Audit Committee on November 15, 2018.

The Interim Condensed Consolidated Financial Statements are presented in Canadian dollars, and all values are rounded to the nearest thousand dollars, except when otherwise indicated.

These Interim Condensed Consolidated Financial Statements include the assets, liabilities, and results of operations and cash flows of ATB and its subsidiaries. All intercompany transactions and balances have been eliminated from the consolidated results.

Significant Accounting Judgments, Estimates and Assumptions

In the process of applying ATB's accounting policies, management has exercised judgment and has made estimates in determining amounts recognized in the Interim Condensed Consolidated Financial Statements. The most significant judgments and estimates include the allowance for loan losses; the fair value of financial instruments; income taxes and deferred taxes; the depreciation of premises and equipment; the amortization of software; and the assumptions underlying the accounting for employee benefit obligations as described in note 2 to ATB's 2018 annual consolidated financial statements. Actual results could differ significantly from these estimates, and the impact of any such differences will be recorded in future periods.

Note 3 Summary of Accounting Policy Changes

Change in Accounting Policies and Disclosures

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

IFRS 9 Financial Instruments

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

The comparative figures were not restated at the date of transition, with any adjustments to the carrying amounts of financial assets and liabilities recognized in opening retained earnings on the Consolidated Statement of Financial Position in the current period. Therefore, the comparative information is not comparable to the information presented for the current period.

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

Classification of Financial Assets

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

Business Model Assessment

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

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

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

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

The Solely Payments of Principal and Interest (SPPI) test

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

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

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

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

Financial Assets at Fair Value through Profit or Loss
This category comprises two subcategories:

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

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

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

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

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

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

Financial Liabilities Measured at Amortized Cost
Financial liabilities not classified as FVTPL are measured at amortized cost. Interest expense is recognized using the effective interest method and is included in the Consolidated Statement of Income as part of net interest expense.

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

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

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

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

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

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

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

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

Measurement of Expected Credit Losses

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

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

Forward-Looking Information

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

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

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

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

Expected Life

For loans in Stages 2 and 3, allowances are based on the ECL over the loan's expected remaining lifetime. For most loans, the life is based on the remaining contractual life.

Exceptions can apply if the loan has the following characteristics:

- includes both a loan and an undrawn commitment component;
- the contractual ability to demand repayment and cancel the undrawn commitment; and
- credit loss exposure exceeds the contractual notice period.

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

Significant Increase in Credit Risk

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

Assessing for significant increases in credit risk is performed quarterly based on the following three factors. Should any of these factors indicate a significant increase in credit risk, the loan is moved from Stage 1 to Stage 2:

- Thresholds established based on both a percentage and absolute change in lifetime PDs relative to initial recognition.
- Loans that are 30 days past due are typically considered to have experienced a significant increase in credit risk, despite ATB's model not indicating a significant increase in credit risk has occurred.
- All non-retail loans assessed as high-risk as described in note 9.

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

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

Default

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

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

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

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

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

IFRS 15 Revenue From Contracts with Customers

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

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

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

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

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

IAS 28 Investments in Associates and Joint Ventures

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

ATB implemented the annual improvement with no impact on our financial performance.

Future Accounting Changes

The following standards have been issued but are not yet effective on the date of issuance of ATB's Interim Condensed Consolidated Financial Statements. ATB is currently assessing the impact of the application of these standards and will adopt them when they become effective.

IFRS 16 Leases

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

ATB is currently assessing the impact of adopting this standard, which is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 *Revenue From Contracts With Customers* has also been applied. ATB has chosen to not early adopt the standard when implementing IFRS 15.

IAS 23 Borrowing Costs

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

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

IAS 19 Employee Benefits

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

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

Note 4 IFRS 9 Transition

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

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

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

Note 5 Financial Instruments

a. Classification and Carrying Value

The following tables summarize the classification, carrying value and fair value of ATB's financial instruments as at September 30, 2018 and March 31, 2018.

