MANAGEMENT'S DISCUSSION AND ANALYSIS

FY2022 Q1 Financial Highlights

	For the three months ended		
	Jun 30 2021	Mar 31 2021	Jun 30 2020
Operating results *($ in thousands)*			
Net interest income	**$ 304,752**	$ 303,615	$ 275,439
Other income	**155,086**	159,388	149,165
Total revenue	**459,838**	463,003	424,604
(Recovery of) provision for loan losses	**(61,169)**	(14,369)	245,316
Non-interest expenses	**310,925**	357,078	293,502
Net income (loss) before payment in lieu of tax (PILOT)	**210,082**	120,294	(114,214)
PILOT	**48,320**	27,669	-
Net income (loss)	**$ 161,762**	$ 92,625	$ (114,214)
Income before provision for loan losses *($ in thousands)* (1)			
Total revenue	**$ 459,838**	$ 463,003	$ 424,604
Less: non-interest expenses	**(310,925)**	(357,078)	(293,502)
Income before provision for loan losses	**$ 148,913**	$ 105,925	$ 131,102
Financial position *($ in thousands)*			
Net loans	**$ 44,816,229**	$ 44,597,222	$ 45,853,218
Total assets	**55,517,892**	55,755,035	55,222,762
Total risk-weighted assets (1)	**36,426,975**	36,487,057	36,265,294
Total deposits	**37,843,078**	37,758,388	35,980,388
Equity	**4,244,356**	4,074,923	3,920,995
Key performance measures *(%)* (1)			
Return on average assets	**1.1**	0.67	(0.82)
Return on average risk-weighted assets	**1.8**	1.0	(1.3)
Total revenue growth	**8.3**	8.5	(2.1)
Other income to total revenue	**33.7**	34.4	35.1
Total expense growth	**5.9**	18.3	(4.8)
Efficiency ratio	**67.6**	77.1	69.1
Net interest margin	**2.29**	2.33	2.08
Loan losses to average loans	**(0.55)**	(0.13)	2.1
Net loan growth	**0.49**	(0.49)	(2.5)
Total deposit growth	**0.22**	1.5	1.7
Change in assets under administration	**4.8**	3.8	9.3
Tier 1 capital ratio	**11.3**	10.9	10.0
Total capital ratio	**16.0**	16.2	15.6
Other information			
ATB Wealth's assets under administration *($ in thousands)*	**$ 26,082,967**	$ 24,880,721	$ 21,696,562
Total clients	**806,656**	803,736	807,502
Team members (2)	**5,043**	5,044	5,277

(1) Refer to the glossary for a definition of our key performance measures.
(2) Reported as full-time equivalents (FTEs).

Introduction

This is management's discussion and analysis (MD&A) of the consolidated results of operations and financial position of ATB Financial (ATB) for the three months ended June 30, 2021, and is dated August 18, 2021. The MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements and related notes for the period ended June 30, 2021, as well as the audited consolidated financial statements and MD&A for the year ended March 31, 2021.

Caution Regarding Forward-Looking Statements

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

By their very nature, forward-looking statements require ATB's management to make numerous assumptions and are subject to inherent risks and uncertainties, both general and specific. A number of factors could cause actual future results, conditions, actions, or events to differ materially from the expectations, estimates, or intentions expressed in the forward-looking statements. Such factors include, but are not limited to, changes in our legislative or regulatory environment; changes in ATB's markets; technological changes; changes in general economic conditions, including fluctuations in interest rates, commodity prices, currency values, and liquidity conditions; the ongoing impacts on the global economy due to the COVID-19 pandemic; and other developments, including the degree to which ATB anticipates and successfully manages the risks implied by such factors.

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

Economic Outlook

All references to years contained in this section are to calendar years unless otherwise stated.

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

Alberta's Economy at a Glance

	2020	2021	2022
Real growth in gross domestic product *(annual % change)*	(8.2)	5.0	3.1
Consumer price index *(annual % change)*	1.1	2.1	1.8
Unemployment rate *(%)*	11.4	9.1	8.6
WTI *(US$/bbl)*	39	61	60
Exchange rate *(Cdn$1/ US$1)*	0.75	0.84	0.84
Bank of Canada overnight lending rate *(%)*	0.25	0.25	0.31

The economy breathed a sigh of relief on July 1st when (most) public health restrictions were lifted in Alberta. The pace of the reopening has happened faster than expected and could push GDP growth in 2021 above our current forecast. Even with a higher level of growth over the second half of 2021, it will likely take until the end of 2022 before Alberta's economic returns to 2019 levels.

Oil prices have also beaten expectations. At the start of the year, most forecasts assumed that the WTI benchmark would average around $50 USD per barrel in 2021 whereas many now see it landing above $60.

The higher prices are good news for Alberta's oil patch and overall economy, but they are not triggering a material increase in capital expenditures and, in turn, the economic growth we typically see during a sustained oil price rally. Impressive economic rebounds in China and the U.S., combined with the anticipation that vaccine efforts will enable key economies to stay open and travel to bounce back, suggest oil consumption will continue to recover and return to pre-pandemic levels by 2023. Prices are expected to taper from their current highs next year as global oil production begins to modestly outpace demand.

Employment in the province as of mid-June was still down by 2.1%, or 47,700 jobs, compared to the pre-pandemic level and the provincial unemployment rate (9.3%), among the highest in the country. Employment growth is expected to pick up in the second half of the year, but it will have trouble keeping up with demand. Despite this, labour shortages will also be a problem due to skills shortages, population aging, reduced immigration and other factors.

The retail sector has weathered the pandemic remarkably well with monthly sales coming in above their pre-pandemic levels since last fall. Residential construction, the housing market, manufacturing, and exports have also bounced back strongly; despite extremely dry conditions this summer, agriculture and food processing remain economic bright spots; natural gas prices have increased and production is higher than last year; the forestry and wood products sectors have benefited from strong demand; and high-tech business activity appears to be gaining momentum.

We continue to see the recovery as K-shaped. Workers who didn't lose their jobs, businesses that did well despite, or because of, the changes brought on by COVID-19, households that managed to squirrel away money during the pandemic, and workers and entrepreneurs who are able to take advantage of the post-pandemic environment will form the upper branch of the K. The lower branch will be formed by workers who either return to low-wage employment or remain out of work, the businesses that have been hobbled by what's been going on since March 2020 and the business owners who were forced to close and are unable to reopen.

Headwinds facing the provincial economy include inflation (even if it maybe temporary); supply chain disruptions; ongoing barriers to international travel; an eventual rise in interest rates (likely beginning later next year); reduced government spending; and the net outflow of Albertans to other parts of the country that has been taking place since the spring of 2020.

Despite the challenges, Alberta's economy is still one of the best in the world, produces more GDP per capita than any other province and remains an attractive place to footloose workers, entrepreneurs and investment capital.

Review of Consolidated Operating Results

Net Income

For the quarter ended June 30, 2021, net income (NI) improved by $69.1 million (74.6%) from last quarter and by $276.0 million from the net loss at this time last year. A lower provision for loan losses (LLP) is the driving factor for both increases. Other contributing factors were lower non-interest expenses (NIE) (versus last quarter), and higher total revenue (versus this time last year). ATB's net contribution—composed of NI, payment in lieu of tax (PILOT), and deposit guarantee fee—to the Government of Alberta (GoA) was $224.8 million, an increase of $88.2 million (64.6%) from last quarter, and an increase of $210.8 million compared to this time last year.

ATB's income before provisions, a non-International Financial Reporting Standard (IFRS) measure is $148.9 million, a $43.0 million (40.6%) increase from last quarter, and a $17.8 million (13.6%) increase versus this time last year. Both are due to the factors noted previously.

Total Revenue

Total revenue consists of net interest income (NII) and other income (OI). This quarter's total revenue is $459.8 million, comprising $304.7 million in NII, and $155.1 million in OI. The decrease from last quarter's total revenue ($463.0 million) was due to lower OI. Higher OI, in addition to lower deposit interest expenses, was the main factor for the year-over-year increase.

Net Interest Income

NII represents the difference between the interest earned on assets (such as loans and securities) and interest paid on liabilities (such as deposits and wholesale or collateralized borrowings). NII was $304.8 million this quarter, slightly higher than last quarter and $29.3 million (10.6%) higher than this time last year. NII increased from last quarter due to lower interest costs and a change in our deposit funding mix. This also drove the year-over-year quarterly NII increase, which was offset by loans contracting.

Changes in Net Interest Income

	June 30 2021 vs March 31 2021			June 30 2021 vs June 30 2020		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
($ in thousands)	**Volume / Mix**	**Rate**	**Net change**	Volume / Mix	Rate	Net change
Assets						
Interest-bearing deposits with financial institutions, and securities	**$ 444**	**$ (203)**	**$ 241**	$ 4,642	$ (11,934)	$ (7,292)
Loans	**(219)**	**(8,720)**	**(8,939)**	(17,061)	7,295	(9,766)
Change in interest income	**225**	**(8,923)**	**(8,698)**	(12,419)	(4,639)	(17,058)
Liabilities						
Deposits	**(3,978)**	**(6,492)**	**(10,470)**	(13,764)	(22,345)	(36,109)
Wholesale borrowings	**(650)**	**1,141**	**491**	(3,509)	(311)	(3,820)
Collateralized borrowings	**(149)**	**463**	**314**	(3,022)	(3,205)	(6,227)
Securities sold under repurchase agreements	**(56)**	**(114)**	**(170)**	(206)	(7)	(213)
Subordinated debentures	**-**	**-**	**-**	(2)	-	(2)
Change in interest expense	**(4,833)**	**(5,002)**	**(9,835)**	(20,503)	(25,868)	(46,371)
Change in net interest income	**$ 5,058**	**$ (3,921)**	**$ 1,137**	$ 8,084	$ 21,229	$ 29,313

Net Interest Margin

The net interest margin (NIM) is the ratio of NII to average total interest-earning assets for the year. The ratio was 2.29%, lower than the 2.33% achieved last quarter but higher than the 2.08% achieved during the same quarter last year. The decrease from last quarter was driven by lower loan yields on some product offerings. The increase from this time last year is the result of lower deposit borrowing costs and changes in our funding mix as noted previously.

Other Income

OI consists of all total revenue not classified as NII. OI decreased from last quarter by $4.3 million (2.7%), but increased by $5.9 million (4.0%) from this time last year. Quarter-over-quarter our Capital Markets and Financial Markets Group (FMG) earned lower revenue, driven by lower activity as financial markets were less volatile, in addition, credit fees also decreased. This was offset by unrealized gains from our corporate interest rate management portfolios. The increase from this time last year came mainly from our core service revenues (card and credit fees, and service charges) as clients are transacting more with the economy reopening. Revenue generated from ATB Wealth management is also up with assets under administration (AUA) growing, bolstered by strong net asset gathering.

Provision for Loan Losses

ATB's LLP—comprising net write-offs, recoveries, and required changes to the allowance for Stage 1, 2, and 3 loans—decreased from last quarter as all three Stages recorded a recovery in addition to a reduction in net write-offs. This reduction largely reflects the loan portfolios performing better than expected with a number of business loans returning to performing & being paid down. As many of the loan deferral and government support programs have ended, we are continuing to see new impairments in our Stage 3 provision as many sectors continue to struggle. The decrease in all stages and write-offs compared to this time last year can be attributed to the improving economic conditions resulting from reduced pandemic restrictions in Alberta and globally.

We continue to recognize the challenges that the pandemic has created for our clients. We remain committed to providing our clients with access to credit as we help stabilize and support Alberta's economy, while taking appropriate measures to limit losses. As at June 30, 2021, gross impaired loans of $0.8 billion comprised 1.9% (March 31, 2021: 2.1%, June 30, 2020: 2.3%) of the total loan portfolio.

Non-interest Expense

Non-interest expense (NIE) consists of all expenses incurred by ATB except for interest expenses and LLP. NIE is lower than the previous quarter due to decreased performance-based compensation and costs incurred to optimize our branch network last quarter. Compared to this time last year, NIE is higher as a result of performance-based compensation, and marketing costs increasing with the economy opening up. In addition, the fair value of our achievement notes increased.

Efficiency Ratio

The efficiency ratio, measured as total NIE divided by total revenue, measures how much it costs ATB to generate revenue. A lower ratio indicates higher efficiency at generating income. Our efficiency ratio of 67.64% this quarter improved from 77.1% last quarter and 69.1% for the same period last year. This improvement over last quarter is mainly due to a significant drop in expenses noted previously . Compared to last year total revenue growth outpaced expense growth.

Review of Operating Results by Area of Expertise

ATB has organized its operations and activities around the following three AoEs that differ in products and services offered:

- **ATB Everyday Financial Services (EFS)** provides financial services to individuals and small businesses through our branch, agency, Client Care, Brightside, and automated-banking-machine (ABM) networks.
- **ATB Business** provides financial advisory services to medium and large businesses, corporations, and agricultural clients.
- **ATB Wealth** provides investment advisory, insurance solutions, private banking, and institutional portfolio management solutions.

