Management's Discussion and Analysis

FY2021 Q1 Financial Highlights

	For the three months ended		
	June 30 2020	March 31 2020	June 30 2019
Operating results *($ in thousands)*			
Net interest income	**$ 275,439**	$ 293,942	$ 299,023
Other income	**149,165**	132,975	134,847
Operating revenue	**424,604**	426,917	433,870
Provision for loan losses	**245,316**	245,282	66,088
Non-interest expenses	**293,502**	301,785	308,395
Net (loss) income before payment in lieu of tax (PILOT)	**(114,214)**	(120,150)	59,387
PILOT	**-**	(26,640)	13,608
Net (loss) income	**(114,214)**	(93,510)	$ 45,779
Income before provision for loan losses (1)			
Operating revenue	**$ 424,604**	$ 426,917	$ 433,870
Less: non-interest expenses	**(293,502)**	(301,785)	(308,395)
Income before provision for loan losses	**$ 131,102**	$ 125,132	$ 125,475
Financial position *($ in thousands)*			
Net loans	**$ 45,776,283**	$ 46,982,168	$ 46,528,192
Total assets	**55,145,827**	55,801,456	54,196,662
Total risk-weighted assets (2)	**36,265,294**	38,803,887	36,940,516
Total deposits	**35,980,388**	35,373,367	36,097,811
Equity	**3,920,995**	4,081,109	3,723,773
Key performance measures *(%)*			
Return on average assets (1)	**(0.82)**	(0.69)	0.34
Operating revenue change (3)	**(2.1)**	1.4	5.3
Other income to operating revenue	**35.1**	31.1	31.1
Operating expense change (3)	**(4.8)**	(1.8)	7.4
Efficiency ratio	**69.1**	70.7	71.1
Net interest margin (1)	**2.09**	2.26	2.29
Loan losses to average loans	**2.1**	2.1	0.57
Net loan change (4)	**(2.6)**	0.80	(1.0)
Total deposit change (4)	**1.7**	0.80	0.49
Change in assets under administration (4)	**9.3**	(8.1)	7.1
Tier 1 capital ratio (5)	**10.0**	9.7	10.0
Total capital ratio (5)	**15.6**	15.1	15.4
Other information			
ATB Wealth's assets under administration *($ in thousands)*	**$ 21,696,562**	$ 19,855,943	$ 20,722,688
Total customers	**773,334**	776,241	771,784
Team members (6)	**5,277**	5,383	5,428

(1) A non-GAAP (generally accepted accounting principles) measure.
(2) Effective April 1, 2020, the methodology to calculate the risk-weighted assets has been revised, resulting in a lower amount compared to prior period results. Comparative results were not restated for the change.
(3) Measures are calculated by comparing current-quarter balances against the same quarter of the previous year.
(4) Measures are calculated by comparing current-quarter balances against the prior quarter.
(5) Calculated in accordance with the Alberta Superintendent of Financial Institutions (ASFI) capital requirements guidelines.
(6) Reported as full-time equivalents (FTEs).

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

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

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

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

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, 2020, and is dated August 13, 2020. 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, 2020, as well as the audited consolidated financial statements and MD&A for the year ended March 31, 2020.

Economic Outlook

Alberta's Economy at a Glance

	Calendar year		
	2019	**2020**	**2021**
Real GDP growth *(annual % change)*	(0.6)	(7.5)	3.3
Consumer price index *(annual % change)*	1.7	1.4	1.9
Unemployment rate *(%)*	6.9	10.9	10.1
Exchange rate *(Cdn$1/ US$1)*	0.75	0.73	0.74
Bank of Canada overnight lending rate *(%)*	1.75	0.25	0.25

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

Conditions have improved, but driving forward is still very difficult

Most Albertans have probably been in a vehicle that hit an icy patch and started swerving. When it comes to the provincial economy, the first few months of the pandemic were like a particularly bad patch of ice that sent our economy into the ditch.

With the reopening of our economy well underway, the worst appears to be behind us and we are back on the road. However we could easily hit another icy section, but an economic lockdown on the same scale as what we saw in spring seems unlikely. As a result, we should be able to avoid hitting the ditch again.

Unfortunately, the driving conditions are still extremely rough and unpredictable. Businesses have reopened, but not all of them. Many Albertans have returned to work, but not everyone. Governments have sanded the road with unprecedented spending, but they can't stop the snow from falling. And even if the virus stays contained here, cases in many other countries are rising and future outbreaks are expected.

On top of this, the oil-price crash has added a strong wind blowing snow directly into the path of the Alberta economy. The wind has abated somewhat as oil prices have improved, but it continues to freeze out billions in oil patch investment and the jobs that go along with it. Our oil patch will recover, but a number of factors have to fall into place: global supply has to be kept in check by voluntary production limits on the part of the OPEC+ countries; prices have to climb higher; the production shut-in by Alberta producers has to come back; and global demand for oil has to return to pre-pandemic levels. All of this will take time, and a temporary setback on any of these fronts is possible.

So even though our economy is moving forward again, it will likely take until 2023 or later before our GDP is back to where it was pre-COVID—let alone to where it would have been had that icy patch never formed. Keeping in mind the unusually high level of uncertainty in play, we are forecasting that Alberta's GDP will contract by 7.5% this year, followed by growth of 3.3% in 2021. Weak job creation is expected to keep the provincial unemployment rate above pre-shock levels for the rest of 2020 and into 2022.

While almost every major component of the economy was negatively affected by the pandemic, sectors such as accommodation and food services, arts and entertainment, sports, and bricks-and-mortar retail hit the ditch harder and sustained more damage. This, combined with ongoing public health measures and changes to consumer behaviour, means the recovery is likely to be uneven across sectors.

In addition, rising protectionist sentiment around the world, a cold war between the United States and China, and a slow global economy overall will make the road ahead even more difficult.

Despite the abundance of challenges, the new environment will also yield opportunities for those businesses, organizations, and individuals able to seize them. From helping to feed the world and capitalizing on advances in technology to developing solutions to problems created by the pandemic and expanding our international reach, wide-ranging possibilities are open to Alberta businesses and entrepreneurs.

Net Income

For the quarter ended June 30, 2020, ATB had a net loss of $114.2 million, a $20.7-million (22.1%) increase from the previous quarter, as we benefited from a recovery on our payment in lieu of tax (PILOT) last quarter ($26.6 million). Compared to the same time last year, net income decreased by $160.0 million, as a result of higher provisions for loan losses in the current quarter.

ATB's net contribution to the Government of Alberta typically comprises net income (NI), PILOT, and deposit guarantee fee (DGF). As ATB had a loss of $100.3 million this quarter, the only contribution was our DGF of $13.9 million, which decreased from last quarter and from the $73.9 million we contributed at this time last year.

Income before provisions for loan losses this quarter is $131.1 million, a $6.0-million (4.8%) increase from last quarter. This reflects lower NIE, partially offset by lower operating revenue this quarter. Compared to the same quarter last year, income before provisions for loan losses is $5.6 million (4.5%) higher, driven by lower expenses.

Operating Revenue

Total operating revenue consists of net interest income (NII) and other income (OI). Operating revenue ended the quarter at $424.6 million, with NII of $275.4 million and OI of $149.2 million. This represents a decrease of $2.3 million (0.54%) from last quarter and $9.3 million (2.1%) from the same quarter last year. Both decreases are primarily driven by lower interest income earned on our loans and securities, partially offset by lower interest expense and higher OI.

Net Interest Income

Net interest income (NII) represents the difference between the interest earned on assets (e.g., loans and securities) and interest paid on liabilities (e.g., deposits and wholesale and collateralized borrowings). NII was $275.4 million this quarter, lower than last quarter and this time last year. NII decreased from last quarter mainly due to loan rates dropping as a result of Bank of Canada prime rate reductions in March as loans repriced more quickly than deposits and other funding sources.

Net Interest Margin

Net interest margin (NIM) is the ratio of NII to average total interest-earning assets for the period. This important metric for ATB measures the profitability of our banking business. For the quarter ended June 30, 2020, NIM was 2.09%, lower than both the 2.26% attained last quarter and the 2.29% achieved during the same quarter last year. This is due to the factors mentioned above.

Net Interest Income

	For the three months ended					
	June 30, 2020, vs. March 31, 2020			June 30, 2020, vs. June 30, 2019		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
($ in thousands)	**volume**	**rate**	**Net change**	volume	rate	Net change
Assets						
Interest-bearing deposits with financial institutions, and securities	**$ 3,208**	**$ (10,412)**	**$ (7,204)**	$ 3,218	(12,700)	$ (9,482)
Loans	**(2,028)**	**(49,528)**	**(51,556)**	(2,195)	(68,176)	(70,371)
Change in interest income	**1,180**	**(59,940)**	**(58,760)**	1,023	(80,876)	(79,853)
Liabilities						
Deposits	**273**	**(28,261)**	**(27,988)**	(6,688)	(38,391)	(45,079)
Wholesale borrowings	**(2,540)**	**(3,946)**	**(6,486)**	3,238	(5,384)	(2,146)
Collateralized borrowings	**(379)**	**(4,143)**	**(4,522)**	(1,940)	(4,763)	(6,703)
Securities sold under repurchase agreements	**(206)**	**(1,057)**	**(1,263)**	1,150	(1,221)	(71)
Subordinated debentures	**-**	**2**	**2**	(2,269)	(1)	(2,270)
Change in interest expense	**(2,852)**	**(37,405)**	**(40,257)**	(6,509)	(49,760)	(56,269)
Change in net interest income	**$ 4,032**	**$ (22,535)**	**$ (18,503)**	$ 7,532	$ (31,116)	$ (23,584)

Other Income

Other income (OI) consists of all operating revenue not classified as net interest income. ATB earned $149.2 million this quarter, which is higher than last quarter and this time last year, $16.2 million (12.2%) and $14.3 million (10.6%), respectively. Although fee income decreased with reduced customer activities as a result of COVID-19, OI increased as financial markets had increased activity.