As at September 30, 2018 *($ in thousands)*	Financial instruments classified as at FVTPL	Financial instruments designated as at FVTPL	Financial instruments classified as at FVOCI	Financial instruments designated as at FVOCI	Financial instruments measured at amortized cost	Total carrying value	
Financial assets							
Cash	**$ -**	**$ -**	**$ -**	**$ -**	**$ 119,402**	**$ 119,402**	(1)
Interest-bearing deposits with financial institutions	**-**	**1,290,546**	**-**	**-**	**-**	**1,290,546**	(1)
Securities measured at FVTPL	**25,669**	**54,888**	**-**	**-**	**-**	**80,557**	
Securities measured at FVOCI	**-**	**-**	**4,908,282**	**-**	**-**	**4,908,282**	
Securities purchased under reverse repurchase agreements	**-**	**-**	**-**	**-**	**249,726**	**249,726**	
Total securities	**25,669**	**54,888**	**4,908,282**	**-**	**249,726**	**5,238,565**	(1)
Business	**-**	**-**	**-**	**-**	**22,784,390**	**22,784,390**	
Residential mortgages	**-**	**-**	**-**	**-**	**16,276,248**	**16,276,248**	
Personal	**-**	**-**	**-**	**-**	**6,760,456**	**6,760,456**	
Credit card	**-**	**-**	**-**	**-**	**749,049**	**749,049**	
Allowance for loan losses	**-**	**-**	**-**	**-**	**(491,742)**	**(491,742)**	
Total loans	**-**	**-**	**-**	**-**	**46,078,401**	**46,078,401**	(2)
Derivative financial instruments	**616,994**	**-**	**-**	**-**	**-**	**616,994**	
Other assets	**-**	**-**	**-**	**-**	**95,627**	**95,627**	
Total other assets	**616,994**	**-**	**-**	**-**	**95,627**	**712,621**	(1)
Financial liabilities							
Redeemable Fixed Date Deposits	**$ -**	**$ -**	**$ -**	**$ -**	**$ 4,593,321**	**$ 4,593,321**	
Non-redeemable Fixed Date Deposits	**-**	**-**	**-**	**-**	**6,594,841**	**6,594,841**	
Saving Accounts	**-**	**-**	**-**	**-**	**9,323,213**	**9,323,213**	
Transaction Accounts	**-**	**-**	**-**	**-**	**7,704,040**	**7,704,040**	
Notice Accounts	**-**	**-**	**-**	**-**	**6,676,008**	**6,676,008**	
Total deposits	**-**	**-**	**-**	**-**	**34,891,423**	**34,891,423**	(3)
Securities sold under repurchase agreements	**-**	**-**	**-**	**-**	**348,836**	**348,836**	(1)
Wholesale borrowings	**-**	**419,035**	**-**	**-**	**4,311,931**	**4,730,966**	(4)
Collateralized borrowings	**-**	**-**	**-**	**-**	**8,834,997**	**8,834,997**	(5)
Derivative financial instruments	**795,304**	**-**	**-**	**-**	**-**	**795,304**	(1)
Other liabilities	**-**	**-**	**-**	**-**	**957,403**	**957,403**	(1)
Total other liabilities	**795,304**	**419,035**	**-**	-	**14,453,167**	**15,667,506**	
Subordinated debentures	**-**	-	**-**	-	**339,514**	**339,514**	(6)

(1)Fair value estimated to equal carrying value.

(2)Fair value of loans estimated to be $47,146,655.

(3)Fair value of deposits estimated to be $34,463,176.

(4)Fair value of wholesale borrowings estimated to be $4,682,709.

(5)Fair value of collateralized borrowings estimated to be $8,736,913.

(6)Fair value of subordinated debentures estimated to be $338,568.

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

(1) Fair value estimated to equal carrying value.

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

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

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

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

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

b. Fair Value Hierarchy

The following tables present the financial instruments ATB has recognized at fair value, classified using the fair value hierarchy described in note 4 to the consolidated financial statements for the year ended March 31, 2018. Transfers between fair value levels can result from additional, changes in, or new information regarding the availability of quoted market prices or observable market inputs. For the six months ended September 30, 2018 and the year ended March 31, 2018, there were no transfers of financial instruments between Levels 1 and 2, or into and out of Level 3.

As at September 30, 2018

($ in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Interest-bearing deposits with financial institutions	**$ -**	**$ 1,290,546**	**$ -**	**$ 1,290,546**
Securities				
Securities measured at FVTPL	**55,617**	**-**	**24,940**	**80,557**
Securities measured at FVOCI	**4,907,342**	**-**	**940**	**4,908,282**
Other assets				
Derivative financial instruments	-	**616,994**	**-**	**616,994**
Total financial assets	**$ 4,962,959**	**$ 1,907,540**	**$ 25,880**	**$ 6,896,379**
Wholesale borrowings	**-**	**419,035**	**-**	**419,035**
Other liabilities				
Derivative financial instruments	-	**795,304**	**-**	**795,304**
Total financial liabilities	**$ -**	**$ 1,214,339**	**$ -**	**$ 1,214,339**

As at March 31, 2018

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

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

The following table presents the changes in fair value of Level 3 financial instruments for the six months ended September 30, 2018:

($ in thousands)	**Securities designated as at FVOCI**	**Securities classified as at FVTPL**
Fair value as at March 31, 2018	$ -	$ 22,940
Total realized and unrealized losses included in net income	-	-
Total realized and unrealized gains included in other comprehensive income	-	-
Purchases and Issuances	940	2,000
Sales and Settlements	-	-
Fair value as at September 30, 2018	$ 940	$ 24,940
Change in unrealized losses included in income with respect to financial instruments held as at September 30, 2018	$ -	$ -

The Interim Condensed Consolidated Statement of Income line item net gains on securities captures both realized and unrealized fair value movements on all financial instruments classified and designated at FVTPL and realized gains on securities measured at FVOCI.