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

ATB Everyday Financial Services (1)

Financial Performance

	For the three months ended		
($ in thousands)	**June 30 2021**	March 31 2021	June 30 2020
Net interest income	**$ 120,414**	$ 120,298	$ 107,526
Other income	**28,405**	29,238	24,898
Total revenue	**148,819**	149,536	132,424
Provision for loan losses	**4,104**	12,091	35,263
Non-interest expense (2)	**128,302**	144,443	133,033
Net income (loss) before payment in lieu of tax	**16,413**	(6,998)	(35,872)
Payment in lieu of (recovery of) tax	**4,926**	(221)	-
Net income (loss)	**$ 11,487**	$ (6,777)	$ (35,872)
Total assets	**$ 27,195,280**	$ 26,725,291	$ 25,025,697
Total liabilities	**17,694,859**	17,452,570	16,556,042

(1) In June 2021, the financial results and balances for certain loan products were moved to the SSUs from EFS. Results for the three months ended March 31, 2021 and June 30, 2020 were reclassified to conform with current period presentation.
(2) Certain costs are allocated from the SSUs to the AoEs. The allocation method, revised annually, may create fluctuations in ATB's segmented results.

NI for EFS increased significantly compared to last quarter and the same time last year mainly driven by lower LLP and NIE.

NII remained consistent from last quarter, but increased compared to the same quarter last year. This increase is mainly driven by clients holding funds in more liquid and lower cost deposits, and growth in residential mortgage loans (RML). OI decreased from last quarter due to lower third-party insurance commissions received on loans. OI increased from the same quarter last year due to increased service charges and fee income compared to last year which were both impacted by the early stages of the COVID-19 pandemic.

The LLP for EFS decreased compared to last quarter and the same quarter last year due to lower Stage 1 and 2 provision driven by an improved economic outlook.

NIE decreased from last quarter and the same quarter last year due to reduced corporate allocations and a reduction in the number of FTEs.

Loans remained consistent from last quarter, but decreased from the same quarter last year due to a decline in RMLs, home equity lines of credit (HELOCs), and other personal loans. Deposits grew from last quarter and the same quarter last year as clients are holding more liquid assets.

ATB Business

Financial Performance

	For the three months ended		
($ in thousands)	**June 30 2021**	March 31 2021	June 30 2020
Net interest income	**$ 167,404**	$ 161,836	$ 148,865
Other income	**54,070**	76,901	47,483
Total revenue	**221,474**	238,737	196,348
(Recovery of) provision for loan losses	**(60,748)**	(24,929)	185,729
Non-interest expense (1)	**102,692**	118,499	95,703
Net income (loss) before payment in lieu of tax	**179,530**	145,167	(85,084)
Payment in lieu of tax	**41,293**	33,389	-
Net income (loss)	**$ 138,237**	$ 111,778	$ (85,084)
Total assets	**$ 23,667,364**	$ 23,042,814	$ 21,011,251
Total liabilities	**19,139,801**	18,793,198	17,430,968

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

NI improved from last quarter and the same quarter last year, with LLP decreasing being the main driver.

NII has increased from last quarter and the same quarter last year as deposits were repriced. OI decreased compared to last quarter due to fewer deals closed by the capital markets group. The increase compared to the same quarter last year relates to credit and card fees as well as service charges. There's been an uptick in transaction volumes and clients using credit and debit cards rather than physical cash.

LLP decreased from last quarter and the same quarter last year driven by a lower net Stage 3 provision. In addition, a lower total Stage 1 and 2 provision attributed to the year-over-year decrease. The decrease in all stages reflects an improving economic environment and the continued upward trend of commodity prices during the fiscal year.

NIE decreased from last quarter due to a decrease in performance-based compensation as a result of lower OI. The increase from the same quarter last year is mainly the result of higher corporate allocation costs.

Loan balances have increased quarter-over quarter, particularly in the real estate and agriculture sectors. Year-over-year loan balances have decreased due to less loans in the energy sector. Deposits have increased both quarter-over-quarter and same time last year with clients having access to government relief programs, and holding more liquid assets.

ATB Wealth

Financial Performance

	For the three months ended		
($ in thousands)	**June 30 2021**	March 31 2021	June 30 2020
Net interest income	**$ 6,530**	$ 5,789	$ 4,658
Other income	**68,152**	64,603	55,642
Total revenue	**74,682**	70,392	60,300
(Recovery of) provision for loan losses	**(1,270)**	192	5,300
Non-interest expense (1)	**67,647**	64,717	54,760
Net income before payment in lieu of tax	**8,305**	5,483	240
Payment in lieu of tax	**1,910**	1,261	55
Net income	**$ 6,395**	$ 4,222	$ 185
Total assets	**$ 978,651**	$ 1,519,727	$ 1,717,145
Total liabilities	**1,000,227**	1,557,216	1,745,955
Total assets under administration	**26,082,967**	24,880,721	21,696,562

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

ATB Wealth's AUA increased from last quarter due to investors being more positive about the market and the economy. This led to ATB Wealth having their highest gross assets gathered in the first quarter since inception. The increase compared to last year is driven by strong market performance that not only recovered the value lost at the onset of the COVID-19 pandemic, but also grew the portfolio.

OI increased compared to last quarter and the same time last year due to higher AUA.

NIE is higher than last quarter and last year primarily due to increased variable costs associated with AUA

Loans are consistent with the prior quarter, but increased from this time last year as clients took advantage of the low-interest-rate environment. Deposits decreased this from last quarter and this time last year due to fixed date deposits rolling off. The quarter-over-quarter decrease was also driven by a few high-dollar deposits maturing.

Strategic Support Units (1)

Financial Performance

	For the three months ended		
($ in thousands)	**June 30 2021**	March 31 2021	June 30 2020
Net interest income	**$ 10,404**	15,692	14,390
Other income (loss)	**4,459**	(11,354)	21,142
Total revenue	**14,863**	4,338	35,532
(Recovery of) provision for loan losses	**(3,255)**	(1,723)	19,024
Non-interest expenses (2)	**12,284**	29,419	10,006
Net income (loss) before payment in lieu of tax	**5,834**	(23,358)	6,502
Payment in lieu of (recovery of) tax	**191**	(6,760)	(55)
Net income	**$ 5,643**	$ (16,598)	$ 6,557
Total assets	**$ 3,676,597**	$ 4,467,203	$ 7,468,669
Total liabilities	**13,438,649**	13,877,128	15,568,802

(1) In June 2021, the financial results and balances for certain loan products were moved to the SSUs from EFS. Results for the three months ended March 31, 2021 and June 30, 2020 were reclassified to conform with current period presentation.
(2) Certain costs are allocated from the SSUs to the AoEs. The allocation method, revised annually, may create fluctuations in ATB's segmented results.

Total revenue increased compared to last quarter, but decreased from the same time last year. Both are due to OI, driven by the volatile economy and its impact on the unrealized gains and losses recorded for our foreign-exchange and interest-rate risk management portfolios.

NIE is lower than last quarter, but increased from the same quarter last year. The decrease this quarter can be linked to the costs incurred last quarter related to the optimization of our branch network but partially offset by an increase in the fair value of achievement notes. The increase from the prior year can be attributed to higher team member costs and increased fair value of achievement notes.

LLP decreased from last quarter and the same quarter last year, driven by a lower net Stage 3 provision. In addition, a lower total Stage 1 and 2 provision contributed to the year-over-year decrease. The decrease in all stages reflects an improving economic environment

Review of Consolidated Financial Position

Total Assets

Our total assets as at June 30, 2021, were $55.5 billion, consistent with last quarter and this time last year.

Loans

Net loans were $44.8 billion, consistent with last quarter. Compared to the same quarter last year, net loans contracted by $1.0 billion (2.3%) across all portfolios, with the exception of credit cards. Access to government relief programs and the excess liquidity in the market resulted in clients paying down loans and utilizing their loan facilities less.

Total Liabilities

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

Total liabilities as at June 30, 2021 were $51.3 billion, consistent with last quarter and the same quarter last year.

Deposits

ATB's principal sources of funding are client deposits. Total deposits were $37.8 billion, which is consistent quarter-over-quarter but $1.9 billion (5.2%) higher than the same quarter last year. This increase is due to clients accessing the various support programs and continuing to hold assets in more-liquid accounts.

Wholesale Borrowings

Wholesale borrowings, consisting primarily of bearer-deposit and mid-term notes issued by the Government of Alberta on ATB's behalf, can fluctuate quarter to quarter. The agreement with the Government of Alberta currently limits the total volume of such borrowings to $9.0 billion. The balance this quarter was $3.4 billion, which is consistent with last quarter but $0.9 billion (20.0%) lower than the same time last year. The decrease is due to our deposits growing, therefore putting less reliance on alternative funding sources.

Collateralized Borrowings

Collateralized borrowings, also used to supplement customer deposits, represent ATB's participation in the Canada Mortgage Bonds (CMB) program, securitization of credit card receivables, and other mortgage loan securitization. The balance this quarter was $7.8 billion, which is $0.2 billion (2.0%) lower than last quarter and $0.8 billion (8.9%) lower than the same quarter last year. The decrease is due to less reliance on alternative sources of funding.

Accumulated Other Comprehensive Income

Accumulated Other Comprehensive Income (AOCI) includes unrealized gains and losses that are only recorded on the consolidated statement of operations when realized. AOCI increased by $7.6 million (6.7%) from last quarter but decreased by $161.6 million (57.2%) from the same quarter last year. The quarterly increase is driven by unrealized gains on our pension plan assets as we experienced higher than expected returns, offset by an unrealized loss on our interest rate swaps designated for hedge accounting as swap rates increased slightly with the economy rebounding. The decline from this time last year relates to the unfavourable impact from swap rates increasing on our hedge-accounted swap portfolio, partially offset by unrealized gains due to higher than expected returns on our pension plan assets.

Regulatory Capital

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

As a Crown corporation, ATB and our subsidiaries operate under a regulatory framework established pursuant to the *ATB Act*, *ATB Regulation*, and *Capital Adequacy Requirements Guideline* (*CAR Guideline*). ATB's capital adequacy requirements were modelled after guidelines governing other Canadian deposit-taking institutions and authorized by the GoA's President of Treasury Board and Minister of Finance. 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 June 31, 2021, ATB had a Tier 1 capital ratio of 11.3% and a total capital ratio of 16.0%, both exceeding our regulatory requirements.

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

Credit Risk

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

Key measures as at June 30, 2021, are outlined below.

Total Credit Exposure

The amounts shown in the table below best represent ATB's exposure to credit risk, mainly comprised of loans (see Note 5 for further details).

As at *($ in thousands)*	**June 30** **2021**	March 31 2021
Financial assets (1)	**$ 53,957,241**	$ 54,484,142
Other commitments and off-balance-sheet items	**18,571,433**	18,396,216
Total credit risk	**$ 72,528,675**	$ 72,880,358

(1) Financial assets include derivatives stated net of collateral held and master netting agreements.

Industry Concentration Risk

ATB is inherently exposed to significant concentrations of credit risk, as our clients all participate in the Alberta economy, which, over time, has shown strong growth and sharp declines. ATB manages credit risk through diversifying our credit portfolio by limiting concentrations to single borrowers, industries, and geographic regions of Alberta. The following table presents a breakdown of the three largest single-industry segments and the single largest borrower:

		June 30 **2021**		March 31 2021
As at *($ in thousands)*		**Percentage of total gross loans**		Percentage of total gross loans
Commercial real estate	**$6,139,783**	**13.5%**	$6,166,027	13.6%
Agriculture, forestry, fishing, and hunting	**4,139,018**	**9.1%**	4,095,938	9.0%
Mining and oil-and-gas extraction	**3,868,289**	**8.5%**	3,971,632	8.8%
Largest borrower	**$185,818**	**0.41%**	$200,000	0.44%

Real-Estate-Secured Lending

Residential mortgages and HELOCs are secured by residential properties. The following table breaks down the amounts and percentages of insured and uninsured residential mortgages and HELOCs:

As at *($ in thousands)*		June 30 2021		March 31 2021	
Residential mortgages	Insured[1]	**$ 9,642,020**	**60.3%**	$ 9,492,165	59.9%
	Uninsured	**6,336,372**	**39.7%**	6,341,645	40.1%
Total residential mortgages		**$ 15,978,392**	**100.0%**	$ 15,833,810	100.0%
Home equity lines of credit	Uninsured	**$ 2,705,942**	**100.0%**	$ 2,793,598	100.0%
Total home equity lines of credit		**$ 2,705,942**	**100.0%**	$ 2,793,598	100.0%
	Insured	**$ 9,642,020**	**51.6%**	$ 9,492,165	51.0%
Total	**Uninsured**	**9,042,314**	**48.4%**	9,135,243	49.0%

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

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

As at	**June 30 2021**	March 31 2021
Less than 25 years	**91.4%**	91.5%
25 to 30 years	**8.5%**	8.4%
30 to 35 years	**0.1%**	0.1%
Total	**100.0%**	100.0%

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

As at	**June 30 2021**	March 31 2021
Residential mortgages	**0.69**	0.68
Home equity lines of credit	**0.59**	0.57

ATB performs stress-testing on its RML 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 RML portfolio under such scenarios to be manageable given the portfolio's high proportion of insured and low-loan-to-value-ratio mortgages.