Credit Quality

The provisions for loan losses are recorded to recognize the net of write-offs, recoveries, and required changes to the allowances for Stage 1, 2, and 3 loans over the quarter. This quarter the economic outlook has weakened as a result of COVID-19 and the ongoing oil-price crisis, and is reflected by our large Stage 1 and 2 provisions. When compared to the previous quarter, while there was an increase to the Stage 1 and 2 provisions due to factors previously noted, it was entirely offset by fewer impairments for our non-retail customers resulting in the same provisions for loan loss quarter-over-quarter.

The significant increase from this time last year is also attributable to the factors driving our Stage 1 and 2 provisions previously noted.

We recognize the impact that the ongoing challenges and uncertainties of the current environment will have on our customers. We remain committed to providing our customers with access to credit as we help stabilize and support Alberta's economy, while taking appropriate measures to manage our credit risk. As at June 30, 2020, gross impaired loans of $1.1 billion comprise 2.3% of the total loan portfolio (March 31, 2020: 2.2%, June 30, 2019: 2.1%)

Non-Interest Expenses

Non-interest expenses (NIE) consist of all expenses except for interest expenses and provisions for loan losses. This quarter's total NIE are $293.5 million, which is $8.3 million lower than last quarter. The decrease reflects reduced spending on both the general and administrative and professional and consulting fees categories, as we consciously manage our spending. Salaries and benefits also decreased due to a reduction in full-time equivalents (FTEs). These decreases were partially offset by an increase in other expenses, primarily due to the benefit related to the fair-value adjustment to our achievement notes last quarter that was not repeated in the current quarter.

Compared to the same quarter last year, NIE are down $14.9 million (4.8%), primarily due to ongoing expense management.

The efficiency ratio is calculated by dividing NIE by operating revenue; it measures how much it costs ATB to generate revenue. A lower ratio indicates higher efficiency at generating income. For the quarter ended June 30, 2020, ATB reported an efficiency ratio of 69.1% compared to 70.7% last quarter and 71.1% for the same period last year. This improvement over last quarter and year is due to our expense reductions outpacing the decline in our operating revenue.

Review of Business Segments

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

- **Everyday Financial Services** provides financial services to individuals and small businesses through our branch, agency, Client Care, and ABM networks.
- **ATB Business** created April 1, 2020, merged three channels into one operating model in order to provide value to our business customers. It provides financial advisory services to medium and large businesses, corporations, and agricultural customers.
- **ATB Wealth** provides investment advisory, insurance solutions, private banking, and institutional portfolio management solutions.

Everyday Financial Services (EFS) (1)

	For the three months ended		
($ in thousands)	**June 30 2020**	March 31 2020	June 30 2019
Net interest income	**$ 115,971**	$ 117,683	$ 122,965
Other income	**24,940**	30,213	27,378
Operating revenue	**140,911**	147,896	150,343
Provision for loan losses	**54,088**	46,452	14,717
Non-interest expenses	**133,478**	139,138	139,633
Net loss	**$ (46,655)**	$ (37,694)	$ (4,007)
Total assets	**$ 26,599,716**	$ 25,566,346	$ 23,950,252
Total liabilities	**16,508,232**	15,714,736	14,536,689

(1) Effective April 1, 2020, Client Care is included in EFS's results. Results for the three months ended June 30, 2019, and March 31, 2020, were not restated.

EFS's net loss increased from last quarter and this time last year as a result of lower operating revenue and higher provisions for loan losses, partially offset by decreasing non-interest expenses (NIE).

Operating revenue decreased by $7.0 million (4.7%) from last quarter and by $9.4 million (6.3%) from the same time last year with net interest income (NII) and other income (OI) both decreasing. NII declined due to loan balances lowering and the Bank of Canada prime rate reductions in March 2020. The decrease in OI was driven by lower fee income attributed to reduced customer activity due to COVID-19.

Provisions for loan losses for EFS increased by $7.6 million (16.4%) and $39.4 million (267.5%) quarter over quarter and year over year, respectively. This is attributed to higher Stage 1 and Stage 2 provisions as a result of the weakening economic outlook. Fewer Stage 3 impairments offset the increase previously noted.

NIE decreased by $5.7 million (4.1%) from last quarter and by $6.2 million (4.4%) from the same time last year, mainly driven by lower corporate allocations and discretionary spending. The savings, however, were partially offset by the inclusion of Client Care in EFS starting April 2020 and costs specifically related to the COVID-19 pandemic.

Loans contracted from last quarter and from the same time last year, mainly driven by a decrease in personal and residential mortgage loans, reflecting a slowdown in the economy.

In contrast, deposits grew from last quarter and from the same time last year, largely due to the pandemic: consumers reduced discretionary spending, especially during the pandemic lockdown; customers took a "flight to safety" approach holding more liquid assets, and the government provided customers with financial relief (e.g., Canada Emergency Response Benefit).

ATB Business [(1)]

	For the three months ended		
($ in thousands)	**June 30 2020**	March 31 2020	June 30 2019
Net interest income	**$ 149,034**	$ 153,397	$ 152,497
Other income	**47,520**	44,045	43,006
Operating revenue	**196,554**	197,442	195,503
Provision for loan losses	**185,928**	196,333	50,738
Non-interest expenses	**95,841**	96,552	102,140
(Loss) income before payment in lieu of tax	**(85,215)**	(95,443)	42,625
Payment in lieu of tax (2)	**-**	967	(634)
Net (loss) income	**$ (85,215)**	$ (96,410)	$ 43,259
Total assets	**$ 20,984,142**	$ 22,691,714	$ 21,628,582
Total liabilities	**17,403,943**	18,466,714	18,226,203

(1) Effective April 1, 2020, ATB Business includes Business and Agriculture (B&Ag), Corporate Financial Services (CFS), and ATB Capital Markets (formerly AltaCorp Capital Inc.).
(2) Effective April 1, 2020, the net income that ATB Capital Markets (formerly AltaCorp Capital Inc.) earned in Canada is subject to PILOT due to ATB's purchase of all employee-owned Class B shares on March 31, 2020 thereby attaining 100% ownership.

ATB Business's net loss improved by $10.2 million from last quarter. Net income was $127.8 million lower than this time last year. Both changes are mainly the result of the volatility related to the provisions for loan losses.

Operating revenue for the quarter decreased by $0.9 million (0.4%) from last quarter, but increased by $1.0 million (0.5%) from the same time last year. Net interest income has seen a downward trend due to prime rate decreases. We continue to focus on diversifying other income by providing a broader product set to customers. The Financial Markets Group also benefited from increased market activity.

Provisions for loan losses highlight the volatility and struggles that customers are facing. Because of the weakening economic outlook, ATB Business is still experiencing elevated Stage 1 and Stage 2 provisions when comparing quarter over quarter. There are significantly higher Stage 3 provisions compared to this time last year, as our customers are being impacted by both COVID-19 and the oil price collapse.

Non-interest expenses decreased $0.7 million (0.7%) from last quarter, and by $6.3 million (6.2%) from the same time last year, driven by reduced discretionary spending.

Both loans and deposits are down compared to the prior quarter and the same quarter last year. The contraction in loans is due to lower utilization and current market conditions. Deposits are lower due to some deposits rolling off to fund customer liquidity needs.

ATB Wealth

	For the three months ended		
($ in thousands)	**June 30 2020**	March 31 2020	June 30 2019
Net interest income	**$ 4,658**	$ 5,677	$ 4,737
Other income	**55,642**	57,890	55,667
Operating revenue	**60,300**	63,567	60,404
Provision for loan losses	**5,300**	2,497	633
Non-interest expenses	**54,760**	61,819	54,149
Income (loss) before payment in lieu of tax	**240**	(749)	5,622
Payment in lieu of tax (1)	**55**	3,173	3,616
Net income (loss)	**$ 185**	$ (3,922)	$ 2,006
Total assets	**$ 1,715,046**	$ 1,096,125	$ 1,090,201
Total liabilities	**1,743,856**	1,126,753	1,100,368
Total assets under administration	**21,696,562**	19,855,943	20,722,688

(1) Effective April 1, 2020 the methodology to calculate ATB Wealth's PILOT has changed to be based on 23% of the segment's net income before PILOT, compared to 23% of their legal entity results that had been used in prior years.

ATB Wealth's assets under administration (AUA) ended the quarter $1.8 billion (9.3%) higher than last quarter as the markets recovered most of the losses caused by the onset of the COVID-19 pandemic. When compared to this time last year, AUA is up $1.0 billion (4.7%), with net assets gathered accounting for a third of the increase.

ATB Wealth recorded net income this quarter, rebounding from a loss recorded last quarter, largely due to lower non-interest expenses (NIE). When compared to this time last year however, net income has decreased due to higher provisions for loan losses.

Operating revenue decreased by $3.3 million (5.1%), but is consistent with this time last year. Similar to EFS and ATB Business, net interest income has decreased as a result of prime rate decreases negatively impacting loan revenue. Other income, directly impacted by ATB Wealth's average AUA, saw a decrease from last quarter, driven by a change in mix as customers took a flight-to-safety approach and invested money in lower-fee money-market products.

Provisions for loan losses have increased from last quarter and this time last year, mainly resulting from higher Stage 1 and 2 provisions reflecting the impact from the weakening economic outlook. In addition, Stage 3 provisions increased.

NIE are consistent with this time last year, but they're lower than last quarter. The decrease is mainly driven by lower team-member costs, reduced discretionary spending, and variable costs associated with managing AUA.

Strategic Service Units (SSUs)

	For the three months ended		
($ in thousands)	**June 30 2020**	March 31 2020	June 30 2019
Net interest income	**$ 5,776**	$ 17,185	$ 18,824
Other income	**21,063**	827	8,796
Operating revenue	**26,839**	18,012	27,620
Non-interest expenses	**9,423**	4,276	12,473
Net income before payment in lieu of tax	**17,416**	13,736	15,147
(Recovery of) payment in lieu of tax	**(55)**	(30,780)	10,626
Net income	**$ 17,471**	$ 44,516	$ 4,521
Total assets	**$ 5,846,923**	$ 6,447,271	$ 7,527,627
Total liabilities	**15,568,801**	16,412,144	16,609,629

The SSUs earned a net income of $17.5 million this quarter, a decrease of $27.0 million (60.8%) from last quarter. Compared to the same time last year, net income increased by $12.9 million (286.4%). The changes are primarily driven by the decrease in payment in lieu of taxes.