Note 6 Financial Instruments – Risk Management

ATB has included certain disclosures required by IFRS 7 in the Risk Management section of the MD&A which is an integral part of the Interim Condensed Consolidated Financial Statements. The use of financial instruments exposes ATB to credit, liquidity, market, and foreign-exchange risk. ATB's risk management practices and key measures are disclosed in the Risk Management section of the MD&A in the 2018 Annual Report.

Note 7 Securities

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

As at *($ in thousands)*				**September 30 2018**	March 31 2018
	Less than 1 year	**From 1-5 years**	**Over 5 years**	**Total carrying value**	Total carrying value
Securities measured at FVTPL					
Issued or guaranteed by the Canadian federal or provincial governments	**$ 54,888**	**$ -**	**$ -**	**$ 54,888**	$ 4,736,228
Other securities	**729**	**24,940**	**-**	**25,669**	23,902
Total securities measured at FVTPL	**$ 55,617**	**$ 24,940**	**$ -**	**$ 80,557**	$ 4,760,130
Securities measured at FVOCI					
Issued or guaranteed by the Canadian federal or provincial governments	**$ 2,302,337**	**$ 2,605,005**	**$ -**	**$ 4,907,342**	$ -
Other securities	**-**	**-**	**940**	**940**	-
Total securities measured at FVOCI	**$ 2,302,337**	**$ 2,605,005**	**$ 940**	**$ 4,908,282**	$ -
Securities measured at amortized cost					
Other securities	**$ 249,726**	**$ -**	**$ -**	**$ 249,726**	$ 50,096
Total securities measured at amortized cost	**$ 249,726**	**$ -**	**$ -**	**$ 249,726**	$ 50,096

Other Securities

These securities in the current year relate to investments made by AltaCorp, and investments made by ATB to a broad range of private Alberta companies. There is no observable market price for the investments made to these private Alberta companies as at the balance sheet date. ATB estimated the fair value using a combination of discounted cash flows and market multiples derived from quoted prices of comparative companies, specifically the expected earnings before interest, income tax, depreciation, and amortization (EBITDA). The key assumptions in this model are the exit multiple of 6.0 to 8.0, the weighted average cost of capital of 20.0 to 21.0%, and the EBITDA multiple of 5.0 to 14.0. A 0.5 increase of the exit multiple and a 1.0% decrease in the weighted average cost of capital and 0.5 increase of the EBITDA multiple would increase the fair value by $2.7 million (June 30, 2018: $2.2 million, September 30, 2017: $1.2 million). The estimate is also adjusted for the effect of the non-marketability of these investments.

Note 8 Loans

In the retail portfolio, each borrower is assessed based on its beacon score. The following table outlines the borrower's score assigned to each range:

Risk assessment	Beacon Score Range
Very low risk	800 - 900
Low risk	700 - 799
Medium risk	620 - 699
High risk	619 or lower

For non-retail loans, each borrower is assigned a Borrower Risk Rating (BRR), with the following table outlining the BRR assigned to each range:

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

Credit Quality

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

As at September 30, 2018	Performing		Impaired	
($ in thousands)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Business				
Very low risk	2,251,185	827,562	-	3,078,747
Low risk	9,102,766	4,847,866	-	13,950,632
Medium risk	2,459,645	1,984,969	-	4,444,613
High risk	154,031	683,512	-	837,543
Not rated	76,135	8,273	-	84,409
Impaired			388,446	388,446
Total	$ 14,043,762	$ 8,352,182	$ 388,446	$ 22,784,390
Residential mortgages				
Very low risk	6,400,851	13,361	-	6,414,212
Low risk	5,912,875	20,846	-	5,933,721
Medium risk	2,765,770	34,801	-	2,800,571
High risk	668,730	258,137	-	926,867
Not rated	128,366	1,405	-	129,771
Impaired	-	-	71,106	71,106
Total	$ 15,876,592	$ 328,550	$ 71,106	$ 16,276,248
Personal				
Very low risk	2,639,560	8,250	-	2,647,810
Low risk	2,182,321	107,970	-	2,290,291
Medium risk	927,120	259,411	-	1,186,531
High risk	274,656	168,217	-	442,873
Not rated	132,773	3,807	-	136,580
Impaired	-	-	56,371	56,371
Total	$ 6,156,430	$ 547,655	$ 56,371	$ 6,760,456
Credit card				
Very low risk	88,556	6,359	-	94,915
Low risk	214,366	49,655	-	264,021
Medium risk	157,414	45,457	-	202,871
High risk	27,715	70,116	-	97,831
Not rated	14,057	69,916	-	83,973
Impaired	-	-	5,438	5,438
Total	$ 502,108	$ 241,503	$ 5,438	$ 749,049
Total loans	$ 36,578,892	$ 9,469,890	$ 521,361	$ 46,570,143
Total allowance for loan losses	(65,392)	(73,990)	(352,360)	(491,742)
Total net loans	$ 36,513,500	$ 9,395,900	$ 169,001	$ 46,078,401