Market Risk

ATB may incur losses due to adverse changes in interest rates, foreign-exchange rates, and equity and commodity market prices. Financial institutions like ATB are exposed to market risk in day-to-day operations such as investing, lending, and deposit-taking. ATB's risk management practices and key measures are disclosed in Note 23 to the consolidated financial statements for the year ended March 31, 2021, and the Risk Management section of the MD&A in the 2021 annual consolidated financial statements .

Interest Rate Risk

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

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 12-month period:

As at *($ in thousands)*	**Jun 30 2021**	Mar 31 2021
Impact on net earnings in succeeding year from:		
Increase in interest rates of:		
100 basis points	**$ 31,197**	$ 26,034
200 basis points	**60,322**	49,859
Decrease in interest rates of:		
100 basis points (1) (2)	**(3,546)**	171
200 basis points (1)	**(43,459)**	(30,047)

(1) Certain aspects of the decrease in interest rate scenarios are constrained by interest rate floors when appropriate.
(2) The 100-basis-point decrease result for March 31, 2021, is positive as interest rate floors exist with the lower prime and overnight rates.

Foreign-Exchange Risk

Foreign-exchange risk is the risk of loss resulting from fluctuations in foreign-exchange rates. This risk arises from the existence of a net asset or liability position denominated in foreign currencies and/or a difference in maturity profiles for purchases and sales of a given currency. ATB manages its foreign-currency exposure through foreign-exchange contracts. ATB is within its Board-approved minimum limit as at June 30, 2021, and March 31, 2021.

Liquidity Risk

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

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

On June 30, 2021, the liquidity coverage ratio (LCR) was 126.2% (March 31, 2021: 137.3%), well above Board-approved minimum limits.

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

As at *($ in thousands)*	**Within 1 year**	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**Over 5 years**	**June 30 2021 total**	March 31 2021 total
Mid-term notes	**$ -**	**$ -**	**$ 247,709**	**$ 348,597**	**$ 699,302**	**$ 806,501**	**$ 2,102,109**	$ 2,109,425
Bearer deposit notes	**1,324,870**	**-**	**-**	**-**	**-**	**-**	**1,324,870**	1,399,394
Mortgage-backed securities	**1,279,798**	**1,068,657**	**2,022,151**	**1,189,804**	**1,030,864**	**1,078,454**	**7,669,728**	7,831,082
Credit card securitization	**100,000**	**-**	**-**	**-**	**-**	**-**	**100,000**	100,000
Securities purchased under repurchase agreements	**14,731**	**-**	**-**	**-**	**-**	**-**	**14,731**	14,730
Total long-term funding	**$ 2,719,399**	**$ 1,068,657**	**$ 2,269,860**	**$ 1,538,401**	**$ 1,730,166**	**$ 1,884,955**	**$ 11,211,438**	$ 11,454,631
Of which:								
Secured	**$ 1,394,529**	**$ 1,068,657**	**$ 2,022,151**	**$ 1,189,804**	**$ 1,030,864**	**$ 1,078,454**	**$ 7,784,459**	$ 7,945,812
Unsecured	**1,324,870**	**-**	**247,709**	**348,597**	**699,302**	**806,501**	**3,426,979**	3,508,819
Total long-term funding	**$ 2,719,399**	**$ 1,068,657**	**$ 2,269,860**	**$ 1,538,401**	**$ 1,730,166**	**$ 1,884,955**	**$ 11,211,438**	$ 11,454,631

COVID-19

Beginning in mid-March 2020, the World Health Organization declared the outbreak of COVID-19 “a global pandemic.” Governments in affected areas imposed measures to contain the outbreak, including business closures, travel restrictions, quarantines, and cancellations of gatherings and events. The spread of COVID-19 has disrupted the global economy, causing financial market volatility, hampering certain sectors (e.g., hospitality) and helping others to flourish (e.g., e-commerce). Although the Alberta economy has started to reopen as a result of increased vaccination rates, we continue to closely monitor the potential lingering impacts of the pandemic. ATB will continue to support our clients and protect the health and safety of team members.

ATB has provided a payment deferral program for our clients. The following table shows the number of loans deferred and their associated gross carrying amounts outstanding:

As at	**June 30 2021**		March 31 2021		June 30 2020	
($ in thousands, except for "number of loan" amounts)	**Number of loans**	**Gross carrying amount of loans outstanding**	Number of loans	Gross carrying amount of loans outstanding	Number of loans	Gross carrying amount of loans outstanding
Retail	**251**	**$ 52,273**	283	$ 57,683	35,341	$ 5,299,870
Business	**-**	**-**	-	-	10,575	5,646,658
Total	**251**	**$ 52,273**	283	$ 57,683	45,916	$ 10,946,528

Retail Client Relief Program

This program provided immediate and temporary assistance to clients facing financial hardship due to job or income losses during the pandemic. Our relief measures included payment deferrals on various loan products and reduced interest rates on credit card balances with the initial program ending September 30, 2020. When the second wave took hold, a new relief program was developed and the Relief Solutions Team was created to help to support clients experiencing more complex financial difficulty and requiring further assistance. The second wave support ended March 31, 2021 however we continue to support our clients on a case by case basis. The majority of our clients that have exited this program are making regular payments on their loans following the expiry of their payment deferral periods.

Business Client Relief Program

Eligible business owners were given different and important options for temporary assistance, all designed to help them weather the impacts of COVID-19 and/or oil-price shocks. It included principal- and interest-payment deferrals and working-capital loans to allow business clients to sustain their operations during the downturn, and it waived merchant fees for clients who shut down their businesses due to COVID-19. Temporary assistance through this program ended September 30, 2020, with deferred loans either returning to regular payments or being converted to working-capital loans.

Government Relief Programs

ATB supported the following government relief programs:

Canada Emergency Business Account

The $25 billion Canada Emergency Business Account (CEBA) program provides interest-free loans of up to $40,000 to small businesses and not-for-profit organizations to help cover operating costs where revenues have been temporarily reduced due to the economic impacts of COVID-19. Loan forgiveness (25%, up to $10,000) can apply and be provided by the government when an organization repays 75% of their maximum CEBA loan balance by December 31, 2022. The program was expanded on December 4, 2020, to add another $20,000 for businesses that remain eligible. If half of the additional amount (i.e., $10,000) is repaid by December 31, 2022, the other half can be forgiven by the federal government. The application period for a $60,000 loan or the additional $20,000 ended on June 30, 2021.

Business Credit Availability Program

The Business Credit Availability Program (BCAP) is also referred to as the loan guarantee for eligible businesses. One version of the program is administered through Export Development Canada (EDC) and the other through the Business Development Bank of Canada (BDC).

- The EDC guarantees new operating credit and cash-flow term loans that financial institutions extend to small and medium-sized businesses, up to $6.25 million. Loans are originated and funded by ATB, and EDC guarantees 80% of the loan.
- The BDC Mid-market Financing Program supports Canadian medium-sized companies in all industries, including oil and gas, that have been directly or indirectly impacted by COVID-19 and/or the recent decline in oil and gas prices and whose credit needs exceed what is already available under other BCAP lending streams. These junior loans (from $12.5 million to $60 million each) are 90% funded by BDC and 10% by ATB or a group of lenders in the case of a syndicate.

Highly Affected Sectors Credit Availability Program

The Highly Affected Sectors Credit Availability Program (HASCAP) provides additional liquidity and cash flow to businesses highly affected either directly or indirectly by the COVID-19 pandemic. This program began on February 16, 2021, and is available until December 31, 2021, to help eligible clients access additional liquidity and cover operating costs. Features include:

- New 100% guaranteed term loans ranging from $25,000 to $1 million to qualifying clients;
- 4% fixed-interest-rate loans with repayment terms of up to 10 years; and
- Up to a 12-month postponement on principal repayments at the start of the loan.

CONSOLIDATED FINANCIAL STATEMENTS

Interim Consolidated Statement of Financial Position

(Unaudited)

As at *($ in thousands)*	Note	**June 30** **2021**	March 31 2021	June 30 2020
Cash		**$ 4,079,828**	$ 4,643,603	$ 3,190,190
Interest-bearing deposits with financial institutions		**676,619**	389,471	110,427
Total cash resources		**4,756,447**	5,033,074	3,300,617
Securities measured at fair value through profit or loss		**95,128**	92,093	53,723
Securities measured at fair value through other comprehensive income		**3,514,340**	3,534,514	3,477,787
Total securities	6	**3,609,468**	3,626,607	3,531,510
Business loans		**23,273,902**	23,197,080	23,636,212
Residential mortgages		**15,978,392**	15,833,810	16,213,331
Personal loans		**5,494,423**	5,631,547	6,153,671
Credit card		**693,478**	660,652	688,101
Total gross loans		**45,440,195**	45,323,089	46,691,315
Allowances for loan losses	8	**(623,966)**	(725,867)	(838,097)
Total net loans	7	**44,816,229**	44,597,222	45,853,218
Derivative financial instruments	9	**1,414,575**	1,181,796	1,393,585
Property and equipment		**227,910**	238,269	264,796
Software and other intangibles		**274,686**	282,708	301,016
Other assets		**418,577**	795,359	578,020
Total other assets		**2,335,748**	2,498,132	2,537,417
Total assets		**$ 55,517,892**	$ 55,755,035	$ 55,222,762
Transaction accounts		**$ 13,274,864**	$ 12,035,331	$ 10,151,695
Saving accounts		**12,288,089**	12,241,167	10,561,963
Notice accounts		**5,808,056**	5,639,066	4,981,132
Non-redeemable fixed-date deposits		**5,508,181**	6,014,076	8,126,204
Redeemable fixed-date deposits		**963,888**	1,828,748	2,159,394
Total deposits		**37,843,078**	37,758,388	35,980,388
Collateralized borrowings	10	**7,769,728**	7,931,082	8,529,343
Wholesale borrowings		**3,426,979**	3,508,819	4,285,354
Derivative financial instruments	9	**1,184,211**	921,411	869,306
Securities sold under repurchase agreements		**14,731**	14,730	-
Other liabilities		**1,034,809**	1,545,682	1,637,376
Total other liabilities		**13,430,458**	13,921,724	15,321,379
Total liabilities		**51,273,536**	51,680,112	51,301,767
Retained earnings		**4,123,261**	3,961,408	3,638,294
Accumulated other comprehensive income (loss)		**121,095**	113,515	282,701
Total equity		**4,244,356**	4,074,923	3,920,995
Total liabilities and equity		**$ 55,517,892**	$ 55,755,035	$ 55,222,762

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

Curtis Stange
President and Chief Executive Officer

Dan Hugo
Chief Financial Officer

Interim Consolidated Statement of Income

(Unaudited)

		For the three months ended		
($ in thousands)	Note	**June 30 2021**	March 31 2021	June 30 2020
Loans		**$ 423,066**	$ 432,005	$ 432,832
Securities		**2,960**	2,806	11,999
Interest-bearing deposits with financial institutions		**3,104**	3,017	1,357
Interest income		**429,130**	437,828	446,188
Deposits		**73,161**	83,801	109,483
Wholesale borrowings		**15,654**	15,163	19,474
Collateralized borrowings		**35,563**	35,249	41,790
Subordinated debentures		**-**	-	2
Interest expense		**124,378**	134,213	170,749
Net interest income		**304,752**	303,615	275,439
Wealth management		**67,383**	63,873	54,930
Service charges		**19,586**	19,375	15,994
Card fees		**17,514**	15,437	14,220
Credit fees		**10,458**	16,414	6,954
Financial markets group		**13,655**	16,095	22,158
Capital markets revenue		**14,387**	28,735	8,298
Foreign exchange		**3,463**	1,693	5,805
Insurance		**5,505**	7,336	5,542
Net gains on derivative financial instruments		**1,813**	(10,280)	11,495
Net gains on securities		**1,158**	401	3,678
Sundry		**164**	309	91
Other income		**155,086**	159,388	149,165
Total revenue		**459,838**	463,003	424,604
(Recovery of) provision for loan losses	8	**(61,169)**	(14,369)	245,316
Salaries and employee benefits		**172,691**	190,383	168,825
Data processing		**36,968**	37,489	30,607
Premises and occupancy, including depreciation		**16,768**	32,082	19,831
Professional and consulting costs		**15,510**	18,195	12,367
Deposit guarantee fee		**12,919**	15,239	11,837
Equipment, including depreciation		**3,489**	4,221	6,127
Software and other intangibles amortization		**21,330**	20,970	19,058
General and administrative		**14,402**	19,623	10,326
ATB agencies		**3,713**	3,863	3,598
Other		**13,135**	15,013	10,926
Non-interest expenses		**310,925**	357,078	293,502
Net income (loss) before payment in lieu of tax (PILOT)		**210,082**	120,294	(114,214)
PILOT	11	**48,320**	27,669	-
Net income (loss)		**$ 161,762**	$ 92,625	$ (114,214)

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

Interim Consolidated Statement of Comprehensive Income

(Unaudited)