Operating revenue increased by $8.8 million (49.0%) compared to last quarter, but decreased by $0.8 million (2.8%) year over year. While net interest income decreased quarter over quarter and year over year, other income increased this quarter as a result of the financial markets starting to recover from the global pandemic that benefited ATB's foreign-exchange and interest-rate risk-management portfolios.

Non-interest expenses increased by $5.1 million (120.4%) compared to last quarter but decreased by 3.1 million (24.5%) from the same time last year. The quarter-over-quarter increase and year-over-year decrease is mainly attributable to changes in salary and benefit costs and a one-time fair-value adjustment made last quarter.

Statement of Financial Position

Total Assets

Total assets were $55.1 billion, a decrease of $0.7 billion over the quarter, primarily driven by a reduction in securities held for liquidity-risk-management purposes ($1.1 billion) and net loans ($1.2 billion). This was mostly offset by an increase in our cash being held in the Bank of Canada's large-value transfer system. Compared to the same quarter last year, total assets are up $0.9 billion (1.6%), due to our increase in cash combined with an increase in derivative financial instruments outweighing the decreases noted above.

Loans

Net loans were $45.8 billion and decreased $1.2 billion (2.6%) over the quarter, primarily driven by a reduction in our business loans, reflecting the current economic environment and the COVID-19 pandemic. Compared to the same quarter last year, total net loans are $0.8 billion (1.6%) lower, as we have seen a reduction in both personal loans and residential mortgages.

Total Liabilities

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

Total liabilities were $51.2 billion for the quarter, a slight decrease from last quarter's $51.7 billion. The decrease is due to reduced reliance on alternative funding sources as deposits grew. Compared to the same quarter last year, total liabilities increased $0.8 billion (1.5%) as we issued more bearer deposit notes through our wholesale borrowing.

Deposits

Deposits totalled $36.0 billion, a $0.6-billion (1.7%) increase from last quarter but slightly lower than the same time last year. During the quarter deposits grew and our mix changed as customers accessed the various support programs, curbed spending and moved funds into more liquid assets.

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 $4.3 billion, $0.1 billion (2.7%) lower than last quarter but $0.9 billion (27.7%) higher than the same time last year. The decrease quarter-to-quarter is due to our deposits growing slightly due to factors mentioned above. The increase compared to the same time last year is due to more bearer-deposit notes being issued, as well as our subordinated debentures being extinguished.

Collateralized Borrowings

Collateralized borrowings, also used to supplement customer deposits, represent ATB's participation in the Canada Mortgage Bonds (CMB) program, securitization of credit card receivables, and other mortgage loan securitization. As at June 30, 2020, balances were $8.5 billion, slightly lower but consistent compared to last quarter, and $0.1 billion (1.5%) lower than last year. The decrease year-over-year is due a reduction in mortgages available for securitization.

Accumulated Other Comprehensive Income (AOCI)

AOCI includes unrealized gains and losses that are only recorded on the consolidated statement of operations when realized. AOCI decreased compared to last quarter, but sharply increased from the same quarter last year. This is driven by the gains and losses associated with our interest-rate-management products designated for hedge accounting and our pension obligation.

Capital Management

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

As a Crown corporation, ATB and its subsidiaries operate under a regulatory framework established pursuant to the *ATB Act*, *ATB Regulation*, and *Capital Requirements* guidelines. ATB's capital adequacy requirements were modelled after guidelines governing other Canadian deposit-taking institutions and authorized by the Government of Alberta'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 30, 2020, ATB had a Tier 1 capital ratio of 10.0% and a total capital ratio of 15.6%, both exceeding our regulatory requirements.

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

Key measures as at June 30, 2020, are outlined below.

Total Credit Exposure

The amounts shown in the table below best represent ATB's maximum exposure to credit risk, which is primarily driven by loan balances changing (see Note 5 for further details):

As at *($ in thousands)*	**June 30 2020**	March 31 2020
Financial assets (1)	**$ 54,335,445**	$ 54,841,371
Other commitments and off-balance-sheet items	**19,640,594**	18,105,950
Total credit risk	**$ 73,976,039**	$ 72,947,321

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

Industry Concentration

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

As at *($ in thousands)*	**June 30 2020**	**Percentage of total gross loans**	March 31 2020 (1)	Percentage of total gross loans
Commercial real estate	**$5,989,815**	**12.8%**	$6,061,842	12.7%
Mining and oil and gas extraction	**4,377,462**	**9.4%**	4,606,938	9.7%
Agriculture, forestry, fishing, and hunting	**4,207,245**	**9.0%**	4,208,402	8.8%
Largest borrower	**$200,000**	**0.43%**	$200,000	0.42%

(1) Comparative amounts have been restated to conform to the current period's presentation.

Residential Real Estate Secured Lending

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

As at *($ in thousands)*		**June 30 2020**		March 31 2020 (1)	
Residential mortgages	Insured (2)	**$ 10,303,352**	**63.5%**	$ 10,416,761	64.3%
	Uninsured	**5,909,979**	**36.5%**	5,795,536	35.7%
Total residential mortgages		**16,213,331**	**100.0%**	16,212,297	100.0%
HELOCs	Uninsured	**$ 3,007,358**	**100.0%**	$ 3,096,011	100.0%
Total HELOCs		**3,007,358**	**100.0%**	3,096,011	100.0%
	Insured	**$ 10,303,352**	**53.6%**	$ 10,416,761	53.9%
Total	**Uninsured**	**$ 8,917,337**	**46.4%**	$ 8,891,546	46.1%

(1) Comparative amounts have been restated to conform to the current period's presentation.
(2) Insured residential mortgages are mortgages insured against a loss caused by a borrower defaulting and includes both individual and portfolio insurance. The amounts presented include bulk-insured conventional mortgages and mortgages insured by CMHC, Genworth Canada, and Canada Guaranty Mortgage Insurance.

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

As at	**June 30 2020**	March 31 2020
< 25 years	**88.1%**	87.0%
25–30 years	**11.8%**	12.9%
30–35 years	**0.10%**	0.10%
Total	**100.0%**	100.0%

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

As at	**June 30 2020**	March 31 2020
Residential mortgages	**0.68**	0.68
HELOCs	**0.59**	0.57

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

COVID-19

Beginning in mid-March, the World Health Organization declared the outbreak of COVID-19 “a global pandemic.” Governments in affected areas imposed a number of measures designed 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 and caused increased volatility and declines in financial markets. These effects have been particularly hard on Alberta, given that growth forecasts were already sluggish before COVID-19 became a global pandemic. Our team members and customers face an extremely challenging operating environment. While we have seen Alberta start to open up this quarter, COVID-19 has put significant downward pressure on our operating results. However, ATB has demonstrated financial strength and resilience and will continue to do so while protecting the health and safety of employees and supporting our customers.

Customer Relief Program

This program was set up to provide immediate and temporary assistance to customers facing financial hardship due to recent job losses or loss of income during the pandemic. Our relief measures include payment deferrals and reduced interest rates on credit card balances.

Business Relief Program

This program gives eligible business owners a few different and important options for temporary assistance, all designed to help them weather the short-term impacts of COVID-19 and/or oil-price shocks. It includes principal and interest payment deferrals for eligible business borrowers, working capital loans to allow eligible business customers to sustain their operations during the downturn, and waived merchant fees for customers who have shut their businesses down due to COVID-19.

Government Relief Programs

To support Canadians and businesses through these difficult times, the Federal government has launched the following relief programs that will be administered solely by the government or in partnership with financial institutions:

Canada Emergency Response Benefit (CERB) Program

This program provides employed and self-employed Canadians who have stopped working because of COVID-19 with weekly payments. It was designed to help Canadians pay their bills while their businesses remain shut down to limit the spread of COVID-19.

Canada Emergency Business Account (CEBA)

This $25-billion 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.

Business Credit Availability Program (BCAP)

This program is also referred to as the loan guarantee for small and medium-sized businesses. There are two programs, one administered through Export Development Canada (EDC) and the other through Business Development Bank of Canada (BDC).

EDC will guarantee new operating credit and cash-flow term-loans that financial institutions extend to small and medium-sized businesses, up to $6.25 million. The BDC Co-Lending Program enables BDC and other Canadian banks to partner to lend up to $6.25 million to eligible business clients to help them meet their operational and liquidity commitments. The loan varies by the size of the business and may be structured with an interest-only payment obligation for the first year.

Market Risk

Market risk is the risk that ATB may incur a loss due to adverse changes in interest rates, foreign-exchange rates, and equity or commodity market prices. ATB’s risk management practices and key measures are disclosed in Note 24 to the consolidated financial statements for the year ended March 31, 2020, and the Risk Management section of the MD&A in the 2020 Annual and Corporate Social Responsibility Report.

A description of ATB’s key market risks and their measurement as at June 30, 2020, are outlined below:

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)*	**June 30 2020**	March 31 2020
Increase in interest rates of:		
100 basis points	**$ 49,108**	$ 38,842
200 basis points	**92,988**	74,367
Decrease in interest rates of:		
100 basis points (1)	**(9,426)**	(5,556)
200 basis points (1) (2)	**6,522**	46,617

(1) Certain aspects of the decrease in interest rate scenarios are constrained by interest rate floors when appropriate.
(2) The 200-basis-point result is positive as interest rate floors exist with the lower prime and overnight rates.

Foreign-Exchange Risk

Foreign-exchange risk is the potential risk of loss resulting from fluctuations in foreign-exchange rates. This risk arises from the existence of a net asset or liability position that is denominated in foreign currencies and/or a difference in maturity profiles for purchases and sales of a given currency. ATB manages its foreign-currency exposure through foreign-exchange forward contracts. ATB is within its Board-approved minimum limit as at June 30, 2020.

Liquidity Risk

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

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

On June 30, 2020, the liquidity coverage ratio (LCR) was 139.3% (March 31, 2020: 135.3%), which is well above Board-approved minimum limits.