Undrawn loan commitments - retail				
Very low risk	4,075,959	24,896	-	4,100,855
Low risk	1,034,468	72,248	-	1,106,716
Medium risk	139,023	45,350	-	184,373
High risk	161,873	150,997	-	312,870
Not rated	55,797	160,907	-	216,704
Total	$ 5,467,120	$ 454,398	$ -	$ 5,921,518
Undrawn loan commitments - non-retail				
Very low risk	4,753,829	472,192	-	5,226,021
Low risk	4,619,172	2,338,603	-	6,957,775
Medium risk	300,174	500,446	-	800,620
High risk	146,081	330,837	-	476,918
Not rated	39,960	155,963	-	195,923
Total	$ 9,859,216	$ 3,798,041	$ -	$ 13,657,257

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

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

Loans Past Due

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

As at September 30, 2018 *($ in thousands)*	**Residential mortgages**	**Business**	**Personal**	**Credit card**	**Total**	**Percentage of total gross loans**
Up to 1 month	**$ 186,980**	**$ 216,484**	**$ 99,034**	**$ 42,791**	**$ 545,289**	**1.2%**
Over 1 month up to 2 months	**52,671**	**31,504**	**14,697**	**11,923**	**110,795**	**0.24%**
Over 2 months up to 3 months	**13,867**	**29,677**	**13,040**	**5,157**	**61,741**	**0.13%**
Over 3 months	**2,523**	**6,098**	**1,901**	**861**	**11,383**	**0.02%**
Total past due but not impaired	**$ 256,041**	**$ 283,763**	**$ 128,672**	**$ 60,732**	**$ 729,208**	**1.6%**

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

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

As at September 30, 2018, $16.7 million (March 31, 2018: $7.4 million) of the total loans past due up to one month are one day overdue.

Note 9 Allowance for Loan Losses

Key inputs and assumptions

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

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

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

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

	For the three months ended June 30, 2018				
($ in thousands)	Balance at beginning of period	Provision for loan losses	Net Write-offs	Discounted cash flows on impaired loans and other	Balance at end of period
Business	$ 342,366	$ 52,885	$ (8,064)	$ (2,622)	$ 384,565
Residential mortgages	5,406	(673)	(365)	(165)	4,203
Personal	59,201	10,059	(11,220)	(158)	57,882
Credit card	39,657	(11,949)	(2,268)	20	25,460
Total	$ 446,630	$ 50,322	$ (21,917)	$ (2,925)	$ 472,110

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

Allowance for loan losses - Business	For the three months ended September 30, 2018				For the six months ended September 30, 2018			
	Performing		Impaired		Performing		Impaired	
($ in thousands)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	23,545	37,018	324,002	384,565	27,702	50,214	264,450	342,366
Provision for loan losses								
Transfers (out) in of Stage 1[1]	(2,505)	2,415	90	-	4,383	(4,506)	123	-
Transfers (out) in of Stage 2[1]	(8,129)	6,098	2,031	-	(1,208)	(4,176)	5,384	-
Transfers (out) in of Stage 3[1]	(2,497)	(15,287)	17,784	-	(2,530)	(18,640)	21,170	-
New originations[2]	3,369	3,131	4,531	11,031	6,997	6,834	7,387	21,218
Repayments[3]	(1,161)	(2,490)	(157)	(3,808)	(2,408)	(4,832)	(1,010)	(8,250)
Remeasurements[4]	10,713	11,615	3,526	25,854	(9,609)	17,570	65,033	72,994
Write-offs	-	-	(21,279)	(21,279)	-	-	(30,079)	(30,079)
Recoveries	-	-	841	841	-	-	1,577	1,577
Discounted cash flows on impaired loans and other	(13)	(48)	(1,216)	(1,277)	(5)	(12)	(3,882)	(3,899)
Balance at end of period	23,322	42,452	330,153	395,927	23,322	42,452	330,153	395,927