($ in thousands)	For the three months ended **June 30 2021**	March 31 2021	June 30 2020
Net income (loss)	**$161,762**	$ 92,625	$ (114,214)
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss			
Unrealized net gains (losses) on securities measured at fair value through other comprehensive income (loss)			
Unrealized net gains (losses) arising during the period	**1,564**	(2,538)	1,554
Net (gains) losses reclassified to net income	**-**	-	(3,678)
Unrealized net gains (losses) on derivative financial instruments designated as cash flow hedges			
Unrealized net gains (losses) arising during the period	**5,302**	(147,425)	14,756
Net (gains) losses reclassified to net income	**(20,896)**	(21,315)	9,406
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plan liabilities	**21,610**	47,599	(67,795)
Other comprehensive income (loss)	**7,580**	(123,679)	(45,757)
Comprehensive income (loss)	**$ 169,342**	$ (31,054)	$ (159,971)

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

Interim Consolidated Statement of Changes in Equity

(Unaudited)

($ in thousands)	For the three months ended **June 30 2021**	March 31 2021	June 30 2020
Retained earnings			
Balance at beginning of the period	**$ 3,961,408**	$ 3,868,470	$ 3,752,651
Net income (loss) attributable to ATB	**161,762**	92,625	(114,214)
Other	**91**	313	(143)
Balance at end of the period	**4,123,261**	3,961,408	3,638,294
Accumulated other comprehensive income (loss)			
Securities measured at fair value through other comprehensive income			
Balance at beginning of the period	**(1,937)**	601	(2,408)
Other comprehensive income (loss)	**1,564**	(2,538)	(2,124)
Balance at end of the period	**(373)**	(1,937)	(4,532)
Derivative financial instruments designated as cash flow hedges			
Balance at beginning of the period	**131,745**	300,485	332,642
Other comprehensive income (loss)	**(15,594)**	(168,740)	24,162
Balance at end of the period	**116,151**	131,745	356,804
Defined-benefit-plan liabilities			
Balance at beginning of the period	**(16,293)**	(63,892)	(1,776)
Other comprehensive income (loss)	**21,610**	47,599	(67,795)
Balance at end of the period	**5,317**	(16,293)	(69,571)
Accumulated other comprehensive income	**121,095**	113,515	282,701
Equity	**$ 4,244,356**	$ 4,074,923	$ 3,920,995

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

Interim Consolidated Statement of Cash Flows

(Unaudited)

	For the three months ended		
($ in thousands)	**June 30 2021**	March 31 2021	June 30 2020
Cash flows from operating activities			
Net income (loss)	**$ 161,762**	$ 92,625	$ (114,214)
Adjustments for non-cash items and other items			
(Recovery of) provision for loan losses	**(61,169)**	(14,369)	245,316
Depreciation and amortization	**33,333**	29,647	32,655
Net (gains) loss on securities	**(1,158)**	(402)	(3,678)
(Gains) Losses on foreign denominated wholesale borrowings	**(3,402)**	(5,163)	(51,579)
Adjustments for net changes in operating assets and liabilities			
Loans	**(157,838)**	304,981	952,784
Deposits	**84,746**	571,814	607,597
Derivative financial instruments	**14,565**	8,349	49,735
Prepayments and other receivables	**(32,071)**	(135,019)	(8,443)
Accounts receivable – financial market products	**395,306**	(18,038)	90,035
Due to clients, brokers, and dealers	**(5,986)**	(3,126)	(28,824)
Deposit guarantee fee payable	**(43,811)**	16,288	(41,070)
Accounts payable and accrued liabilities	**(9,361)**	(70,759)	(371,664)
Accounts payable – financial market products	**(381,541)**	14,829	(58,910)
Liability for payment in lieu of tax and income taxes	**(14,565)**	27,669	(30,846)
Net interest receivable and payable	**(1,988)**	(9,607)	(50,243)
Change in accrued-pension-benefit liability	**1,117**	(50)	1,452
Other	**(16,252)**	1,454	15,652
Net cash provided by (used in) operating activities	**(38,313)**	811,123	1,235,755
Cash flows from investing activities			
Purchase of securities	**(62,306)**	(133,015)	(739,409)
Proceeds from sales and maturities of securities	**85,160**	29,810	1,841,607
Change in interest-bearing deposits with financial institutions	**(287,148)**	(234,984)	(9,399)
Purchases and disposals of property and equipment, software, and other intangibles	**(14,952)**	(19,304)	(10,647)
Net cash provided by (used in) investing activities	**(279,246)**	(357,493)	1,082,152
Cash flows from financing activities			
Issuance of wholesale borrowings	**2,574,633**	2,122,042	2,744,097
Repayment of wholesale borrowings	**(2,650,000)**	(2,375,000)	(2,808,206)
Issuance of collateralized borrowings	**188,283**	135,708	402,791
Repayment of collateralized borrowings	**(349,637)**	(196,221)	(418,540)
Change in securities sold under repurchase agreements	**1**	(25,934)	(350,828)
Repayment of lease liabilities	**(9,496)**	(11,587)	(9,575)
Issuance of subordinated debentures	**-**	-	30,845
Repayment of subordinated debentures	**-**	-	(30,845)
Net cash provided by (used in) financing activities	**(246,216)**	(350,992)	(440,261)
Net increase (decrease) in cash	**(563,775)**	102,638	1,877,646
Cash at beginning of the period	**4,643,603**	4,540,965	1,312,544
Cash at end of the period	**$ 4,079,828**	$ 4,643,603	$ 3,190,190
Net cash provided by (used in) operating activities includes:			
Interest paid	**$ (149,999)**	$ (153,767)	$ (198,293)
Interest received	**452,763**	447,775	410,854

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

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended June 30, 2021

1 Nature of Operations

ATB is an Alberta-based financial services provider engaged in retail and commercial banking, credit cards, digital banking and wealth-management, investment management, and capital-markets services. ATB is an agent of the Crown in right of Alberta and operates under the authority of the *ATB Financial Act* (the *ATB Act*), Revised Statutes of Alberta, 2000, Chapter A-37. Under the *ATB Act*, ATB was established as a provincial Crown corporation governed by its Board of Directors appointed by the Lieutenant-Governor in Council (LGIC). Under *Alberta Public Agencies Governance Act* (APAGA), ATB is recognized as a government commercial enterprise and remains operationally independent from the provincial government. The address of the head office is 2100, 10020-100 Street, Edmonton, Alberta, Canada, T5J 0N3.

ATB is exempt from Canadian federal and Alberta provincial income taxes but pays an amount to the GoA designed to be in lieu of such charges. (See Note 11.)

2 Significant Accounting Policies

Basis of Preparation

These interim condensed consolidated financial statements ("interim statements") have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB) and the accounting requirements of ASFI. The interim statements do not include all information required for complete annual consolidated financial statements and should be read in conjunction with ATB's 2021 annual consolidated financial statements. The accounting policies, methods of computation, and presentation of these interim statements are consistent with the most recent annual consolidated financial statements. These interim statements were approved by the Audit Committee on August 18, 2021.

These interim statements are presented in Canadian dollars, and all values are rounded to the nearest thousand dollars, unless otherwise indicated. They include the assets, liabilities, and results of operations and cash flows of ATB and its subsidiaries. All intercompany transactions and balances have been eliminated from the consolidated results.

Significant Accounting Judgments, Estimates, and Assumptions

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

COVID-19

The COVID-19 pandemic has caused and will continue to cause significant volatility that will impact our financial results, as the duration of the pandemic and the effectiveness of actions taken by ourselves, government bodies, and the Bank of Canada are uncertain.

3 Summary of Accounting Policy Changes

Change in Accounting Policies and Disclosures

Interest Rate Benchmark Reform (IBOR) Phase 2

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

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

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

ATB has established a comprehensive approach to the IBOR reform project. The implementation plan includes the following objectives:

- Identifying all clients and transactions impacted by the transition
- Determining new pricing for all products that will be transitioned
- Updating client contracts to reflect the transition
- Supporting changes to impacted systems, processes and policies impacted by the transition

We are following the recommended target dates for cessation of IBOR-based products, which was revised from December 31, 2021 to June 30, 2023.

During the first quarter of FY2022, ATB has partially adopted the Phase 2 amendments, which had no impact on our financial statements.

Hedging Relationships Impacted by the Interest Rate Benchmark Reform

As at June 30, 2021, ATB has two hedging relationships that have been impacted by the interest rate benchmark reform.

The following table shows the notional amount of our hedging instruments that will expire after June 30, 2023 and result in the amendment of hedging relationships and related documentation. The notional amounts of our hedging instruments also approximate the extent of the risk exposure we manage through hedging relationships.

As at June 30, 2021 *($ in thousands)*	Notional amount
Interest rate swaps	
USD London interbank offered rate (LIBOR)	$ 180,157

Non-derivative Financial Assets and Undrawn Commitments

The following table reflects ATB's exposure to non-derivative financial assets and undrawn commitments as at June 30, 2021, subject to reform that have yet to transition to alternative benchmark rates. These exposures will remain outstanding until USD LIBOR ceases, which is expected to be June 30, 2023.

As at June 30, 2021 *($ in thousands)*	Amount
Non-derivative financial assets (1)	$ 780,519
Authorized and committed undrawn commitments	-

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

Future Accounting Policy Changes

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

COVID-19-Related Rent Concessions (Amendments to IFRS 16 *Leases*)

In March 2021, the IASB published *COVID-19-Related Rent Concessions beyond 30 June 2021 (Proposed Amendment to IFRS 16)* which extends the amendment by a year to June 30, 2022. The amendments must be treated retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, but prior-period figures do not need to be restated. ATB does not have COVID-19-related concessions; therefore, there is no impact to our financial statements.

Annual Improvements to IFRS Standards 2018–2020

In May 2020, the IASB issued *Annual Improvements to IFRS Standards 2018–2020*, amending a number of standards as part of its annual improvements. IFRS 9 *Financial Instruments* clarifies which fees are included when applying the "10% test" to assess whether a financial liability is derecognized. Under IFRS 16 *Leases*, an example for reimbursements made by the lessor for leasehold improvements has been removed. In September 2020, the AcSB endorsed the IASB's annual improvements.

ATB is currently assessing the impact of these improvements, which are effective for annual reporting periods beginning on or after January 1, 2022, with early application permitted. However, they should not impact our financial statements. The amendment to IFRS 16 relates to an illustrative example and therefore has no effective date. The amendments take effect April 1, 2022, the start of ATB's FY2023.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*)

In May 2020, the IASB issued *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*, which clarifies that the cost of fulfilling a contract is included in determining whether a contract is onerous or not. The cost includes incremental and allocated costs that relate directly to fulfilling the contract.

ATB is currently assessing the impact of these amendments, which are effective for annual reporting periods beginning on or after January 1, 2022, and must be applied for all obligations not fulfilled at the beginning of the fiscal year in which the amendment is adopted. Earlier application is permitted. The amendments take effect April 1, 2022, the start of ATB's FY2023.

Proceeds before Intended Use (Amendments to IAS 16 *Property, Plant and Equipment*)

In May 2020, the IASB issued *Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)*. The change prohibits deducting from the cost of property, plant, and equipment any proceeds from selling items produced while readying the assets for use. Instead, the cost of producing those items and the proceeds from selling them must be recognized immediately in profit or loss.

ATB is currently assessing the impact of these amendments, which are effective for annual reporting periods beginning on or after January 1, 2022, with early application permitted. However, they should not impact our financial statements. The amendments take effect April 1, 2022, the start of ATB's FY2023.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1 *Presentation of Financial Statements*)

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*, which amends the presentation of liabilities in the statement of financial position and not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items.

ATB assessed the impact of the new definition, which is effective for annual reporting periods beginning on or after January 1, 2023, and determined that there is no impact on our financial presentation. Earlier application is permitted. We will adopt the amendments to IAS 1 on April 1, 2023, the start of ATB's FY2024.

Disclosure of Accounting Policies (Amendments to IAS 1 *Presentation of Financial Statements*)

In February 2021, the IASB issued *Disclosure of Accounting Policies (Amendments to IAS 1)*, which is intended to disclose material accounting policies and distinguish these from significant accounting policies. The amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance on how to apply a four-step materiality process to accounting policy disclosures.

ATB is currently assessing the impact of the amendment, which is effective for annual reporting periods beginning on or after January 1, 2023, and is applied prospectively, with earlier application permitted. The amendments to IAS 1 take effect April 1, 2023, the start of ATB's FY2024.

Definition of Accounting Estimates (Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*)

In February 2021, the IASB issued *Definition of Accounting Estimates (Amendments to IAS 8)* that updates the definition of accounting estimates and provides guidance to help entities distinguish changes in accounting estimates from changes in accounting policies.

ATB is currently assessing the impact of the amendment, which is effective for annual reporting periods beginning on or after January 1, 2023, and is applied prospectively, with earlier application permitted. The amendments to IAS 1 take effect April 1, 2023, the start of ATB's FY2024.

IFRS 17 *Insurance Contracts*

In May 2017, the IASB published a new standard, IFRS 17 *Insurance Contracts*, establishing the principles for the recognition, measurement, presentation, and disclosure of insurance contracts within the scope of the standard.