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

As at *($ in thousands)*	**Within 1 year**	**1–2 years**	**2–3 years**	**3–4 years**	**4–5 years**	**Over 5 years**	**June 30 2020 Total**	March 31 2020 Total
Mid-term notes	**$ -**	**$ -**	**$ -**	**$ 297,455**	**$ 348,264**	**$ 1,489,081**	**$ 2,134,800**	$ 2,317,197
Bearer deposit notes	**2,150,554**	**-**	**-**	**-**	**-**	**-**	**2,150,554**	2,084,970
Mortgage-backed securities	**1,291,698**	**1,278,549**	**1,068,206**	**1,674,222**	**1,190,340**	**1,501,328**	**8,004,343**	7,970,092
Credit card securitization	**525,000**	**-**	**-**	**-**	**-**	**-**	**525,000**	575,000
Securities purchased under repurchase agreements	**-**	**-**	**-**	**-**	**-**	**-**	**-**	350,828
Total long-term funding	**$ 3,967,252**	**$ 1,278,549**	**$ 1,068,206**	**$ 1,971,677**	**$ 1,538,604**	**$ 2,990,409**	**$ 12,814,697**	$ 13,298,087
Of which:								
Secured	**$ 1,816,698**	**$ 1,278,549**	**$ 1,068,206**	**$ 1,674,222**	**$ 1,190,340**	**$ 1,501,328**	**$ 8,529,343**	$ 8,895,920
Unsecured	**2,150,554**	**-**	**-**	**297,455**	**348,264**	**1,489,081**	**4,285,354**	4,402,167
Total long-term funding	**$ 3,967,252**	**$ 1,278,549**	**$ 1,068,206**	**$ 1,971,677**	**$ 1,538,604**	**$ 2,990,409**	**$ 12,814,697**	$ 13,298,087

Financial Statements

Interim Condensed Consolidated Statement of Financial Position

(Unaudited)

As at *($ in thousands)*	Note	**June 30 2020**	March 31 2020	June 30 2019
Cash		**$ 3,190,190**	$ 1,312,544	$ 70,684
Interest-bearing deposits with financial institutions		**110,427**	101,028	485,446
Total cash resources		**3,300,617**	1,413,572	556,130
Securities measured at fair value through profit or loss		**53,723**	45,302	56,023
Securities measured at fair value through other comprehensive income		**3,477,787**	4,586,224	3,756,604
Securities purchased under reverse repurchase agreements		**-**	-	1,554,384
Total securities	6	**3,531,510**	4,631,526	5,367,011
Business		**23,636,212**	24,369,982	23,469,882
Residential mortgages		**16,213,331**	16,212,297	16,376,125
Personal		**6,153,671**	6,369,432	6,604,019
Credit card		**688,101**	729,712	757,858
Total gross loans		**46,691,315**	47,681,423	47,207,884
Allowances for loan losses	8	**(915,032)**	(699,255)	(679,692)
Total net loans	7	**45,776,283**	46,982,168	46,528,192
Derivative financial instruments	9	**1,393,585**	1,539,634	686,545
Property and equipment		**264,796**	279,000	286,360
Software and other intangibles		**301,016**	308,819	297,314
Other assets		**578,020**	646,737	475,110
Total other assets		**2,537,417**	2,774,190	1,745,329
Total assets		**$ 55,145,827**	$ 55,801,456	$ 54,196,662
Redeemable fixed-date deposits		**$ 2,159,394**	$ 1,462,566	$ 2,334,566
Non-redeemable fixed-date deposits		**8,126,204**	8,527,652	9,011,799
Saving accounts		**10,561,963**	9,485,318	9,346,901
Transaction accounts		**10,151,695**	8,653,216	7,976,607
Notice accounts		**4,981,132**	7,244,615	7,427,938
Total deposits		**35,980,388**	35,373,367	36,097,811
Securities sold under repurchase agreements		**-**	350,828	98,379
Wholesale borrowings		**4,285,354**	4,402,167	3,355,897
Collateralized borrowings	10	**8,529,343**	8,545,092	8,662,082
Derivative financial instruments	9	**869,306**	989,256	494,459
Other liabilities		**1,560,441**	2,059,637	1,466,073
Total other liabilities		**15,244,444**	16,346,980	14,076,890
Subordinated debentures		**-**	-	298,188
Total liabilities		**51,224,832**	51,720,347	50,472,889
Retained earnings		**3,638,294**	3,752,651	3,699,527
Accumulated other comprehensive income		**282,701**	328,458	20,714
Non-controlling interest		**-**	-	3,532
Total equity		**3,920,995**	4,081,109	3,723,773
Total liabilities and equity		**$ 55,145,827**	$ 55,801,456	$ 54,196,662

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

Curtis Stange
President and Chief Executive Officer

Dan Hugo
Chief Financial Officer

Interim Condensed Consolidated Statement of Income

(Unaudited)

		For the three months ended		
($ in thousands)	Note	**June 30 2020**	March 31 2020	June 30 2019
Loans		**$ 432,832**	$ 484,387	$ 503,203
Securities		**11,999**	17,308	18,370
Interest-bearing deposits with financial institutions		**1,357**	3,253	4,468
Interest income		**446,188**	504,948	526,041
Deposits		**109,483**	138,735	154,633
Wholesale borrowings		**19,474**	25,959	21,620
Collateralized borrowings		**41,790**	46,312	48,493
Subordinated debentures		**2**	-	2,272
Interest expense		**170,749**	211,006	227,018
Net interest income		**275,439**	293,942	299,023
Wealth management		**54,236**	56,144	53,935
Service charges		**15,994**	18,654	18,901
Card fees		**14,220**	14,425	16,268
Credit fees		**6,954**	10,261	10,726
Insurance		**5,542**	7,715	5,582
Capital markets revenue		**6,823**	5,223	6,989
Foreign exchange		**8,482**	(1,801)	9,801
Net gains on derivative financial instruments		**30,975**	14,299	7,998
Net gains on securities		**3,678**	5,270	5,099
Sundry		**2,261**	2,785	(452)
Other income		**149,165**	132,975	134,847
Operating revenue		**424,604**	426,917	433,870
Provisions for loan losses	8	**245,316**	245,282	66,088
Salaries and employee benefits		**168,825**	173,892	166,540
Data processing		**30,607**	30,230	30,131
Premises and occupancy, including depreciation		**19,831**	20,559	20,798
Professional and consulting costs		**12,367**	19,944	13,869
Deposit guarantee fee		**11,837**	10,798	12,273
Equipment, including depreciation		**6,127**	5,155	6,829
Software and other intangibles amortization		**19,058**	19,033	19,101
General and administrative		**10,326**	21,321	22,504
ATB agencies		**3,598**	3,549	3,349
Other		**10,926**	(2,696)	13,001
Non-interest expenses		**293,502**	301,785	308,395
Net (loss) income before payment in lieu of tax (PILOT)		**(114,214)**	(120,150)	59,387
PILOT	11	**-**	(26,640)	13,608
Net (loss) income		**$ (114,214)**	$ (93,510)	$ 45,779
Net (loss) income attributable to ATB Financial		**$ (114,214)**	$ (93,481)	$ 46,561
Net loss attributable to non-controlling interests		**-**	(29)	(782)

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

Interim Condensed Consolidated Statement of Comprehensive Income

(Unaudited)

($ in thousands)	For the three months ended **June 30 2020**	March 31 2020	June 30 2019
Net (loss) income	**$ (114,214)**	$ (93,510)	$ 45,779
Other comprehensive (loss) income			
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	**1,554**	11,378	(1,744)
Net (gains) reclassified to net income	**(3,678)**	(6,255)	(3,070)
Unrealized net gains on derivative financial instruments designated as cash flow hedges			
Unrealized net gains arising during the period	**14,756**	388,458	77,229
Net losses (gains) reclassified to net income	**9,406**	(61,939)	(14,538)
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plan liabilities	**(67,795)**	63,815	(24,011)
Other comprehensive (loss) income	**(45,757)**	395,457	33,866
Comprehensive (loss) income	**$ (159,971)**	$ 301,947	$ 79,645
Attributable to:			
ATB Financial	**$ (159,971)**	$ 301,976	$ 80,427
Non-controlling interests	**-**	(29)	(782)

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

Interim Condensed Consolidated Statement of Changes in Equity

(Unaudited)

($ in thousands)	For the three months ended **June 30 2020**	March 31 2020	June 30 2019
Retained earnings			
Balance at beginning of the period	**$ 3,752,651**	$ 3,850,870	$ 3,652,955
Net (loss) income attributable to ATB Financial	**(114,214)**	(93,481)	45,779
Other	**(143)**	(4,738)	791
Balance at end of the period	**3,638,294**	3,752,651	3,699,525
Non-controlling interest			
Balance at beginning of the year	**-**	2,737	4,314
Net loss attributable to non-controlling interests in subsidiaries	**-**	(29)	(782)
Other (1)	**-**	(2,708)	-
Balance at end of the period	**-**	-	3,532
Accumulated other comprehensive income (loss)			
Securities measured at fair value through other comprehensive income			
Balance at beginning of the period	**(2,408)**	(7,531)	(1,817)
Other comprehensive (loss) income	**(2,124)**	5,123	(4,814)
Balance at end of the period	**(4,532)**	(2,408)	(6,631)
Derivative financial instruments designated as cash flow hedges			
Balance at beginning of the year	**332,642**	6,123	53,582
Other comprehensive income	**24,162**	326,519	62,691
Balance at end of the period	**356,804**	332,642	116,273
Defined benefit plan liabilities			
Balance at beginning of the year	**(1,776)**	(65,591)	(64,917)
Other comprehensive (loss) income	**(67,795)**	63,815	(24,011)
Balance at end of the period	**(69,571)**	(1,776)	(88,928)
Accumulated other comprehensive income	**282,701**	328,458	20,714
Equity	**$ 3,920,995**	$ 4,081,109	$ 3,723,771

(1) Amount relates to the change in Class B shares during the period. (See Note 27 of the 2020 ATB's annual consolidated financial statements.)