Allowance for loan losses - Residential Mortgages	For the three months ended September 30, 2018				For the six months ended September 30, 2018			
	Performing		Impaired		Performing		Impaired	
($ in thousands)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	1,727	1,007	1,469	4,203	2,110	1,313	1,983	5,406
Provision for loan losses								
Transfers in (out) of Stage 1[1]	17	(19)	2	-	24	(26)	2	-
Transfers (out) in of Stage 2[1]	(5)	(116)	121	-	23	(161)	138	-
Transfers (out) in of Stage 3[1]	(57)	(439)	496	-	(68)	(478)	546	-
New originations[2]	121	29	42	192	132	26	47	205
Repayments[3]	(28)	(23)	(438)	(489)	(32)	(24)	(438)	(494)
Remeasurements[4]	(132)	426	(477)	(183)	(546)	215	(533)	(864)
Write-offs	-	-	(408)	(408)	-	-	(957)	(957)
Recoveries	-	-	287	287	-	-	471	471
Discounted cash flows on impaired loans and other	-	-	102	102	-	-	(63)	(63)
Balance at end of period	1,643	865	1,196	3,704	1,643	865	1,196	3,705

Allowance for loan losses - Personal	For the three months ended September 30, 2018				For the six months ended September 30, 2018			
	Performing		Impaired		Performing		Impaired	
($ in thousands)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	28,191	9,798	19,893	57,882	27,676	11,152	20,373	59,201
Provision for loan losses								
Transfers (out) in of Stage 1[1]	(352)	236	116	-	(548)	417	131	-
Transfers (out) in of Stage 2[1]	(775)	(599)	1,374	-	(2,151)	469	1,682	-
Transfers (out) in of Stage 3[1]	(2,064)	(3,005)	5,069	-	(2,401)	(3,700)	6,101	-
New originations[2]	2,227	383	419	3,029	4,355	538	448	5,341
Repayments[3]	(56)	(123)	(218)	(397)	(914)	(387)	(236)	(1,537)
Remeasurements[4]	1,467	2,290	857	4,614	2,631	512	10,356	13,499
Write-offs	-	-	(8,623)	(8,623)	(10)	(21)	(20,523)	(20,554)
Recoveries	-	-	632	632	-	-	1,344	1,344
Discounted cash flows on impaired loans and other	-	-	(63)	(63)	-	-	(220)	(220)
Balance at end of period	28,638	8,980	19,456	57,074	28,638	8,980	19,456	57,074

Allowance for loan losses - Credit Cards	For the three months ended September 30, 2018				For the six months ended September 30, 2018			
	Performing		Impaired		Performing		Impaired	
($ in thousands)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of period	11,909	12,368	1,183	25,460	13,151	24,104	2,402	39,657
Provision for loan losses								
Transfers in (out) of Stage 1[1]	1,043	(1,036)	(7)	-	1,050	(1,038)	(12)	-
Transfers (out) in of Stage 2[1]	(175)	(917)	1,092	-	1,849	(2,847)	998	-
Transfers in (out) of Stage 3[1]	84	(1,832)	1,748	-	89	(2,141)	2,052	-
New originations[2]	312	133	(0)	445	532	242	(0)	774
Repayments[3]	(182)	(949)	(1,400)	(2,531)	(429)	(1,711)	(2,963)	(5,103)
Remeasurements[4]	(1,195)	13,932	2,548	15,285	(4,453)	5,077	4,955	5,579
Write-offs	-	-	(4,964)	(4,964)	-	-	(10,484)	(10,484)
Recoveries	-	-	1,356	1,356	-	-	4,608	4,608
Discounted cash flows on impaired loans and other	(9)	(5)	-	(14)	(2)	8	-	6
Balance at end of period	11,787	21,694	1,556	35,037	11,787	21,694	1,556	35,037

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

($ in thousands)	Balance at beginning of period	Provision for loan losses	Net Write-offs	Discounted cash flows on impaired loans and other	Balance at end of period
	For the three months ended September 30, 2017				
Business	$ 373,985	$ 43,209	$ (5,589)	$ (2,395)	$ 409,210
Residential mortgages	19,808	(1,580)	179	-	18,407
Personal	85,370	5,937	(11,312)	-	79,995
Credit card	28,903	(338)	(3,722)	-	24,843
Total	$ 508,066	$ 47,228	$ (20,444)	$ (2,395)	$ 532,455