ATB assessed the impact of the new standard and determined there is no impact on our financial presentation. IFRS 17 will replace IFRS 4 *Insurance Contracts*, effective for annual reporting periods beginning on or after January 1, 2023, and, for ATB, effective starting April 1, 2023, the beginning of ATB's FY2024. Earlier application is permitted if IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* have also been applied. ATB has chosen to not adopt the standard early.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 *Income Taxes*)

In May 2021, the IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)* that clarifies the initial recognition exemption permitted in IAS 12 does not apply to transactions (such as leases and decommissioning obligations) where an asset and liability is recorded that result in equal and offsetting temporary tax differences.

ATB has assessed the impact of the amendment, which is effective for annual reporting periods beginning on or after January 1, 2023, and is applied retrospectively. The amendments to IAS 12 take effect April 1, 2023, the start of ATB's FY2024. Instead of income tax, ATB pays an amount equal to 23% of consolidated net income as reported in its audited annual financial statements; see Note 20 in the 2021 annual consolidated financial statements. Therefore, there is no impact to our financial statements.

4 Financial Instruments

Classification and Carrying Value

The following tables summarize ATB's financial instrument classifications and provide their carrying value:

As at June 30, 2021 *($ 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 (1)	$ -	$ -	$ -	$ -	$ 4,079,828	$ 4,079,828
Interest-bearing deposits with financial institutions (1)	-	676,619	-	-	-	676,619
Total cash resources	-	676,619	-	-	4,079,828	4,756,447
Total securities (1)	61,106	34,022	3,492,380	21,960	-	3,609,468
Business loans	-	-	-	-	23,273,902	23,273,902
Residential mortgages	-	-	-	-	15,978,392	15,978,392
Personal loans	-	-	-	-	5,494,423	5,494,423
Credit card	-	-	-	-	693,478	693,478
Allowances for loan losses	-	-	-	-	(623,966)	(623,966)
Total loans (2)	-	-	-	-	44,816,229	44,816,229
Derivative financial instruments	1,414,575	-	-	-	-	1,414,575
Other assets	-	-	-	-	95,340	95,340
Total other assets (1)	1,414,575	-	-	-	95,340	1,509,915
Total financial assets	$ 1,475,681	$ 710,641	$ 3,492,380	$ 21,960	$ 48,991,397	$ 54,692,059
Financial liabilities						
Transaction accounts	$ -	$ -	$ -	$ -	$ 13,274,864	$ 13,274,864
Savings accounts	-	-	-	-	12,288,089	12,288,089
Notice accounts	-	-	-	-	5,808,056	5,808,056
Non-redeemable fixed-date deposits	-	-	-	-	5,508,181	5,508,181
Redeemable fixed-date deposits	-	-	-	-	963,888	963,888
Total deposits (3)	-	-	-	-	37,843,078	37,843,078
Collateralized borrowings (5)	-	-	-	-	7,769,728	7,769,728
Wholesale borrowings (4)	-	286,695	-	-	3,140,284	3,426,979
Derivative financial instruments (1)	1,184,211	-	-	-	-	1,184,211
Securities sold under repurchase agreements (1)	-	-	-	-	14,731	14,731
Other liabilities (1)	-	-	-	-	297,350	297,350
Total other liabilities	1,184,211	286,695	-	-	11,222,093	12,692,999
Total financial liabilities	$ 1,184,211	$ 286,695	$ -	$ -	$ 49,065,171	$ 50,536,077

(1) The fair value is estimated to equal carrying value.
(2) The fair value of loans is estimated at $46,380,093.
(3) The fair value of deposits is estimated at $37,570,088.
(4) The fair value of wholesale borrowings is estimated at $3,513,475.
(5) The fair value of collateralized borrowings is estimated at $7,972,871.

As at March 31, 2021 ($ 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 (1)	$ -	$ -	$ -	$ -	$ 4,643,603	$ 4,643,603
Interest-bearing deposits with financial institutions (1)	-	389,471	-	-	-	389,471
Total cash resources	-	389,471	-	-	4,643,603	5,033,074
Total securities (1)	56,070	36,023	3,519,592	14,922	-	3,626,607
Business loans	-	-	-	-	23,197,080	23,197,080
Residential mortgages	-	-	-	-	15,833,810	15,833,810
Personal loans	-	-	-	-	5,631,547	5,631,547
Credit card	-	-	-	-	660,652	660,652
Allowance for loan losses	-	-	-	-	(725,867)	(725,867)
Total loans (2)	-	-	-	-	44,597,222	44,597,222
Derivative financial instruments	1,181,796	-	-	-	-	1,181,796
Other assets	-	-	-	-	504,193	504,193
Total other assets (1)	1,181,796	-	-	-	504,193	1,685,989
Total financial assets	$ 1,237,866	$ 425,494	$ 3,519,592	$ 14,922	$ 49,745,018	$ 54,942,892
Financial liabilities						
Transaction accounts	$ -	$ -	$ -	$ -	$ 12,035,331	$ 12,035,331
Savings accounts	-	-	-	-	12,241,167	12,241,167
Notice accounts	-	-	-	-	5,639,066	5,639,066
Non-redeemable fixed-date deposits	-	-	-	-	6,014,076	6,014,076
Redeemable fixed-date deposits	-	-	-	-	1,828,748	1,828,748
Total deposits (3)	-	-	-	-	37,758,388	37,758,388
Collateralized borrowings (5)	-	-	-	-	7,931,082	7,931,082
Wholesale borrowings (4)	-	290,189	-	-	3,218,630	3,508,819
Derivative financial instruments (1)	921,411	-	-	-	-	921,411
Securities sold under repurchase agreements (1)	-	-	-	-	14,730	14,730
Other liabilities (1)	-	-	-	-	1,328,173	1,328,173
Total other liabilities	921,411	290,189	-	-	12,492,615	13,704,215
Total financial liabilities	$ 921,411	$ 290,189	$ -	$ -	$ 50,251,003	$ 51,462,603

(1) The fair value is estimated to equal carrying value.
(2) The fair value of loans is estimated at $46,187,190.
(3) The fair value of deposits is estimated at $37,644,667.
(4) The fair value of wholesale borrowings is estimated at $3,592,122.
(5) The fair value of collateralized borrowings is estimated at $8,170,998.

Fair-Value Hierarchy

The following tables present the level within the fair-value hierarchy as described in Note 4 to the consolidated financial statements for the year ended March 31,2021, of ATB's financial assets and liabilities measured at fair value.Transfers between fair-value levels can result from additional, revised, or new information about the availability of quoted market prices or observable market inputs. For the three months ended June 30, 2021, and the year ended March 31, 2021, there were no transfers of financial instruments between Levels 1 and 2 or into and out of Level 3.

As at June 30, 2021 *($ in thousands)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Interest-bearing deposits with financial institutions	**$ -**	**$ 676,619**	**$ -**	**$ 676,619**
Securities				
Securities measured at FVTPL	**34,771**	**-**	**60,357**	**95,128**
Securities measured at FVOCI	**3,492,380**	**-**	**21,960**	**3,514,340**
Other assets				
Derivative financial instruments	**9,705**	**1,404,870**	**-**	**1,414,575**
Total financial assets	**$ 3,536,855**	**$ 2,081,489**	**$ 82,317**	**$ 5,700,662**
Financial liabilities				
Wholesale borrowings	**$ -**	**$ 286,695**	**$ -**	**$ 286,695**
Other liabilities				
Derivative financial instruments	**8,468**	**1,175,743**	**-**	**1,184,211**
Total financial liabilities	**$ 8,468**	**$ 1,462,438**	**$ -**	**$ 1,470,906**

As at March 31, 2021 *($ in thousands)*	Level 1	Level 2	Level 3	Total
Financial assets				
Interest-bearing deposits with financial institutions	$ -	$ 389,471	$ -	$ 389,471
Securities				
Securities measured at FVTPL	37,927	-	54,166	92,093
Securities measured at FVOCI	3,519,592	-	14,922	3,534,514
Other assets				
Derivative financial instruments	13,055	1,168,741	-	1,181,796
Total financial assets	$ 3,570,574	$ 1,558,212	$ 69,088	$ 5,197,874
Financial liabilities				
Wholesale borrowings	$ -	$ 290,189	$ -	$ 290,189
Other liabilities				
Derivative financial instruments	11,176	910,235	-	921,411
Total financial liabilities	$ 11,176	$ 1,200,424	$ -	$ 1,211,600

ATB performs a sensitivity analysis for fair-value measurements classified as Level 3, substituting one or more reasonably possible alternative assumptions for the unobservable inputs. Valuation techniques are detailed in Note 2 of the 2021 annual consolidated financial statements. These sensitivity analyses are detailed in Note 6 for the other securities designated at fair value through profit or loss (FVTPL).

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

($ in thousands)	**Securities designated as at FVOCI**	**Securities classified as at FVTPL**
Fair value as at March 31, 2021	**$ 14,922**	**$ 54,166**
Total realized and unrealized losses included in net income	**-**	**1,115**
Total realized and unrealized gains included in other comprehensive income	**3,961**	**-**
Purchases and issuances	**3,077**	**5,076**
Sales and settlements	**-**	**-**
Fair value as at June 30, 2021	**$ 21,960**	**$ 60,357**
Change in unrealized gain included in income regarding financial instruments held as at June 30, 2021	**$ -**	**$ 1,115**

5 Financial Instruments – Risk Management

ATB has included in the Risk Management section of the MD&A certain disclosures required by IFRS 7 relating to credit, market, foreign-exchange, and liquidity risks. These risks are an integral part of the MD&A section of the 2021 annual consolidated financial statements.

6 Securities

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

As at June 30, 2021 *($ in thousands)*	**Within 1 year**	**1 to 5 years**	**Over 5 years**	**Total carrying value**
Securities measured at FVTPL				
Issued or guaranteed by the federal or provincial government	**$ 34,058**	**$ -**	**$ -**	**$ 34,058**
Other securities	**38**	**42,033**	**18,999**	**61,070**
Total securities measured at FVTPL	**$ 34,096**	**$ 42,033**	**$ 18,999**	**$ 95,128**
Securities measured at FVOCI				
Issued or guaranteed by the federal or provincial government	**$ 1,291,355**	**$ 2,201,025**	**$ -**	**$ 3,492,380**
Other securities	**-**	**-**	**21,960**	**21,960**
Total securities measured at FVOCI	**$ 1,291,355**	**$ 2,201,025**	**$ 21,960**	**$ 3,514,340**

As at March 31, 2021 *($ in thousands)*	Within 1 year	1 to 5 years	Over 5 years	Total carrying value
Securities measured at FVTPL				
Issued or guaranteed by the federal or provincial government	$ 36,023	$ -	$ -	$ 36,023
Other securities	390	42,184	13,496	56,070
Total securities measured at FVTPL	$ 36,413	$ 42,184	$ 13,496	$ 92,093
Securities measured at FVOCI				
Issued or guaranteed by the federal or provincial government	$ 1,107,460	$ 2,412,132	$ -	$ 3,519,592
Other securities	-	-	14,922	14,922
Total securities measured at FVOCI	$ 1,107,460	$ 2,412,132	$ 14,922	$ 3,534,514

Other Securities

These securities in the current year relate to investments made by ATB and its subsidiaries in a broad range of mainly private Alberta companies and funds. There are limited observable market prices for the investments made in these private Alberta companies as at the balance sheet date. ATB estimated the fair value using a combination of discounted cash flows and market multiples derived from quoted prices of comparative companies, specifically the expected earnings before interest, income tax, depreciation, and amortization (EBITDA). The key assumptions in this model are noted below:

			June 30 2021		March 31 2021	
			Range of input values		Range of input values	
Product	Valuation technique	Significant unobservable inputs	Low	High	Low	High
Equity	Valuation multiple	Enterprise value/ EBITDA multiple	**3.6**	**12.1**	3.8	10.3
		Enterprise value/ revenue multiple	**6.4**	**6.4**	6.2	6.2

A 10% change to each multiple would result in a $7.2 million increase and $5.9 million decrease in fair value (March 2021: $6.5 million increase and $5.3 million decrease in fair value; June 2020: $0.7 million increase and $0.7 million decrease in fair value. Note that June 2020 used a different valuation technique, so it will not be exactly comparable to this period's result.). The estimate is also adjusted for the effect of the non-marketability of these investments.