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

Interim Condensed Consolidated Statement of Cash Flows

(Unaudited)

($ in thousands)	For the three months ended **June 30 2020**	 March 31 2020	 June 30 2019
Cash flows from operating activities			
Net (loss) income	**$ (114,214)**	$ (93,510)	$ 45,779
Adjustments for non-cash items and other items			
Provisions for loan losses	**245,316**	245,282	66,088
Depreciation and amortization	**32,655**	33,780	30,399
Net gains on securities	**(3,678)**	(5,270)	(5,099)
Adjustments for net changes in operating assets and liabilities			
Loans	**1,014,475**	(542,314)	472,847
Deposits	**607,597**	271,477	175,578
Derivative financial instruments	**49,735**	(173,659)	955
Prepayments and other receivables	**(8,443)**	(50,424)	(28,827)
Accounts receivable – financial market products	**90,035**	(160,586)	(17,656)
Due to clients, brokers, and dealers	**(28,824)**	39,548	348
Deposit guarantee fee payable	**(41,070)**	13,550	(39,631)
Accounts payable and accrued liabilities	**(499,059)**	1,048,166	308,160
Accounts payable – financial market products	**58,910**	(140,347)	(129,745)
Liability for payment in lieu of tax and income taxes	**(30,846)**	(27,607)	(27,339)
Net interest receivable and payable	**(62,878)**	(14,623)	(15,437)
Change in defined benefit plan liabilities	**69,247**	(62,630)	24,929
Others, net	**(105,021)**	1,695	(39,917)
Net cash provided by operating activities	**1,273,937**	382,528	821,432
Cash flows from investing activities			
Change in securities measured at fair value profit or loss	**1,104,639**	465,630	126,481
Change in securities purchased under reverse repurchase agreements	**-**	-	(1,154,029)
Change in interest-bearing deposits with financial institutions	**(9,399)**	878,134	611,861
Purchases and disposals of property and equipment, software, and other intangibles	**(10,647)**	(38,457)	(25,575)
Net cash provided by (used in) investing activities	**1,084,593**	1,305,307	(441,262)
Cash flows from financing activities			
Issuance of wholesale borrowings	**2,493,899**	2,505,180	1,935,524
Repayment of wholesale borrowings	**(2,608,206)**	(3,144,935)	(2,198,693)
Issuance of collateralized borrowings	**(111,655)**	99,097	207,280
Repayment of collateralized borrowings	**95,906**	(79,691)	(511,026)
Change in securities sold under repurchase agreements	**(350,828)**	103,392	98,379
Issuance of subordinated debentures	**30,846**	-	41,612
Repayment of subordinated debentures	**(30,846)**	-	(82,564)
Net cash used in financing activities	**(480,884)**	(516,957)	(509,488)
Net increase (decrease) in cash	**1,877,646**	1,170,878	(129,318)
Cash at beginning of the year	**1,312,544**	141,666	200,002
Cash at end of the period	**$ 3,190,190**	$ 1,312,544	$ 70,684
Net cash (used in) provided by operating activities includes:			
Interest paid	**$ (198,293)**	$ (192,833)	$ (244,572)
Interest received	**410,854**	472,151	528,158

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

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended June 30, 2020

1 Nature of Operations

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

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

2 Significant Accounting Policies

Basis of Preparation

These interim condensed consolidated financial statements ("interim statements") are prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the accounting requirements of the Alberta Superintendent of Financial Institutions (ASFI). The interim statements do not include all of the information required for complete annual consolidated financial statements and should be read in conjunction with ATB's 2020 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 13, 2020.

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

These interim statements include the assets, liabilities, and results of operations and cash flows of ATB and its subsidiaries. All intercompany transactions and balances have been eliminated from the consolidated results.

Significant Accounting Judgments, Estimates, and Assumptions

While applying ATB's accounting policies, management has exercised judgment and made estimates in determining amounts recognized in the interim statements. The most significant judgments and estimates include allowances for loan losses, determination of the fair value of financial instruments; depreciation of premises and equipment; amortization of software; determination of the carrying value of goodwill; and assumptions underlying the accounting for employee benefit obligations as described in Note 2 of ATB's 2020 annual consolidated financial statements. Actual results could differ significantly from these estimates; the impact of any such differences will be recorded in future periods.

COVID-19

The COVID-19 pandemic has 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, the government, and Bank of Canada are uncertain.

ATB records allowances for loan losses for all loans by incorporating a forward-looking expected credit loss approach, as required under IFRS 9. This process involves inputs and assumptions requiring a high degree of judgment to assess for forecasts of macroeconomic variables and significant increases in credit risk. For the quarter ending June 30, 2020, our estimates and assumptions consider the economic impact of the COVID-19 pandemic, and we continue to closely monitor the situation and the impacts this has on our customers. Additional information regarding our allowances for loan losses is included in Note 8.

3 Summary of Accounting Policy Changes

Change in Accounting Policies and Disclosures

Interest Rate Benchmark IBOR Reform Phase 1

In September 2019, the International Accounting Standards Board (IASB) issued amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, and IFRS 7 *Financial Instruments: Disclosures*. The amendments provide relief to all existing hedging relationships that are directly affected by reforms made to all interbank offered rates (IBOR) and allows these relationships to continue instead of being terminated before transitioning to an alternative interest rate. In addition, specific disclosures relating to the reform and its impact on ATB's hedging relationships will be required.

During the first quarter, ATB adopted the above amendments. They provide temporary relief from potential impacts of uncertainty created by the reform by allowing specific hedge accounting requirements to continue. Adoption of the amendments had no impact on our financial statements. ATB will cease to apply these amendments as IBOR-based cash flows transition to new risk-free rates or when the hedging relationships impacted by the amendment are discontinued.

Hedge Accounting

ATB's accounting policies relating to hedge accounting are described in Note 2 of the 2020 annual consolidated financial statements. For a derivative instrument to qualify for hedge accounting, the hedging relationship between the derivative (hedging) instrument and the hedged item(s) must be designated and formally documented at inception. ATB documents an assessment of the effectiveness of the derivative instrument in offsetting changes in cash flows or fair value of the hedged item, both at inception of the hedging relationship and throughout the term. The IBOR reform does not yet specify when we need to perform the retrospective assessment to demonstrate that the hedges are effective. The amendments provide relief with regards to the assumption that the interest rate benchmark used in the hedging relationship is not altered as a result of the IBOR reform. ATB's prospective effectiveness testing is based on existing hedged cash flows or hedged risks. Any ineffectiveness arising from retrospective testing is recognized in net income.

Cash-Flow Hedges

ATB's derivative instruments in cash-flow hedges are intended to generate cash flows that offset the variability in expected and/or anticipated cash flows from the hedged item. Although the reform creates uncertainty, the amendments provide relief and assume the highly probable hedged cash-flows do not change as a result of the reform.

Fair-Value Hedges

Changes in fair value of derivatives that qualify and are designated as fair-value hedges are recorded in the consolidated statement of income, together with changes in the fair value of the hedged asset or liability attributable to the hedged risk. ATB applies hedge accounting to IBOR rates when that rate is separately identifiable and reliably measurable at inception of the hedge relationship.

Hedging Relationships Impacted by the IBOR Reform

As at June 30, 2020, ATB has four hedging relationships that have been impacted by the IBOR reform.

The following table shows the notional amount of our hedging instruments that will expire after 2021 and will result in hedge accounting being discontinued and redesignated. The notional amounts of our hedging instruments also approximate the extent of the risk exposure we manage through hedging relationships:

As at June 30, 2020 *($ in thousands)*	Notional amount
Interest rate swaps	
USD London InterBank Offered Rate (LIBOR)	$ 135,840

IFRS 3 *Business Combinations*

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

ATB determined there is no impact to how we define whether a business or a group of assets was acquired, and will assess future acquisitions based on the amendments made to IFRS 3.

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

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

ATB determined there is no impact on our financial presentation.

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.

Interest Rate Benchmark IBOR Reform Phase 2

In April 2020, the IASB published proposals for 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. The proposed amendments address replacement issues associated with the modification of financial assets and financial liabilities, including lease liabilities, hedge accounting, and IBOR-reform-related disclosures.

ATB is currently assessing the impact of these amendments. Phase 2 would be effective for annual reporting periods beginning on or after January 1, 2021, and, for ATB, effective April 1, 2021, the start of ATB's FY2022.

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 their annual improvements project. 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.

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

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

In May 2020, the IASB issued *COVID-19-Related Rent Concessions (Amendments to IFRS 16),* exempting lessees from determining whether a COVID-19-related rent concession granted until June 2021 is a lease modification. Lessees that apply the exemption must disclose that they've done so in their financial statements.

ATB is currently assessing the impact of these amendments, which are effective for periods beginning on or after June 1, 2020. However, as we have no COVID-19-related rent concessions, this should not impact our financial statements. 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. The amendments can be included for the quarter ended June 30, 2020, and onwards if deemed appropriate by management.

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)* that clarifies that the cost of fulfilling a contract is included for the purposes of determining whether a contract is onerous or not. This 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 that have not been fulfilled at the beginning of the fiscal year the amendment is adopted. Earlier application is permitted. The amendments will take effect on April 1, 2022, the start of ATB's FY2023.

IFRS 17 *Insurance Contracts*

In May 2017, the IASB published a new standard, IFRS 17 *Insurance Contracts,* establishing principles for recognizing, measuring, presenting, and disclosing insurance contracts within the scope of the standard. A narrow scope amendment was finalized in June 2020 to clarify a number of items outlined in the standard.

ATB is currently assessing the impact of this new standard. A narrow scope amendment was finalized in June 2020 that defers the date of initial application, and, as a result, IFRS 17 will replace IFRS 4 *Insurance Contracts,* effective for annual periods beginning on or after January 1, 2023, and, for ATB, effective starting April 1, 2023, the start 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.

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)* that 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 reviewed the new definition, which is effective for annual reporting periods beginning on or after January 1, 2022, and determined that it does not impact our financial presentation. Earlier application is permitted. The amendments to IAS 1 will take effect on April 1, 2023, the start of ATB's 2024 fiscal year.