($ in thousands)	Balance at beginning of period	Provision for loan losses	Net Write-offs	Discounted cash flows on impaired loans and other	Balance at end of period
	For the six months ended September 30, 2017				
Business	$ 364,969	$ 56,761	$ (7,937)	$ (4,583)	$ 409,210
Residential mortgages	20,733	(2,578)	252	-	18,407
Personal	95,194	14,767	(25,586)	-	84,375
Credit card	28,792	(227)	(8,102)	-	20,463
Total	$ 509,688	$ 68,723	$ (41,373)	$ (4,583)	$ 532,455

Note 10 Derivative Financial Instruments

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

As at *($ in thousands)*	**Notional amount**	**Assets**	**Liabilities**	Notional amount	Assets	Liabilities
			September 30 2018			March 31 2018
Over-the-counter contracts						
Interest rate contracts						
Swaps	**$ 27,001,441**	**$ 162,507**	**$ (332,077)**	$ 23,014,465	$ 151,372	$ (255,132)
Other	**2,433,547**	**30,862**	**(48,031)**	2,271,123	32,690	(42,340)
Foreign-exchange contracts						
Forwards	**5,674,867**	**14,789**	**(18,645)**	3,280,264	25,308	(17,907)
Cross-currency swaps	**1,554,792**	**19,006**	**(20,721)**	1,058,731	19,118	(24,362)
Commodity contracts						
Forwards	**2,338,558**	**389,830**	**(373,995)**	2,501,998	348,224	(331,586)
Embedded derivatives						
Market-linked deposits	**422,857**	**-**	**(1,835)**	422,857	-	(1,835)
Total	**$ 39,426,062**	**$ 616,994**	**$ (795,304)**	$ 32,549,438	$ 576,712	$ (673,162)

In addition to the notional amounts shown above, ATB has certain foreign-exchange spot deals that settle in one day, with notional amounts of $6.6 million as at September 30, 2018 (March 31, 2018: $0.02 million).

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

Note 11 Collateralized Borrowings

Canada Mortgage Bond (CMB) Program

ATB periodically securitizes residential mortgage loans by participating in the National Housing Act Mortgage-Backed Security (NHA-MBS) program. The MBS issued as a result of this program are pledged to the Canadian Mortgage Bond (CMB) Program or to third-party investors. The terms of this transaction do not meet the derecognition criteria as outlined in IFRS 9 *Financial Instruments*; therefore, it is accounted for as a collateralized borrowing. Refer to note 15 of the consolidated financial statements for the year ended March 31, 2018 for a more complete description of the program.

Credit Card Securitization

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

The following table presents the carrying amount of ATB's residential mortgage loans, credit card receivables, and assets pledged as collateral for the associated liability recognized in the Interim Condensed Consolidated Statement of Financial Position:

As at *($ in thousands)*	**September 30** **2018**	March 31 2018
Principal value of mortgages pledged as collateral	**$ 7,198,211**	$ 6,947,936
ATB mortgage-backed securities pledged as collateral through repurchase agreements	**1,179,647**	983,153
Principal value of credit card receivables pledged as collateral	**620,829**	620,851
Total	**$ 8,998,687**	$ 8,551,940
Associated liabilities	**$ 8,834,997**	$ 8,408,453

Note 12 Payment in Lieu of Tax

For the three months ended September 30, 2018, ATB accrued a total of $20.7 million (September 30, 2017: $18.7 million). For the six months ended September 30, 2018, ATB accrued a total of $37.9 million (September 30, 2017: $37.6 million) for payment in lieu of tax. The payment in lieu of tax will continue to be settled by issuing subordinated debentures until ATB's Tier 2 notional capital is eliminated. The payment in lieu of tax is calculated as 23.0% of net income reported under IFRS, excluding AltaCorp's net income, which is subject to income tax

Note 13 Capital Management

ATB measures and reports capital adequacy to ensure that it meets the minimum levels set out by its regulator, Alberta Treasury Board and Finance, while supporting the continued growth of its business.

As a Crown corporation, ATB and its subsidiaries operate under a regulatory framework established pursuant to the *ATB Act* and associated regulations and guidelines. The capital adequacy requirements for ATB are defined in a guideline authorized by the Minister, which was modelled after guidelines governing other Canadian deposit-taking institutions. ATB's minimum Tier 1 capital requirement is 7.0%, and the total capital requirement is the greater of 10.0% of risk-weighted assets or 5.0% of total assets. Risk weights are established for various on-balance-sheet and off-balance-sheet assets according to the degree of credit risk. Tier 1 capital consists of retained earnings, and Tier 2 capital consists of eligible portions of subordinated debentures and wholesale borrowings, the collective allowance for loan losses, and notional capital. Wholesale borrowings became eligible as Tier 2 capital as of December 2015 as a result of an amendment to the capital requirements guideline. Effective March 30, 2009, $600,000 of notional capital was made available to ATB. This amount reduces by 25% of net income each quarter. Effective April 1, 2017, software and other intangibles was deducted from total capital.