7 Loans

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

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

For non-retail loans, each borrower is assigned a borrower risk rating (BRR). The following table outlines the borrower-risk-assessment level assigned to each range:

Risk assessment	**BRR range**
Very low risk	1 to 4
Low risk	5 to 7
Medium risk	8 to 9
High risk	10 to 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				**June 30**				March 31
($ in thousands)				**2021**				2021
	Performing		**Impaired**		Performing		Impaired	
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Very low risk	**$ 3,848,528**	**$ 65,159**	**-**	**$ 3,913,687**	$ 3,612,447	$ 271,146	$ -	$ 3,883,593
Low risk	**12,956,497**	**690,608**	**-**	**13,647,105**	12,288,476	1,026,331	-	13,314,807
Medium risk	**3,831,250**	**333,628**	**-**	**4,164,878**	3,955,165	404,824	-	4,359,989
High risk	**-**	**798,596**	**-**	**798,596**	-	779,782	-	779,782
Not rated (1)	**28,632**	**5,437**	**-**	**34,069**	39,811	550	-	40,361
Impaired	**-**	**-**	**715,567**	**715,567**	-	-	818,548	818,548
Total business	**20,664,907**	**1,893,428**	**715,567**	**23,273,902**	19,895,899	2,482,633	818,548	23,197,080
Very low risk	**7,408,296**	**14,622**	**-**	**7,422,918**	7,212,459	115,142	-	7,327,601
Low risk	**5,156,597**	**372,723**	**-**	**5,529,320**	4,593,117	847,397	-	5,440,514
Medium risk	**1,734,460**	**589,151**	**-**	**2,323,611**	1,299,111	1,050,768	-	2,349,879
High risk	**294,487**	**310,878**	**-**	**605,365**	204,242	408,148	-	612,390
Not rated (1)	**12,576**	**650**	**-**	**13,226**	6,985	7,481	-	14,466
Impaired	**-**	**-**	**83,952**	**83,952**	-	-	88,960	88,960
Total residential mortgages	**14,606,416**	**1,288,024**	**83,952**	**15,978,392**	13,315,914	2,428,936	88,960	15,833,810
Very low risk	**2,434,727**	**58,757**	**-**	**2,493,484**	2,522,359	25,348	-	2,547,707
Low risk	**1,444,045**	**436,272**	**-**	**1,880,317**	1,356,544	551,758	-	1,908,302
Medium risk	**507,497**	**323,747**	**-**	**831,244**	454,485	412,057	-	866,542
High risk	**88,464**	**140,563**	**-**	**229,027**	72,639	167,447	-	240,086
Not rated (1)	**6,314**	**13,661**	**-**	**19,975**	6,660	16,373	-	23,033
Impaired	**-**	**-**	**40,376**	**40,376**	-	-	45,877	45,877
Total personal	**4,481,047**	**973,000**	**40,376**	**5,494,423**	4,412,687	1,172,983	45,877	5,631,547
Very low risk	**109,649**	**3,508**	**-**	**113,157**	92,741	3,905	-	96,646
Low risk	**281,826**	**18,846**	**-**	**300,672**	263,660	19,347	-	283,007
Medium risk	**171,941**	**18,913**	**-**	**190,854**	171,548	19,569	-	191,117
High risk	**22,658**	**12,298**	**-**	**34,956**	23,015	12,949	-	35,964
Not rated (1)	**45,760**	**4,793**	**-**	**50,553**	43,855	4,702	-	48,557
Impaired	**-**	**-**	**3,286**	**3,286**	-	-	5,361	5,361
Total credit card	**631,834**	**58,358**	**3,286**	**693,478**	594,819	60,472	5,361	660,652
Total loans	**40,384,204**	**4,212,810**	**843,181**	**45,440,195**	38,219,319	6,145,024	958,746	45,323,089
Total allowance for loan losses	**(104,980)**	**(212,266)**	**(306,720)**	**(623,966)**	(126,821)	(251,401)	(347,645)	(725,867)
Total net loans	**$ 40,279,224**	**$ 4,000,544**	**$ 536,461**	**$ 44,816,229**	$ 38,092,498	$ 5,893,623	$ 611,101	$ 44,597,222

As at *($ in thousands)*				**June 30 2021**				March 31 2021
	Performing		**Impaired**		Performing		Impaired	
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Very low risk	**$ 4,511,778**	**$ 50,314**	**-**	**$ 4,562,092**	$ 4,578,085	$ 11,785	$ -	$ 4,589,870
Low risk	**936,791**	**171,795**	**-**	**1,108,586**	882,632	208,072	-	1,090,704
Medium risk	**118,126**	**41,596**	**-**	**159,722**	100,269	51,847	-	152,116
High risk	**11,008**	**9,392**	**-**	**20,400**	9,362	10,386	-	19,748
Not rated (1)	**16,824**	**6,724**	**-**	**23,548**	8,532	7,471	-	16,003
Total undrawn loan commitments – retail	**$ 5,594,527**	**$ 279,821**	**$ -**	**$ 5,874,348**	$ 5,578,880	$ 289,561	$ -	$ 5,868,441
Total allowance for loan losses (2)	**(18,550)**	**(5,879)**	**-**	**(24,429)**	(11,460)	(3,061)	-	(14,521)
Total net undrawn	**$ 5,575,977**	**$ 273,942**	**$ -**	**$ 5,849,919**	$ 5,567,420	$ 286,500	$ -	$ 5,853,920
Very low risk	**$ 5,385,101**	**$ 65,104**	**-**	**$ 5,450,205**	$ 5,223,651	$ 457,148	$ -	$ 5,680,799
Low risk	**6,587,304**	**384,416**	**-**	**6,971,720**	5,946,434	579,491	-	6,525,925
Medium risk	**1,080,252**	**77,066**	**-**	**1,157,318**	1,043,995	123,480	-	1,167,475
High risk	**2,007**	**143,063**	**-**	**145,070**	1,360	135,180	-	136,540
Not rated (1)	**135,021**	**3,967**	**-**	**138,988**	150,598	5,428	-	156,026
Total undrawn loan commitments – non-retail	**$ 13,189,685**	**$ 673,616**	**$ -**	**$ 13,863,301**	$ 12,366,038	$ 1,300,727	$ -	$ 13,666,765
Total allowance for loan losses (2)	**(20,665)**	**(24,366)**	**-**	**(45,031)**	(14,795)	(15,574)	-	(30,369)
Total net undrawn	**$ 13,169,020**	**$ 649,250**	**$ -**	**$ 13,818,270**	$ 12,351,243	$ 1,285,153	$ -	$ 13,636,396

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

Loans Past Due

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

As at June 30, 2021 *($ in thousands)*	**Business**	**Residential mortgages**	**Personal**	**Credit card**	**Total**	**Percentage of total gross loans**
Up to 1 month (1)	**$ 26,795**	**$ 74,958**	**$ 21,481**	**$ 26,846**	**$ 150,080**	**0.33%**
Over 1 month up to 2 months	**92,602**	**64,762**	**23,495**	**5,042**	**185,901**	**0.41%**
Over 2 months up to 3 months	**43,493**	**19,104**	**6,829**	**1,994**	**71,420**	**0.16%**
Over 3 months	**1,442**	**778**	**473**	**3,379**	**6,072**	**0.01%**
Total past due but not impaired	**$ 164,332**	**$ 159,602**	**$ 52,278**	**$ 37,261**	**$ 413,473**	**0.91%**

As at March 31, 2021 *($ in thousands)*	Business	Residential mortgages	Personal	Credit card	Total	Percentage of total gross loans
Up to 1 month (1)	$ 72,348	$ 74,022	$ 21,931	$ 22,716	$ 191,017	0.42%
Over 1 month up to 2 months	90,614	76,028	25,719	5,273	197,634	0.44%
Over 2 months up to 3 months	32,404	11,356	8,124	2,391	54,275	0.12%
Over 3 months	5,860	262	430	5,009	11,561	0.03%
Total past due but not impaired	$ 201,226	$ 161,668	$ 56,204	$ 35,389	$ 454,487	1.01%

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

8 Allowance for Loan Losses

Key Inputs and Assumptions

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

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

Forward-Looking Information

Relevant forward-looking economic information is incorporated for each loan portfolio when measuring ECLs, based on a five-year outlook considering a combination of past, current, and future economic conditions and outlooks. (See 2021 annual consolidated financial statements for more on how forward-looking information is incorporated to measure ECLs.)

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

	As at June 30, 2021								
	Baseline scenario			**Optimistic scenario**			**Pessimistic scenario**		
	2021	**2022**	**2023**	**2021**	**2022**	**2023**	**2021**	**2022**	**2023**
Unemployment rate *(%)*	**9.1**	**8.6**	**8.1**	**8.3**	**7.1**	**6.9**	**12.2**	**11.8**	**11.3**
Housing starts	**27,500**	**28,300**	**27,600**	**30,400**	**28,400**	**26,200**	**19,700**	**19,700**	**19,600**
Oil prices *(WTI, US$/bbl)*	**61**	**60**	**55**	**71**	**70**	**65**	**40**	**45**	**45**
Foreign-exchange rate *(CDN$1/US$1)*	**0.84**	**0.84**	**0.85**	**0.85**	**0.85**	**0.85**	**0.75**	**0.75**	**0.76**

	As at March 31, 2021								
	Baseline scenario			Optimistic scenario			Pessimistic scenario		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Unemployment rate *(%)*	10.1	9.5	8.6	8.9	8.8	8.7	12.3	11.9	11.5
Housing starts	22,700	22,700	22,500	25,000	24,400	23,900	19,300	19,000	18,500
Oil prices *(WTI, US$/bbl)*	51	50	50	60	60	60	40	35	35
Foreign-exchange rate *(CDN$1/US$1)*	0.78	0.80	0.81	0.80	0.81	0.81	0.74	0.75	0.76

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

	For the three months ended June 30, 2021						
						Comprises	
($ 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**	**Loans**	**Other credit instruments (1)**
Business	**$ 633,122**	**$ (59,902)**	**$ (4,071)**	**$ (581)**	**$ 568,568**	**$ 522,759**	**$ 45,809**
Residential mortgages	**16,042**	**(1,781)**	**(510)**	**(19)**	**13,732**	**12,597**	**1,135**
Personal	**88,921**	**(1,102)**	**(9,229)**	**(13)**	**78,577**	**65,332**	**13,245**
Credit card	**32,672**	**1,616**	**(1,716)**	**(23)**	**32,549**	**23,278**	**9,271**
Total	**$ 770,757**	**$ (61,169)**	**$ (15,526)**	**$ (636)**	**$ 693,426**	**$ 623,966**	**$ 69,460**

	For the three months ended June 30, 2020						
						Comprises	
($ 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	Loans	Other credit instruments (1)
Business	$ 552,640	$ 201,027	$ (9,991)	$ (4,660)	$ 739,016	$ 691,752	$ 47,264
Residential mortgages	12,858	5,779	(462)	130	18,305	18,238	67
Personal	92,624	26,718	(9,545)	(67)	109,730	100,280	9,450
Credit card	41,133	11,792	(4,970)	26	47,981	27,828	20,153
Total	$ 699,255	$ 245,316	$ (24,968)	$ (4,571)	$ 915,032	$ 838,098	$ 76,934

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

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

	For the three months ended June 30, 2021				For the three months ended June 30, 2020			
	Performing		**Impaired**		Performing		Impaired	
($ in thousands)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Allowance for loan losses – business loans								
Balance at beginning of period	**$ 92,490**	**$ 210,688**	**$ 329,944**	**$ 633,122**	$ 54,309	$ 139,869	$ 358,462	$ 552,640
Provision for loan losses								
Transfers into (out of) Stage 1 (1)	**10,760**	**(9,833)**	**(927)**	**-**	22,410	(22,403)	(7)	-
Transfers into (out of) Stage 2 (1)	**(1,705)**	**8,177**	**(6,472)**	**-**	(13,973)	15,658	(1,685)	-
Transfers into (out of) Stage 3 (1)	**(33)**	**(3,044)**	**3,077**	**-**	(175)	(20,176)	20,351	-
New originations (2)	**10,786**	**54,656**	**18,424**	**83,866**	24,040	61,665	66,319	152,024
Repayments (3)	**(11,342)**	**(73,964)**	**(6,441)**	**(91,747)**	(4,556)	(49,779)	(14,404)	(68,739)
Remeasurements (4)	**(19,751)**	**6,898**	**(39,168)**	**(52,021)**	7,822	132,053	(22,133)	117,742
Total provision for loan losses	**(11,285)**	**(17,110)**	**(31,507)**	**(59,902)**	35,568	117,018	48,441	201,027
Write-offs	**-**	**-**	**(8,658)**	**(8,658)**	-	-	(11,043)	(11,043)
Recoveries	**-**	**-**	**4,587**	**4,587**	-	-	1,052	1,052
Discounted cash flows on impaired loans and other	**(38)**	**(484)**	**(59)**	**(581)**	(35)	(102)	(4,523)	(4,660)
Balance at end of period	**$ 81,167**	**$ 193,094**	**$ 294,307**	**$ 568,568**	$ 89,842	$ 256,785	$ 392,389	$ 739,016

	For the three months ended June 30, 2021				For the three months ended June 30, 2020			
	Performing		**Impaired**		Performing		Impaired	
($ in thousands)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Allowance for loan losses – residential mortgages								
Balance at beginning of period	**$ 4,571**	**$ 8,056**	**$ 3,415**	**$ 16,042**	$ 3,007	$ 5,469	$ 4,382	$ 12,858
Provision for loan losses								
Transfers into (out of) Stage 1 (1)	**1,428**	**(1,305)**	**(123)**	**-**	565	(556)	(9)	-
Transfers into (out of) Stage 2 (1)	**(40)**	**68**	**(28)**	**-**	(764)	1,160	(396)	-
Transfers into (out of) Stage 3 (1)	**-**	**(87)**	**87**	**-**	-	(183)	183	-
New originations (2)	**(29)**	**(605)**	**170**	**(464)**	596	(196)	36	436
Repayments (3)	**(63)**	**(118)**	**4**	**(177)**	(46)	(79)	(6)	(131)
Remeasurements (4)	**(591)**	**(41)**	**(508)**	**(1,140)**	332	2,566	2,576	5,474
Total provision for loan losses	**705**	**(2,088)**	**(398)**	**(1,781)**	683	2,712	2,384	5,779
Write-offs	**-**	**-**	**(834)**	**(834)**	-	-	(628)	(628)
Recoveries	**-**	**-**	**324**	**324**	-	-	166	166
Discounted cash flows on impaired loans and other	**-**	**-**	**(19)**	**(19)**	-	-	130	130
Balance at end of period	**$ 5,276**	**$ 5,968**	**$ 2,488**	**$ 13,732**	$ 3,690	$ 8,181	$ 6,434	$ 18,305