4 Financial Instruments

Classification and Carrying Value

The following tables summarize the classification, carrying value, and fair value of ATB's financial instruments as at June 30 and March 31, 2020.

As at June 30, 2020 *($ in thousands)*	Carrying value					
	Financial instruments classified as at FVTPL	Financial instruments designated as at FVTPL	Financial instruments classified as at FVOCI	Financial instruments designated as at FVOCI	Financial instruments measured at amortized cost	Total carrying value
Financial assets						
Cash (1) (2)	$ -	$ -	$ -	$ -	$ 3,190,190	$ 3,190,190
Interest-bearing deposits with financial institutions (2)	-	110,427	-	-	-	110,427
Securities measured at FVTPL (2)	41,609	12,114	-	-	-	53,723
Securities measured at FVOCI	-	-	3,465,918	11,869	-	3,477,787
Total securities	41,609	12,114	3,465,918	11,869	-	3,531,510
Business	-	-	-	-	23,636,212	23,636,212
Residential mortgages	-	-	-	-	16,213,331	16,213,331
Personal	-	-	-	-	6,153,671	6,153,671
Credit card	-	-	-	-	688,101	688,101
Allowances for loan losses	-	-	-	-	(915,032)	(915,032)
Total loans (3)	-	-	-	-	45,776,283	45,776,283
Derivative financial instruments	1,393,585	-	-	-	-	1,393,585
Other assets	-	-	-	-	333,450	333,450
Total other assets (2)	1,393,585	-	-	-	333,450	1,727,035
Financial liabilities						
Redeemable fixed-date deposits	$ -	$ -	$ -	$ -	$ 2,159,394	$ 2,159,394
Non-redeemable fixed-date deposits	-	-	-	-	8,126,204	8,126,204
Savings accounts	-	-	-	-	10,561,963	10,561,963
Transaction accounts	-	-	-	-	10,151,695	10,151,695
Notice accounts	-	-	-	-	4,981,132	4,981,132
Total deposits (4)	-	-	-	-	35,980,388	35,980,388
Securities sold under repurchase agreements (2)	-	-	-	-	-	-
Wholesale borrowings (5)	-	311,245	-	-	3,974,109	4,285,354
Collateralized borrowings (6)	-	-	-	-	8,529,343	8,529,343
Derivative financial instruments (2)	869,306	-	-	-	-	869,306
Other liabilities (2)	-	-	-	-	1,469,286	1,469,286
Total other liabilities	869,306	311,245	-	-	13,972,738	15,153,289

(1) The large balance is due to holding cash with the Bank of Canada.
(2) Fair value is estimated to equal carrying value.
(3) Fair value of loans is estimated at $47,881,349.
(4) Fair value of deposits is estimated at $36,083,796.
(5) Fair value of wholesale borrowings is estimated at $4,463,693.
(6) Fair value of collateralized borrowings is estimated at $8,881,349.

As at March 31, 2020 ($ in thousands)	Carrying value Financial instruments classified as at FVTPL	Financial instruments designated as at FVTPL	Financial instruments classified as at FVOCI	Financial instruments designated as at FVOCI	Financial instruments measured at amortized cost	Total carrying value
Financial assets						
Cash (1) (2)	$ -	$ -	$ -	$ -	$ 1,312,544	$ 1,312,544
Interest-bearing deposits with financial institutions (2)	-	101,028	-	-	-	101,028
Securities measured at FVTPL (2)	45,302		-	-	-	45,302
Securities measured at FVOCI	-	-	4,576,143	10,081	-	4,586,224
Total securities	45,302	-	4,576,143	10,081	-	4,631,526
Business	-	-	-	-	24,369,982	24,369,982
Residential mortgages	-	-	-	-	16,212,297	16,212,297
Personal	-	-	-	-	6,369,432	6,369,432
Credit card	-	-	-	-	729,712	729,712
Allowances for loan losses	-	-	-	-	(699,255)	(699,255)
Total loans (3)	-	-	-	-	46,982,168	46,982,168
Derivative financial instruments	1,539,634	-	-	-	-	1,539,634
Other assets	-	-	-	-	410,609	410,609
Total other assets (2)	1,539,634	-	-	-	410,609	1,950,243
Financial liabilities						
Redeemable fixed-date deposits	$ -	$ -	$ -	$ -	$ 1,462,566	$ 1,462,566
Non-redeemable fixed-date deposits	-	-	-	-	8,527,652	8,527,652
Savings accounts	-	-	-	-	9,485,318	9,485,318
Transaction accounts	-	-	-	-	8,653,216	8,653,216
Notice accounts	-	-	-	-	7,244,615	7,244,615
Total deposits (4)	-	-	-	-	35,373,367	35,373,367
Securities sold under repurchase agreements (2)	-	-	-	-	350,828	350,828
Wholesale borrowings (5)	-	318,665	-	-	4,083,502	4,402,167
Collateralized borrowings (6)	-	-	-	-	8,545,092	8,545,092
Derivative financial instruments (2)	989,256	-	-	-	-	989,256
Other liabilities (2)	-	-	-	-	2,030,530	2,030,530
Total other liabilities	989,256	318,665	-	-	15,009,952	16,317,873

(1) The large balance is due to holding cash with the Bank of Canada.
(2) Fair value is estimated to equal carrying value.
(3) Fair value of loans is estimated at $48,942,323.
(4) Fair value of deposits is estimated at $35,479,325.
(5) Fair value of wholesale borrowings is estimated at $4,554,685.
(6) Fair value of collateralized borrowings is estimated at $8,855,759.

Fair-Value Hierarchy

The following tables present the financial instruments ATB has recognized at fair value using the fair-value hierarchy described in Note 5 to the consolidated financial statements for the year ended March 31, 2020. Transfers between fair-value levels can result from additional, revised, or new information regarding the availability of quoted market prices or observable market inputs. For the three months ended June 30, 2020, and the year ended March 31, 2020, there were no transfers of financial instruments between Levels 1 and 2 or into and out of Level 3.

As at June 30, 2020 *($ in thousands)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Interest-bearing deposits with financial institutions	**$ -**	**$ 110,427**	**$ -**	**$ 110,427**
Securities				
Securities measured at FVTPL	**15,240**	**-**	**38,483**	**53,723**
Securities measured at FVOCI	**3,465,918**	**-**	**11,869**	**3,477,787**
Other assets				
Derivative financial instruments	**-**	**1,393,585**	**-**	**1,393,585**
Total financial assets	**$ 3,481,158**	**$ 1,504,012**	**$ 50,352**	**$ 5,035,522**
Financial liabilities				
Wholesale borrowings	**$ -**	**$ 311,245**	**$ -**	**$ 311,245**
Other liabilities				
Derivative financial instruments	**775**	**868,531**	**-**	**869,306**
Total financial liabilities	**$ 775**	**$ 1,179,776**	**$ -**	**$ 1,180,551**

As at March 31, 2020 *($ in thousands)*	Level 1	Level 2	Level 3	Total
Financial assets				
Interest-bearing deposits with financial institutions	$ -	$ 101,028	$ -	$ 101,028
Securities				
Securities measured at FVTPL	9,190	-	36,112	45,302
Securities measured at FVOCI	4,576,143	-	10,081	4,586,224
Other assets				
Derivative financial instruments	33,757	1,505,877	-	1,539,634
Total financial assets	$ 4,619,090	$ 1,606,905	$ 46,193	$ 6,272,188
Financial liabilities				
Wholesale borrowings	$ -	$ 318,665	$ -	$ 318,665
Other liabilities				
Derivative financial instruments	29,495	959,761	-	989,256
Total financial liabilities	$ 29,495	$ 1,278,426	$ -	$ 1,307,921

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. These sensitivity analyses are detailed in Note 6 for the other securities designated at fair value through profit and loss.

The following table presents the changes in fair value of Level 3 financial instruments for the three months ended June 30, 2020.

($ in thousands)	**Securities designated as at FVOCI**	**Securities classified as at FVTPL**
Fair value as at March 31, 2020	**$ 10,081**	**$ 36,112**
Total realized and unrealized losses included in net income	**-**	**(26)**
Total realized and unrealized gains included in other comprehensive income	**(184)**	-
Purchases and issuances	**1,972**	**2,397**
Sales and settlements	**-**	-
Fair value as at June 30, 2020	**$ 11,869**	**$ 38,483**
Change in unrealized loss included in income regarding financial instruments held as at June 30, 2020	**$ -**	**$ (26)**

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

5 Financial Instruments – Risk Management

ATB has included certain disclosures required by IFRS 7 in the Risk Management section of the MD&A relating to credit, market, foreign-exchange, and liquidity risks. The use of financial instruments exposes ATB to credit, liquidity, market, interest-rate, and foreign-exchange risk. ATB's risk management practices and key measures are disclosed in the Risk Management section of the MD&A in the 2020 Annual and Corporate Social Responsibility Report.