As at September 30, 2018, ATB had exceeded both the total capital requirements and the Tier 1 capital requirement of the *Capital Adequacy* guideline.

As at *($ in thousands)*	**September 30** **2018**	March 31 2018
Tier 1 capital		
Retained earnings	**$ 3,642,820**	$ 3,453,844
Tier 2 capital		
Eligible portions of:		
Subordinated debentures	**124,727**	111,193
Wholesale borrowings	**1,640,000**	1,420,000
Collective allowance for loan losses	**139,381**	201,710
Notional capital	**101,733**	148,977
Total Tier 2 capital	**2,005,841**	1,881,880
Deductions from capital		
Software and other intangibles	**296,334**	292,796
Total capital	**$ 5,352,327**	$ 5,042,928
Total risk-weighted assets	**$ 36,988,347**	$ 35,320,997
Risk-weighted capital ratios		
Tier 1 capital ratio	**9.9%**	9.8%
Total capital ratio	**14.5%**	14.3%

Note 14 Share Capital

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

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

(in thousands)	**Shares**	**Value**
Class A shares		
Balance, as at March 31, 2018	**3,386**	**$ 4,414**
Shares issued during the year	**-**	**-**
Balance, as at September 30, 2018	**3,386**	**$ 4,414**

(in thousands)	**Shares**	**Value**
Class B shares		
Balance, as at March 31, 2018	**2,569**	**$ 283**
Shares issued during the year	**1,030**	**1,998**
Shares repurchased during the year	**(450)**	**(166)**
Share purchase loan	**-**	**6**
Balance, as at September 30, 2018	**3,149**	**$ 2,121**

Note 15 Segmented Information

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

- **Retail Financial Services** comprises the branch, agency, and ABM networks and provides financial services to individuals.
- **Business and Agriculture** provides financial services to independent business and agricultural customers.
- **Corporate Financial Services** provides financial services to mid-sized and large corporate borrowers.
- **ATB Wealth** provides wealth management solutions, including retail brokerage, mutual funds, portfolio management, and investment advice.
- **AltaCorp** provides advisory and institutional financial services, including corporate mergers and acquisitions, equity financings, debt capital markets, acquisitions and divestitures, equity research, sales and trading, market making, and private wealth management.

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

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

Three months ended *($ in thousands)*	Retail Financial Services	Business and Agriculture	Corporate Financial Services	ATB Wealth[1]	AltaCorp Capital Inc.	Strategic service units	Total
September 30, 2018							
Net interest income	**$ 111,282**	**$ 84,409**	**$ 85,962**	**$ 3,843**	**$ 284**	**$ 13,239**	**$ 299,019**
Other income (loss)	**22,786**	**20,660**	**21,589**	**53,915**	**5,148**	**(870)**	**123,228**
Total operating revenue	**134,068**	**105,069**	**107,551**	**57,758**	**5,432**	**12,368**	**422,247**
Provision for loan losses	**9,220**	**36,996**	**4,602**	**2,224**	**-**	**-**	**53,042**
Non-interest expenses	**121,259**	**65,133**	**30,523**	**50,153**	**5,267**	**6,578**	**278,913**
Income before payment in lieu of tax	**3,589**	**2,940**	**72,426**	**5,381**	**165**	**5,791**	**90,293**
Payment in lieu of tax	**-**	**-**	**-**	**3,301**	**73**	**17,438**	**20,812**
Net income (loss)	**$ 3,589**	**$ 2,940**	**$ 72,426**	**$ 2,080**	**$ 92**	**$ (11,647)**	**$ 69,480**
Total assets	**$ 22,423,432**	**$ 8,253,421**	**$ 13,308,817**	**$ 872,128**	**$ 29,425**	**$ 9,401,935**	**$ 54,289,158**
Total liabilities	**$ 12,233,425**	**$ 9,699,920**	**$ 10,257,420**	**$ 892,947**	**$ 18,530**	**$ 17,752,196**	**$ 50,854,438**
June 30, 2018							
Net interest income (loss)	$ 111,216	$ 83,416	$ 85,516	$ 3,593	$ (33)	$ 13,073	$ 296,781
Other income (loss)	21,196	20,597	18,360	51,722	5,858	(2,490)	115,243
Total operating revenue	132,412	104,013	103,876	55,315	5,825	10,583	412,024
Provision for loan losses	1,087	14,847	34,388	-	-	-	50,322
Non-interest expenses	127,187	67,221	32,444	50,346	6,066	3,943	287,207
Income (loss) before payment in lieu of tax	4,138	21,945	37,044	4,969	(241)	6,640	74,495
Payment in lieu of tax	-	-	-	3,083	64	14,052	17,199
Net income (loss)	$ 4,138	$ 21,945	$ 37,044	$ 1,886	$ (305)	$ (7,412)	$ 57,296
Total assets	$ 22,168,317	$ 7,792,393	$ 13,463,720	$ 814,770	$ 37,440	$ 9,055,452	$ 53,332,092
Total liabilities	$ 12,195,639	$ 9,315,761	$ 10,515,734	$ 844,269	$ 29,050	$ 17,005,515	$ 49,905,968
September 30, 2017							
Net interest income	$ 115,303	$ 78,364	$ 81,909	$ 151	$ -	$ 7,815	$ 283,542
Other income	20,764	18,564	17,529	47,441	-	4,502	108,800
Total operating revenue	136,067	96,928	99,438	47,592	-	12,317	392,342
Provision for loan losses	4,367	8,680	34,181	-	-	-	47,228
Non-interest expenses	122,967	55,724	26,027	34,557	-	24,343	263,618
Income (loss) before payment in lieu of tax	8,733	32,524	39,230	13,035	-	(12,026)	81,496
Payment in lieu of tax	-	-	-	2,998	-	15,746	18,744
Net income (loss)	$ 8,733	$ 32,524	$ 39,230	$ 10,037	$ -	$ (27,772)	$ 62,752
Total assets	$ 21,576,287	$ 7,686,054	$ 11,943,239	$ 132,645	$ -	$ 8,267,773	$ 49,605,998
Total liabilities	$ 12,058,040	$ 9,394,680	$ 9,406,608	$ 93,153	$ -	$ 15,505,240	$ 46,457,721