	For the three months ended June 30, 2021				For the three months ended June 30, 2020			
	Performing		**Impaired**		Performing		Impaired	
($ in thousands)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Allowance for loan losses – personal loans								
Balance at beginning of period	**$ 36,095**	**$ 41,289**	**$ 11,537**	**$ 88,921**	$ 42,834	$ 31,697	$ 18,093	$ 92,624
Provision for loan losses								
Transfers into (out of) Stage 1 (1)	**8,759**	**(8,661)**	**(98)**	**-**	4,806	(4,531)	(275)	-
Transfers into (out of) Stage 2 (1)	**(493)**	**944**	**(451)**	**-**	(5,693)	6,757	(1,064)	-
Transfers into (out of) Stage 3 (1)	**(36)**	**(956)**	**992**	**-**	(77)	(1,699)	1,776	-
New originations (2)	**1,656**	**(109)**	**139**	**1,686**	2,219	(99)	239	2,359
Repayments (3)	**(1,100)**	**(1,290)**	**(27)**	**(2,417)**	(892)	(759)	(912)	(2,563)
Remeasurements (4)	**(7,679)**	**1,617**	**5,691**	**(371)**	(8,626)	23,028	12,520	26,922
Total provision for loan losses	**1,107**	**(8,455)**	**6,246**	**(1,102)**	(8,263)	22,697	12,284	26,718
Write-offs	**-**	**-**	**(9,419)**	**(9,419)**	-	-	(10,437)	(10,437)
Recoveries	**-**	**-**	**190**	**190**	-	-	892	892
Discounted cash flows on impaired loans and other	**-**	**-**	**(13)**	**(13)**	-	-	(67)	(67)
Balance at end of period	**$ 37,202**	**$ 32,834**	**$ 8,541**	**$ 78,577**	$ 34,571	$ 54,394	$ 20,765	$ 109,730

($ in thousands)	For the three months ended June 30, 2021 Performing Stage 1	Stage 2	Impaired Stage 3	Total	For the three months ended June 30, 2020 Performing Stage 1	Stage 2	Impaired Stage 3	Total
Allowance for loan losses – credit cards								
Balance at beginning of period	**$ 19,920**	**$ 10,002**	**$ 2,750**	**$ 32,672**	$ 8,677	$ 29,591	$ 2,865	$ 41,133
Provision for loan losses								
Transfers into (out of) Stage 1 (1)	**3,510**	**(3,510)**	**-**	**-**	4,356	(4,356)	-	-
Transfers into (out of) Stage 2 (1)	**(440)**	**440**	**-**	**-**	(784)	784	-	-
Transfers into (out of) Stage 3 (1)	**(23)**	**(377)**	**400**	**-**	(30)	(457)	487	-
New originations (2)	**170**	**35**	**-**	**205**	195	76	-	271
Repayments (3)	**(197)**	**(625)**	**24**	**(798)**	(71)	(22)	-	(93)
Remeasurements (4)	**(2,379)**	**4,649**	**(61)**	**2,209**	858	6,430	4,326	11,614
Total provision for loan losses	**641**	**612**	**363**	**1,616**	4,524	2,455	4,813	11,792
Write-offs	**-**	**-**	**(5,860)**	**(5,860)**	-	-	(7,192)	(7,192)
Recoveries	**-**	**-**	**4,144**	**4,144**	-	-	2,222	2,222
Discounted cash flows on impaired loans and other	**(8)**	**(2)**	**(13)**	**(23)**	15	7	4	26
Balance at end of period	**$ 20,553**	**$ 10,612**	**$ 1,384**	**$ 32,549**	$ 13,216	$ 32,053	$ 2,712	$ 47,981
Total balance as at end of period	**$ 144,198**	**$ 242,508**	**$ 306,720**	**$ 693,426**	$ 141,319	$ 351,413	$ 422,300	$ 915,032
Comprises: Loans	**$ 104,980**	**$ 212,266**	**$ 306,720**	**$ 623,966**	$ 115,563	$ 300,235	$ 422,300	$ 838,098
Comprises: Other credit instruments (5)	**39,218**	**30,242**	**-**	**69,460**	25,756	51,178	-	76,934

(1) Stage transfers represent movement between stages and exclude changes due to remeasurements.
(2) New originations relate to new loans recognized during the period.
(3) Repayments relate to loans fully repaid or derecognized and exclude loans written off where a credit loss was incurred.
(4) Remeasurements represent the change in the allowance due to changes in economic factors and risk and model parameters.
(5) Other credit instruments, including off-balance-sheet items, are recorded to other liabilities on the consolidated statement of financial position.

9 Derivative Financial Instruments

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

As at *($ in thousands)*	June 30 2021 Notional amount	Assets	Liabilities	March 31 2021 Notional amount	Assets	Liabilities
Over-the-counter contracts						
Interest rate contracts						
Swaps	**$ 25,017,732**	**$ 311,896**	**$ (207,365)**	$ 26,153,604	$ 364,313	$ (242,486)
Other	**6,206,105**	**114,225**	**(54,408)**	5,835,965	133,281	(65,857)
Total interest rate contracts	**31,223,837**	**426,121**	**(261,773)**	31,989,569	497,594	(308,343)
Foreign-exchange contracts						
Forwards	**4,321,940**	**99,627**	**(91,959)**	6,003,136	91,126	(89,377)
Cross-currency swaps	**1,622,672**	**37,062**	**(48,617)**	1,574,152	41,379	(40,342)
Total foreign-exchange contracts	**5,944,612**	**136,689**	**(140,576)**	7,577,288	132,505	(129,719)
Commodity contracts						
Forwards	**6,485,453**	**842,060**	**(773,081)**	6,457,798	538,642	(471,484)
Total commodity contracts	**6,485,453**	**842,060**	**(773,081)**	6,457,798	538,642	(471,484)
Embedded derivatives						
Market-linked deposits	**63,228**	**-**	**(313)**	313,383	-	(689)
Total embedded derivatives	**63,228**	**-**	**(313)**	313,383	-	(689)
Total over-the-counter contracts	**43,717,130**	**1,404,870**	**(1,175,743)**	46,338,038	1,168,741	(910,235)
Exchange-traded contracts						
Interest rate contracts						
Futures	**11,186,000**	**9,705**	**(8,468)**	13,332,000	13,055	(11,176)
Total interest rate contracts	**11,186,000**	**9,705**	**(8,468)**	13,332,000	13,055	(11,176)
Total exchange-traded contracts	**11,186,000**	**9,705**	**(8,468)**	13,332,000	13,055	(11,176)
Total fair value of contracts	**$ 54,903,130**	**$ 1,414,575**	**$ (1,184,211)**	$ 59,670,038	$ 1,181,796	$ (921,411)

In addition to the notional amounts of derivative instruments shown above, ATB has certain foreign-exchange spot deals that settle in one day. These deals had notional amounts of $56.2 million as at June 30, 2021 (March 31, 2021: $183.3 million).

(Refer to Note 10 of the 2021 annual consolidated financial statements, for more on ATB's derivative-related activities.)

10 Collateralized Borrowings

Canada Mortgage Bonds Program

ATB periodically securitizes insured RMLs by participating in the *National Housing Act mortgage-backed securities (*MBS) Program. The MBS issued as a result of this program are pledged to the CMB program or to third-party investors. The sale of mortgage pools that comprise the MBSs does not qualify for derecognition as outlined in IFRS 9 *Financial Instruments*, it is therefore accounted for as a collateralized borrowing. (Refer to Note 15 of the 2021 annual consolidated financial statements, for more on 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 consolidated statement of financial position and have not been transferred, as they do not qualify for derecognition. Should the amount securitized not adequately support the program, ATB will be responsible for funding this shortfall.

The following table presents the carrying amount of ATB's RMLs, credit card receivables, and assets pledged as collateral for the associated liability recognized in the consolidated statement of financial position:

As at *($ in thousands)*	**June 30 2021**	March 31 2021
Principal value of mortgages pledged as collateral	**$ 6,064,732**	$ 6,279,964
ATB mortgage-backed securities pledged as collateral through repurchase agreements	**1,800,120**	1,548,104
Principal value of credit card receivables pledged as collateral	**646,129**	625,496
Total	**$ 8,510,981**	$ 8,453,564
Associated liabilities	**$ 7,769,728**	$ 7,931,082

11 Payment in Lieu of Tax

For the three months ended June 30, 2021, ATB has accrued a total of $48.3 million (March 31, 2021: $27.7 million and June 30, 2020 : nil) for payment in lieu of tax. PILOT is calculated as 23% of NI reported under IFRS. (Refer to Note 20 of the 2021 annual consolidated financial statements, for more on PILOT.)

12 Capital Management

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

As a Crown corporation, ATB and its subsidiaries operate under a regulatory framework established pursuant to the *ATB Act* and associated regulations and guidelines. The capital adequacy requirements for ATB are defined in a guideline authorized by the Minister, which was modelled after guidelines governing other Canadian deposit-taking institutions. ATB's minimum Tier 1 capital requirement is 7%, and the total capital requirement is the greater of 10% of risk-weighted assets or 5% of total assets. Risk weights are established for various on- and off-balance-sheet assets according to the degree of credit risk.

Tier 1 capital consists of retained earnings, and Tier 2 capital consists of eligible portions of wholesale borrowings, 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 31, 2020, the limit was increased by $2.0 billion to $9.0 billion. Effective March 30, 2009, $600 million of notional capital was made available to ATB. This amount reduces by 25% of NI each quarter.

As at June 30, 2021, ATB has exceeded the total capital requirements and Tier 1 capital requirement of the *Capital Requirements* guideline.

($ in thousands)	**June 30 2021**	March 31 2021
Tier 1 capital		
Retained earnings	**$ 4,123,261**	$ 3,961,408
Tier 2 capital		
Eligible portions of:		
Wholesale borrowings	**1,664,815**	1,876,866
Collective allowance for loan losses	**318,736**	319,262
Notional capital	**-**	22,086
Total Tier 2 capital	**$ 1,983,551**	$ 2,218,214
Deductions from capital		
Software and other intangibles	**274,686**	282,708
Total capital	**$ 5,832,126**	$ 5,896,914
Total risk-weighted assets	**$ 36,426,975**	$ 36,487,057
Risk-weighted capital ratios		
Tier 1 capital ratio	**11.3%**	10.9%
Total capital ratio	**16.0%**	16.2%

13 Segmented Information

ATB has organized its operations and activities around the following three AoEs that differ in products and services offered:

- **ATB Everyday Financial Services** provides financial services to individuals and small businesses through our branch, agency, Client Care, Brightside, and ABM networks.
- **ATB Business** provides financial advisory services to medium and large businesses, corporations, and agricultural clients.
- **ATB Wealth** provides investment advisory, insurance solutions, private banking, and institutional portfolio management solutions.

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

Basis of Presentation

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

NII is attributed to each AoE according to ATB's internal funds transfer pricing (FTP) system: assets earn NII to the extent that external revenues exceed internal FTP expense, and liabilities earn NII to the extent that internal FTP revenues exceed external interest expenses. LLP is allocated based on the loans the AoE has issued and is determined based on the methodology outlined in Notes 2 and 9 of 2021 annual consolidated financial statements.