6 Securities

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

As at June 30, 2020 *($ 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	**$ 12,114**	**$ -**	**$ -**	**$ 12,114**
Other securities	**3,121**	**30,440**	**8,048**	**41,609**
Total securities measured at FVTPL	**$ 15,235**	**$ 30,440**	**$ 8,048**	**$ 53,723**
Securities measured at FVOCI				
Issued or guaranteed by the federal or provincial government	**$ 1,636,893**	**$ 1,688,074**	**$ 140,951**	**$ 3,465,918**
Other securities	**-**	**-**	**11,869**	**11,869**
Total securities measured at FVOCI	**$ 1,636,893**	**$ 1,688,074**	**$ 152,820**	**$ 3,477,787**

As at March 31, 2020 *($ 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	$ 9,027	$ -	$ -	$ 9,027
Other securities	140	29,981	6,154	36,275
Total securities measured at FVTPL	$ 9,167	$ 29,981	$ 6,154	$ 45,302
Securities measured at FVOCI				
Issued or guaranteed by the federal or provincial government	$ 3,223,635	$ 1,352,508	$ -	$ 4,576,143
Other securities	-	-	10,081	10,081
Total securities measured at FVOCI	$ 3,223,635	$ 1,352,508	$ 10,081	$ 4,586,224

Other Securities

These securities in the current year relate to investments made by ATB and its subsidiaries in a broad range of private Alberta companies. There is no observable market price for the investments made in these private Alberta companies as at the balance sheet date. ATB estimated the fair value using a combination of discounted cash flows and market multiples derived from quoted prices of comparative companies, specifically the expected earnings before interest, income tax, depreciation, and amortization (EBITDA). The key assumptions in this model are the EBITDA multiple of 3.6 to 10.0, the weighted-average cost of capital of 12.5% to 19.5%, annualized revenue multiple of 0.3 to 27.3, and a market-based approach of 3.5 to 4.5 of the share price. A 10% change to each multiple would change the fair value by $0.7 million (March 2020: $0.7 million; June 2019: $3.4 million. Note that June 2019 used a different valuation technique, so it will not be exactly comparable to this year'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's score assigned to each range:

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

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

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

Credit Quality

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

As at *($ in thousands)*				June 30 2020				March 31 2020
	Performing		Impaired		Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Very low risk	$ 3,391,940	$ 388,062	$ -	$ 3,780,002	$ 3,336,305	$ 786,025	$ -	$ 4,122,330
Low risk	9,505,147	4,379,085	-	13,884,232	7,470,953	6,951,518	-	14,422,471
Medium risk	2,441,828	1,942,980	-	4,384,808	2,445,622	1,977,782	-	4,423,404
High risk	-	616,695	-	616,695	611	431,582	-	432,193
Not rated (1)	21,593	4,983	-	26,576	27,190	5,145	-	32,335
Impaired	-	-	943,899	943,899	-	-	937,249	937,249
Total business	15,360,508	7,331,805	943,899	23,636,212	13,280,681	10,152,052	937,249	24,369,982
Very low risk	7,219,678	16,023	-	7,235,701	6,711,002	7,709	-	6,718,711
Low risk	3,570,875	1,941,350	-	5,512,225	4,818,879	859,244	-	5,678,123
Medium risk	944,251	1,576,747	-	2,520,998	1,577,366	1,112,308	-	2,689,674
High risk	209,457	652,356	-	861,813	273,116	733,869	-	1,006,985
Not rated (1)	6,407	13,114	-	19,521	10,287	4,272	-	14,559
Impaired	-	-	63,073	63,073	-	-	104,245	104,245
Total residential mortgages	11,950,668	4,199,590	63,073	16,213,331	13,390,650	2,717,402	104,245	16,212,297
Very low risk	2,629,905	4,884	-	2,634,789	2,544,666	7,987	-	2,552,653
Low risk	1,218,622	860,543	-	2,079,165	1,655,631	530,452	-	2,186,083
Medium risk	464,323	542,965	-	1,007,288	705,639	412,800	-	1,118,439
High risk	68,256	278,066	-	346,322	137,184	283,022	-	420,206
Not rated (1)	4,879	17,126	-	22,005	17,621	7,167	-	24,788
Impaired	-	-	64,102	64,102	-	-	67,263	67,263
Total personal	4,385,985	1,703,584	64,102	6,153,671	5,060,741	1,241,428	67,263	6,369,432
Very low risk	86,268	2,253	-	88,521	67,909	11,899	-	79,808
Low risk	196,567	56,996	-	253,563	195,386	66,612	-	261,998
Medium risk	134,337	51,712	-	186,049	155,396	50,083	-	205,479
High risk	30,569	49,437	-	80,006	36,516	62,341	-	98,857
Not rated (1)	14,384	60,084	-	74,468	15,120	61,539	-	76,659
Impaired	-	-	5,494	5,494	-	-	6,911	6,911
Total credit card	462,125	220,482	5,494	688,101	470,327	252,474	6,911	729,712
Total loans	32,159,286	13,455,461	1,076,568	46,691,315	32,202,399	14,363,356	1,115,668	47,681,423
Total allowances for loan losses	(141,319)	(351,413)	(422,300)	(915,032)	(108,827)	(206,626)	(383,802)	(699,255)
Total net loans	$ 32,017,967	$ 13,104,048	$ 654,268	$ 45,776,283	$ 32,093,572	$ 14,156,730	$ 731,866	$ 46,982,168
Very low risk	$ 4,382,678	$ 3,072	$ -	$ 4,385,750	$ 4,224,656	$ 7,839	$ -	$ 4,232,495
Low risk	634,881	325,826	-	960,707	719,723	291,104	-	1,010,827
Medium risk	90,718	60,685	-	151,403	94,513	56,042	-	150,555
High risk	11,649	35,925	-	47,574	10,555	25,994	-	36,549
Not rated (1)	6,257	7,355	-	13,612	6,707	9,156	-	15,863
Total undrawn loan commitments – retail	$ 5,126,183	$ 432,863	$ -	$ 5,559,046	$ 5,056,154	$ 390,135	$ -	$ 5,446,289
Very low risk	$ 4,382,137	$ 471,827	$ -	$ 4,853,964	$ 3,484,632	$ 333,879	$ -	$ 3,818,511
Low risk	3,881,674	2,064,459	-	5,946,133	3,461,944	2,468,023	-	5,929,967
Medium risk	391,541	455,492	-	847,033	467,592	494,239	-	961,831
High risk	36	105,871	-	105,907	30	151,807	-	151,837
Not rated (1)	30,885	152,486	-	183,371	119,493	154,081	-	273,574
Total undrawn loan commitments – non-retail	$ 8,686,273	$ 3,250,135	$ -	$ 11,936,408	$ 7,533,691	$ 3,602,029	$ -	$ 11,135,720

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

Loans Past Due

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

As at June 30, 2020 *($ in thousands)*	**Residential mortgages**	**Business**	**Personal**	**Credit card**	**Total**	**Percentage of total gross loans**
Up to 1 month (1)	**$ 33,504**	**$ 36,268**	**$ 31,561**	**$ 34,288**	**$ 135,621**	**0.29%**
Over 1 month up to 2 months	**34,696**	**87,722**	**32,244**	**6,518**	**161,180**	**0.35%**
Over 2 months up to 3 months	**13,725**	**27,024**	**12,305**	**3,388**	**56,442**	**0.12%**
Over 3 months	**2,483**	**12,998**	**1,020**	**6,078**	**22,579**	**0.05%**
Total past due but not impaired	**$ 84,408**	**$ 164,012**	**$ 77,130**	**$ 50,272**	**$ 375,822**	**0.81%**

As at March 31, 2020 *($ in thousands)*	Residential mortgages	Business	Personal	Credit card	Total	Percentage of total gross loans
Up to 1 month (1)	$ 95,250	$ 41,049	$ 54,729	$ 41,826	$ 232,854	0.49%
Over 1 month up to 2 months	89,787	143,962	66,418	10,534	310,701	0.65%
Over 2 months up to 3 months	31,086	59,812	19,146	5,337	115,381	0.24%
Over 3 months	1,673	14,259	1,120	7,955	25,007	0.05%
Total past due but not impaired	$ 217,796	$ 259,082	$ 141,413	$ 65,652	$ 683,943	1.4%

(1) Loans past due by one day do not represent the borrowers' ability to meet their payment obligations and therefore are not considered by management to be past due nor are they disclosed. Loans in our COVID-19 payment deferral program will not have its days past due extended during the deferral period unless there are other mitigating factors.

8 Allowances for Loan Losses

Key Inputs and Assumptions

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

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

The fact that borrowers opt to participate in payment-deferral programs does not on its own cause a significant increase in credit risk or trigger a stage migration.

Forward-Looking Information

Relevant forward-looking economic information is incorporated for each loan portfolio when measuring expected credit losses, based on a five-year outlook considering a combination of past, current, and future economic conditions and outlooks.

While there is an elevated level of measurement uncertainty in the COVID-19 environment, there are detailed policies and internal controls in place to ensure these judgments and estimates are controlled, reviewed, and consistently applied.

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

	As at June 30, 2020								
	Baseline scenario			**Optimistic scenario**			**Pessimistic scenario**		
	2020	**2021**	**2022**	**2020**	**2021**	**2022**	**2020**	**2021**	**2022**
Unemployment rate *(%)*	**10.9%**	**10.1%**	**9.9%**	**10.2%**	**9.0%**	**8.9%**	**11.9%**	**11.0%**	**9.7%**
Housing starts	**18,800**	**19,800**	**18,200**	**23,000**	**25,700**	**24,000**	**17,700**	**20,000**	**18,900**
Oil prices *(WTI, US$/bbl)*	**33**	**40**	**45**	**40**	**45**	**50**	**25**	**30**	**35**
Foreign-exchange rate *(CDN$1/US$1)*	**0.73**	**0.74**	**0.75**	**0.72**	**0.73**	**0.74**	**0.72**	**0.73**	**0.74**

	As at March 31, 2020								
	Baseline scenario			Optimistic scenario			Pessimistic scenario		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Unemployment rate *(%)*	8.7%	8.5%	8.0%	7.7%	7.6%	7.6%	9.4%	8.9%	8.6%
Housing starts	19,400	18,100	21,700	20,200	20,100	18,500	18,100	18,200	16,200
Oil prices *(WTI, US$/bbl)*	35	40	45	40	45	45	30	35	40
Foreign-exchange rate *(CDN$1/US$1)*	0.74	0.75	0.76	0.75	0.76	0.77	0.70	0.72	0.73

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

	For the three months ended June 30, 2020				
($ in thousands)	**Balance at beginning of period**	**Provisions for loan losses**	**Net write-offs**	**Discounted cash flows on impaired loans and other**	**Balance at end of period**
Business	**$ 552,640**	**$ 201,027**	**$ (9,991)**	**$ (4,660)**	**$ 739,016**
Residential mortgages	**12,858**	**5,779**	**(462)**	**130**	**18,305**
Personal	**92,624**	**26,718**	**(9,545)**	**(67)**	**109,730**
Credit card	**41,133**	**11,792**	**(4,970)**	**26**	**47,981**
Total	**$699,255**	**$ 245,316**	**$ (24,968)**	**$ (4,571)**	**$ 915,032**