[1]Effective September 2018 ATB Wealth includes ATB Investor Services and Alberta Private Client (APC). Results for the three months ended June 30, 2018 have been restated. Results for the three months and six months ended September 30, 2017 were not restated to include APC. Previously APC was reported under RFS.

For the six months ended *($ in thousands)*	Retail Financial Services	Business and Agriculture	Corporate Financial Services	ATB Wealth[1]	AltaCorp Capital Inc.	Strategic service units	Total
September 30, 2018							
Net interest income	**$ 222,498**	**$ 167,825**	**$ 171,478**	**$ 7,436**	**$ 251**	**$ 26,312**	**$ 595,800**
Other income (loss)	**43,982**	**41,257**	**39,949**	**105,637**	**11,006**	**(3,360)**	**238,471**
Total operating revenue	**266,480**	**209,082**	**211,427**	**113,073**	**11,257**	**22,952**	**834,271**
Provision for loan losses	**10,307**	**51,843**	**38,990**	**2,224**	**-**	**-**	**103,364**
Non-interest expenses	**248,446**	**132,354**	**62,967**	**100,499**	**11,332**	**10,522**	**566,120**
Income (loss) before payment in lieu of tax	**7,727**	**24,885**	**109,470**	**10,350**	**(75)**	**12,430**	**164,787**
Payment in lieu of tax	**-**	**-**	**-**	**6,384**	**137**	**31,490**	**38,011**
Net income (loss)	**$ 7,727**	**$ 24,885**	**$ 109,470**	**$ 3,966**	**$ (212)**	**$ (19,060)**	**$ 126,776**
September 30, 2017							
Net interest income	$ 227,426	$ 153,121	$ 162,594	$ 284	$ -	$ 4,825	$ 548,250
Other income	40,494	35,662	37,450	94,385	-	7,457	215,448
Total operating revenue	267,920	188,783	200,044	94,669	-	12,282	763,698
Provision for loan losses	11,278	25,324	32,121	-	-	-	68,723
Non-interest expenses	247,547	110,695	53,070	68,367	-	51,800	531,479
Income (loss) before payment in lieu of tax	9,095	52,764	114,853	26,302	-	(39,518)	163,496
Payment in lieu of tax	-	-	-	6,049	-	31,555	37,604
Net income (loss)	$ 9,095	$ 52,764	$ 114,853	$ 20,253	$ -	$ (71,073)	$ 125,892

[1]Effective September 2018 ATB Wealth includes ATB Investor Services and Alberta Private Client (APC). Results for the three months ended June 30, 2018 have been restated. Results for the three months and six months ended September 30, 2017 were not restated to include APC. Previously APC was reported under RFS.

Note 16 Comparative Amounts

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