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

For the three months ended ($ in thousands)	**ATB Everyday Financial Services (1)**	**ATB Business**	**ATB Wealth**	**Strategic support units (1)**	**Total**
June 30, 2021					
Net interest income	**$ 120,414**	**$ 167,404**	**$ 6,530**	**$ 10,404**	**$ 304,752**
Other income	**28,405**	**54,070**	**68,152**	**4,459**	**155,086**
Total revenue	**148,819**	**221,474**	**74,682**	**14,863**	**459,838**
Provision for (Recovery of) loan losses	**4,104**	**(60,748)**	**(1,270)**	**(3,255)**	**(61,169)**
Non-interest expenses (2)	**128,302**	**102,692**	**67,647**	**12,284**	**310,925**
Income before payment in lieu of taxes (PILOT)	**16,413**	**179,530**	**8,305**	**5,834**	**210,082**
PILOT	**4,926**	**41,293**	**1,910**	**191**	**48,320**
Net income	**$ 11,487**	**$ 138,237**	**$ 6,395**	**$ 5,643**	**$ 161,762**
Total assets	**$ 27,195,280**	**$ 23,667,364**	**$ 978,651**	**$ 3,676,597**	**$ 55,517,892**
Total liabilities	**17,694,859**	**19,139,801**	**1,000,227**	**13,438,649**	**51,273,536**

($ in thousands)	ATB Everyday Financial Services (1)	ATB Business	ATB Wealth	Strategic support units (1)	Total
March 31, 2021					
Net interest income	$ 120,298	$ 161,836	$ 5,789	$ 15,692	$ 303,615
Other income (loss)	29,238	76,901	64,603	(11,354)	159,388
Total revenue	149,536	238,737	70,392	4,338	463,003
Provision for (Recovery of) loan losses	12,091	(24,929)	192	(1,723)	(14,369)
Non-interest expenses (2)	144,443	118,499	64,717	29,419	357,078
(Loss) income before PILOT	(6,998)	145,167	5,483	(23,358)	120,294
PILOT	(221)	33,389	1,261	(6,760)	27,669
Net income (loss)	$ (6,777)	$ 111,778	$ 4,222	$ (16,598)	$ 92,625
Total assets	$ 26,725,291	$ 23,042,814	$ 1,519,727	$ 4,467,203	$ 55,755,035
Total liabilities	17,452,570	18,793,198	1,557,216	13,877,128	51,680,112

($ in thousands)	ATB Everyday Financial Services (1)	ATB Business	ATB Wealth	Strategic support units (1)	Total
June 30, 2020					
Net interest income	$ 107,526	$ 148,865	$ 4,658	$ 14,390	$ 275,439
Other income	24,898	47,483	55,642	21,142	149,165
Total revenue	132,424	196,348	60,300	35,532	424,604
Provision for loan losses	35,263	185,729	5,300	19,024	245,316
Non-interest expenses (2)	133,033	95,703	54,760	10,006	293,502
(Loss) income before PILOT	(35,872)	(85,084)	240	6,502	(114,214)
PILOT	-	-	55	(55)	-
Net income (loss)	$ (35,872)	$ (85,084)	$ 185	$ 6,557	$ (114,214)
Total assets	$ 25,025,697	$ 21,011,251	$ 1,717,145	$ 7,468,669	$ 55,222,762
Total liabilities	16,556,042	17,430,968	1,745,955	15,568,802	51,301,767

(1) In June 2021, the financial results and balances for certain loan products were moved to the SSUs from EFS. Results for the three months ended March 31, 2021 and June 30, 2020 were reclassified to conform with current period presentation.
(2) Certain costs are allocated from the SSUs to the AoEs. The allocation method, revised annually, may create fluctuations in ATB's segmented results.

14 Comparative Amounts

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

Glossary

Achievement note	A long-term investment note whose return is directly tied to the increasing or decreasing value of ATB Wealth.
Allowance for loan losses	A total allowance that represents management's best estimate of expected losses for both performing and impaired loans that ATB has issued. Losses are estimated based on probability-weighted scenarios that consider both historical and forward-looking economic assumptions over a 12-month and lifetime horizon or based on the discounted contractual cash shortfall expected over the remaining lifetime.
Assets under administration	Assets that are beneficially owned by clients for which ATB provides management and custodial services. These assets are not reported on ATB's balance sheet.
Average assets	The average of the daily total asset balances during the period.
Average risk-weighted assets	The monthly average value of assets calculated by applying a prescribed risk-weighted factor to on- and off-balance-sheet asset exposures.
Basis point	One one-hundredth of one percent (0.01%).
Carrying value	The net value of an asset or liability as reported within the consolidated financial statements.
Collateral	Assets pledged as security for a loan or other obligation.
Credit risk	The risk of financial loss resulting from failure of a debtor, for whatever reason, to fully honour its financial or contractual obligations to ATB.
Derivative or derivative contract	A contract whose value changes by reference to a specified underlying variable, such as interest rates, foreign-exchange rates, or equity or commodity prices. Use of derivatives allows for the mitigation of current or expected risks relating to these variables. Derivatives typically require little or no initial net investment and are settled at a future date. The most common types of derivatives ATB uses include interest rate swaps, foreign-exchange and commodity forwards, and futures contracts.

Efficiency ratio	Non-interest expense for the year divided by total revenue for the year. May be referred to as the "productivity ratio" by other financial institutions.
Embedded derivative	A component of a financial instrument or other contract with features similar to a derivative.
Fair value	The amount for which an asset or liability could be exchanged between knowledgeable, willing parties in an arm's-length transaction.
Financial instrument	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset/liability is the right to receive/deliver cash or another financial asset or the right to exchange financial instruments with another party under favourable or unfavourable conditions. An equity instrument is a contract that represents a residual interest in another entity's assets.
Foreign-exchange forward contract	A commitment to buy or sell a fixed amount of foreign currency on a future specified date at a set rate of exchange.
Foreign-exchange risk	The potential risk of loss resulting from fluctuations in foreign-exchange rates. It arises from the existence of a net asset or liability position denominated in foreign currencies and/or a difference in maturity profiles for purchases and sales of a given currency.
Forwards and futures	Commitments to buy or sell designated amounts of securities, commodities, or currencies on a specified date at a predetermined price. Forwards are customized contracts transacted in the over-the-counter market. Futures are traded on recognized exchanges.
Funds transfer pricing (FTP)	An internal allocation process used to calculate the profitability of the areas of expertise and isolate them from interest rate risk.
Hedging	A risk management technique used to reduce uncertainty associated with current or anticipated exposure to future movements in interest rates, foreign-exchange rates, and equity or commodity prices.
Impaired loan	A loan for which there is no longer reasonable assurance of the timely collection of principal or interest.
Income before provision for loan losses	All ATB's total revenue minus non-interest expense (operating expenses). Does not include payment in lieu of tax or loan loss provision expenses.
Interest rate floor	A contract whereby the buyer pays the seller a premium in exchange for the payment of any difference below a set strike interest rate and the prevailing market interest rate on predetermined dates.
Interest rate risk	The potential for financial loss arising from changes in interest rates in the spread between two rates, in the shape of the yield curve, or in any other interest rate relationship.
Letter of credit	ATB's guarantee of payment to an interested third party in the event the client defaults on an agreement.
Letter of guarantee	A contract issued by ATB for a client to purchase goods from a supplier, even if the client defaults.
Liquidity coverage ratio (LCR)	High-quality liquid assets divided by total net cash outflows over the next 30 calendar days. LCR is designed to ensure sufficient liquid assets are on hand to endure a short-term liquidity stress scenario over 30 calendar days. Under normal conditions, the LCR should be no lower than 100%.
Liquidity risk	The risk of being unable to meet financial commitments, under all circumstances, without having to raise funds at unreasonable prices or force the sale of assets. As with other similar financial institutions, ATB's risk arises from fluctuations in cash flows from lending, deposit-taking, investing, and other activities. These commitments are generally met through cash flows supplemented by investment assets readily convertible to cash or through our capacity to borrow.
Loan loss provision (LLP)	An expense representing management's best estimate of expected losses for both performing and impaired loans as well as related off-balance-sheet loan commitments that ATB has issued. Losses are estimated based on probability-weighted scenarios that consider both historical and forward-looking economic assumptions over a 12-month or lifetime horizon or based on the discounted contractual cash shortfall expected over the remaining lifetime.
Loan losses to average loans	The annualized provision for loan losses divided by average net loans.
Market risk	The risk that a loss may be incurred as a result of adverse changes in interest rates, foreign-exchange rates, and equity or commodity market prices.
Mortgage-backed securities (MBS)	Securities established through the securitization of residential mortgage loans.
Net income (NI)	Income after the removal of expenses, provision for loan losses, and payment in lieu of tax.
Net interest income (NII)	The difference between interest earned on assets, such as securities and loans, and interest paid on liabilities, such as deposits and wholesale and collateralized borrowings.
Net interest margin (NIM)	The ratio of the annualized net interest income for the period to the value of average interest-earning assets for the period.
Net loan growth	Net loans outstanding at the end of the current reporting period less net loans outstanding at the end of the previous reporting period, divided by net loans outstanding at the end of the previous reporting period.
Net loans	Gross loans less the allowance for loan losses.
Notional amount	The principal value used to calculate interest and other payments under derivative contracts. The amounts are termed "notional" because they are not usually exchanged, except in the case of cross-currency swaps; they serve only as the basis for calculating amounts that do change hands.

Off-balance-sheet instruments	Assets or liabilities that are not recorded on the balance sheet but have the potential to produce future positive or negative cash flows. Various products offered to clients can be classified as off balance sheet, and they fall into two general categories: credit-related arrangements, such as letters of credit and letters of guarantee, and the notional amount of derivatives.
Non-interest expense growth	The current period's non-interest expense less the previous period's non-interest expense, divided by the previous period's non-interest expense.
Total revenue	The sum of net interest income and other income.
Total revenue growth	The current period's total revenue less the previous period's total revenue, divided by the previous period's total revenue.
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. It includes legal risk but not strategic or reputational.
Option	A contract between two parties whereby the buyer of the option has the right but no obligation to buy (call) or sell (put) a specified financial instrument or currency at a set price or rate on or before a specified future date or on a series of specified future dates.
Other income to total revenue	Other income for the period divided by total revenue for the period.
Performing loan growth	Performing loans outstanding at the end of the current reporting period less performing loans outstanding at the end of the previous reporting period, divided by performing loans outstanding at the end of the previous reporting period.
Performing loans	Net loans, excluding the impacts allowance for loan losses.
Project Finance advisory fees	Fees generated by the Project Finance team on advisory projects for external third-party ATB clients looking to structure a deal/bid for a project.
Provision for loan losses (LLP)	*See* loan loss provision.
Regulatory risk	The risk of non-compliance with applicable regulatory requirements: (a) the *ATB Act* and *ATB Regulation* and guidelines, and (b) other laws, rules, regulations, and prescribed practices applicable to ATB in any jurisdiction in which it operates.
Reputational risk	The potential that negative stakeholder impressions, whether true or not, regarding ATB's business practices, actions, or inaction will or may cause deterioration in ATB's value, brand, liquidity, client base, or relationship with its Shareholder.
Return on average assets	Annualized net income for the period divided by average total assets for the period.
Return on average risk-weighted assets	Annualized net income for the period divided by average risk-weighted assets for the period.
Securities purchased under reverse repurchase agreements	The purchase of securities for cash and the concurrent sale of the securities for value at a later date. Normally, such transactions are not considered economic sales and consequently are treated as collateralized financing transactions.
Securities sold under repurchase agreements	The cash sale of securities and the concurrent repurchase of the securities for value at a later date. Normally, such transactions are not considered economic sales and consequently are treated as collateralized financing transactions.
Securitization	The process by which a pool of financial assets, mainly loans, are converted into asset-backed securities and transferred to a trust that normally issues a series of asset-backed securities to investors to fund the purchase of loans.
Swaps	A contractual agreement between two parties to exchange a series of cash flows. For interest rate swaps, counterparties generally exchange fixed- and floating-rate interest payments based on a notional amount in a single currency. For cross-currency swaps, counterparties generally exchange one currency for another at a set date.
Tier 1 capital	A measure of retained earnings used to determine regulatory ratios set out by our regulator, the Alberta Superintendent of Financial Institutions.
Tier 1 capital ratio	Tier 1 capital divided by risk-weighted assets.
Total capital	An assessed regulatory measure of Tier 1 capital; Tier 2 capital consisting of eligible portions of subordinated debentures, wholesale borrowings, collective allowance for loan losses, and notional capital; and the deduction of software and other intangibles.
Total capital ratio	Total capital divided by risk-weighted assets.

Acronyms

ABM	Automated banking machine
AcSB	Accounting Standards Board
AoE	Area of expertise
APAGA	*Alberta Public Agencies Governance Act*
ASFI	Alberta Superintendent of Financial Institutions
AUA	Assets under administration
BCAP	Business Credit Availability Program
BDC	Business Development Bank of Canada
BRR	Borrower risk rating
CAR Guideline	*Capital Adequacy Requirements Guideline*
CEBA	Canada Emergency Business Account
CERB	Canada Emergency Response Benefit
CMB	Canada Mortgage Bonds
CMHC	Canada Mortgage Housing Corporation
EBITDA	Earnings before interest, income tax, depreciation, and amortization
ECL	Expected credit loss
EDC	Export Development Canada
EFS	ATB Everyday Financial Services
FICO	Fair Isaac Corporation
FMG	Financial Markets Group
FTE	Full-time equivalent
FTP	Funds transfer pricing
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
FY	Fiscal year (e.g., FY2021)
GDP	Gross Domestic Product
GoA	Government of Alberta
HASCAP	Highly Affected Sectors Credit Availability Program
HELOC	Home equity line of credit
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IBOR	Interbank offered rate
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standard
LCR	Liquidity coverage ratio
LGIC	Lieutenant-Governor in Council
LIBOR	London interbank offered rate
LLP	Loan loss provision (also “provision for loan losses”)
MBS	Mortgage-backed securities
MD&A	Management’s discussion and analysis
NI	Net income
NIE	Non-interest expense
NII	Net interest income
NIM	Net interest margin
OCI	Other comprehensive income
OI	Other income
OPEC+	Organization of the Petroleum Exporting Countries Plus
OSFI	Office of the Superintendent of Financial Institutions
PILOT	Payment in lieu of tax
RML	Residential mortgage loan
SSU	Strategic support unit
WTI	West Texas Intermediate