	For the three months ended June 30, 2019				
($ in thousands)	Balance at beginning of period	Provisions for loan losses	Net write-offs	Discounted cash flows on impaired loans and other	Balance at end of period
Business	$ 546,825	$ 41,900	$ (32,286)	$ (3,192)	$ 553,247
Residential mortgages	5,493	1,807	(334)	(38)	6,928
Personal	71,498	14,590	(9,829)	(97)	76,162
Credit card	41,097	7,791	(5,486)	(47)	43,355
Total	$664,913	66,088	(47,935)	(3,374)	679,692

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

	For the three months ended June 30, 2020				For the three months ended June 30, 2019			
	Performing		**Impaired**		Performing		Impaired	
($ in thousands)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Allowances for loan losses – business								
Balance at beginning of period	**$ 54,309**	**$ 139,869**	**$ 358,462**	**$ 552,640**	$ 22,314	$ 77,863	$ 446,648	$ 546,825
Provisions for loan losses								
Transfers (out of) into Stage 1 (1)	**(5,130)**	**4,956**	**174**	**-**	(3,185)	3,018	167	-
Transfers (out of) into Stage 2 (1)	**(23,336)**	**40,210**	**(16,874)**	**-**	(7,234)	5,342	1,892	-
Transfers (out of) into Stage 3 (1)	**(4,261)**	**22,196**	**(17,935)**	**-**	(1,360)	(15,783)	17,143	-
New originations (2)	**24,040**	**61,665**	**66,319**	**152,024**	4,324	13,794	23,192	41,310
Repayments (3)	**(4,556)**	**(49,779)**	**(14,404)**	**(68,739)**	(2,912)	(9,305)	(8,870)	(21,087)
Remeasurements (4)	**48,811**	**37,770**	**31,161**	**117,742**	(764)	21,124	1,317	21,677
Write-offs	**-**	**-**	**(11,043)**	**(11,043)**	-	-	(33,220)	(33,220)
Recoveries	**-**	**-**	**1,052**	**1,052**	-	-	934	934
Discounted cash flows on impaired loans and other	**(35)**	**(102)**	**(4,523)**	**(4,660)**	(26)	(87)	(3,079)	(3,192)
Balance at end of period	**$ 89,842**	**$ 256,785**	**$ 392,389**	**$ 739,016**	$ 11,157	$ 95,966	$ 446,124	$ 553,247

	For the three months ended June 30, 2020				For the three months ended June 30, 2019			
	Performing		**Impaired**		Performing		Impaired	
($ in thousands)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Allowances for loan losses – residential mortgages								
Balance at beginning of period	**$ 3,007**	**$ 5,469**	**$ 4,382**	**$ 12,858**	$ 1,495	$ 952	$ 3,046	$ 5,493
Provisions for loan losses								
Transfers into (out of) Stage 1 (1)	**634**	**(635)**	**1**	**-**	(15)	13	2	-
Transfers into (out of) Stage 2 (1)	**2,986**	**(2,928)**	**(58)**	**-**	(374)	294	80	-
Transfers into (out of) Stage 3 (1)	**54**	**340**	**(394)**	**-**	(83)	(524)	607	-
New originations (2)	**596**	**(195)**	**36**	**437**	119	117	39	275
Repayments (3)	**(46)**	**(79)**	**(7)**	**(132)**	-	(2)	-	(2)
Remeasurements (4)	**(3,541)**	**6,209**	**2,806**	**5,474**	1,006	796	(268)	1,534
Write-offs	**-**	**-**	**(628)**	**(628)**	-	-	(484)	(484)
Recoveries	**-**	**-**	**166**	**166**	-	-	150	150
Discounted cash flows on impaired loans and other	**-**	**-**	**130**	**130**	-	-	(38)	(38)
Balance at end of period	**$ 3,690**	**$ 8,181**	**$ 6,434**	**$ 18,305**	$ 2,148	$ 1,646	$ 3,134	$ 6,928

($ in thousands)	For the three months ended June 30, 2020				For the three months ended June 30, 2019			
	Performing		Impaired		Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Allowances for loan losses – personal								
Balance at beginning of period	**$ 42,834**	**$ 31,697**	**$ 18,093**	**$ 92,624**	$ 38,898	$ 11,764	$ 20,836	$ 71,498
Provisions for loan losses								
Transfers (out of) into Stage 1 (1)	**(4,980)**	**4,931**	**49**	**-**	(786)	626	160	-
Transfers (out of) into Stage 2 (1)	**(23,753)**	**22,420**	**1,333**	**-**	(2,490)	919	1,571	-
Transfers (out of) into Stage 3 (1)	**(977)**	**(2,373)**	**3,350**	**-**	(2,953)	(3,583)	6,536	-
New originations (2)	**2,219**	**(99)**	**239**	**2,359**	1,662	636	733	3,031
Repayments (3)	**(892)**	**(759)**	**(912)**	**(2,563)**	(96)	(268)	(101)	(465)
Remeasurements (4)	**20,120**	**(1,423)**	**8,225**	**26,922**	6,061	3,512	2,451	12,024
Write-offs	**-**	**-**	**(10,437)**	**(10,437)**	-	-	(10,337)	(10,337)
Recoveries	**-**	**-**	**892**	**892**	-	-	508	508
Discounted cash flows on impaired loans and other	**-**	**-**	**(67)**	**(67)**	-	-	(97)	(97)
Balance at end of period	**$ 34,571**	**$ 54,394**	**$ 20,765**	**$ 109,730**	$ 40,296	$ 13,606	$ 22,260	$ 76,162

($ in thousands)	For the three months ended June 30, 2020				For the three months ended June 30, 2019			
	Performing		Impaired		Performing		Impaired	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Allowances for loan losses – credit cards								
Balance at beginning of period	**$ 8,677**	**$ 29,591**	**$ 2,865**	**$ 41,133**	$ 10,567	$ 26,041	$ 4,489	$ 41,097
Provisions for loan losses								
Transfers into (out of) Stage 1 (1)	**152**	**(145)**	**(7)**	**-**	(101)	95	6	-
Transfers (out of) into Stage 2 (1)	**(3,183)**	**2,851**	**332**	**-**	(1,449)	1,060	389	-
Transfers (out of) into Stage 3 (1)	**(14)**	**(791)**	**805**	**-**	(85)	(859)	944	-
New originations (2)	**195**	**76**	**-**	**271**	288	152	-	440
Repayments (3)	**(71)**	**(22)**	**-**	**(93)**	(182)	(782)	-	(964)
Remeasurements (4)	**7,445**	**486**	**3,683**	**11,614**	3,174	1,565	3,576	8,315
Write-offs	**-**	**-**	**(7,192)**	**(7,192)**	-	-	(9,001)	(9,001)
Recoveries	**-**	**-**	**2,222**	**2,222**	-	-	3,515	3,515
Discounted cash flows on impaired loans and other	**15**	**7**	**4**	**26**	(13)	(9)	(25)	(47)
Balance at end of period	**$ 13,216**	**$ 32,053**	**$ 2,712**	**$ 47,981**	$ 12,199	$ 27,263	$ 3,893	$ 43,355

(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 changes in allowances due to changes in economic factors and risk and model parameters.

9 Derivative Financial Instruments

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

	June 30 2020			March 31 2020		
As at *($ in thousands)*	**Notional amount**	**Assets**	**Liabilities**	Notional amount	Assets	Liabilities
Over-the-counter contracts						
Interest rate contracts						
Swaps	**$ 30,638,372**	**$ 644,804**	**$ (364,573)**	$ 32,298,975	$ 577,561	$ (335,189)
Other	**4,657,327**	**216,455**	**(94,453)**	3,855,596	167,702	(61,818)
Total interest rate contracts	**35,295,699**	**861,259**	**(459,026)**	36,154,571	745,263	(397,007)
Foreign-exchange contracts						
Forwards	**3,049,247**	**72,720**	**(73,039)**	2,136,282	140,793	(83,494)
Cross-currency swaps	**2,073,701**	**122,007**	**(50,379)**	2,085,030	180,909	(59,258)
Total foreign-exchange contracts	**5,122,948**	**194,727**	**(123,418)**	4,221,312	321,702	(142,752)
Commodity contracts						
Forwards	**2,591,057**	**303,872**	**(256,942)**	2,130,535	438,912	(418,083)
Total commodity contracts	**2,591,057**	**303,872**	**(256,942)**	2,130,535	438,912	(418,083)
Embedded derivatives						
Market-linked deposits	**422,678**	**-**	**(775)**	423,127	-	(1,919)
Total embedded derivatives	**422,678**	**-**	**(775)**	423,127	-	(1,919)
Total over-the-counter contracts	**43,432,382**	**1,359,858**	**(840,161)**	42,929,545	1,505,877	(959,761)
Exchange-traded contracts						
Interest rate contracts						
Futures	**21,488,000**	**33,727**	**(29,145)**	23,688,000	33,757	(29,495)
Total interest rate contracts	**21,488,000**	**33,727**	**(29,145)**	23,688,000	33,757	(29,495)
Total exchange-traded contracts	**21,488,000**	**33,727**	**(29,145)**	23,688,000	33,757	(29,495)
Total fair value of contracts	**$ 64,920,382**	**$ 1,393,585**	**$ (869,306)**	$ 66,617,545	$ 1,539,634	$ (989,256)

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 $97.7 million as at June 30, 2020 (March 31, 2020: $116.1 million).

(Refer to Note 11 of the consolidated financial statements for the year ended March 31, 2020, for more on ATB's derivative-related activities.)

10 Collateralized Borrowings

Canada Mortgage Bonds (CMB) Program

ATB periodically securitizes insured residential mortgage loans by participating in the *National Housing Act* Mortgage-Backed Security Program. The MBS issued as a result of this program are pledged to the Canadian Mortgage Bond (CMB) Program or to third-party investors. The terms of this transaction do not meet the derecognition criteria as outlined in IFRS 9 *Financial Instruments*; therefore, it is accounted for as a collateralized borrowing. Refer to Note 16 of the consolidated financial statements for the year ended March 31, 2020, for a more complete description of the program.

Credit Card Securitization

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

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

As at *($ in thousands)*	**June 30 2020**	March 31 2020
Principal value of mortgages pledged as collateral	**$ 7,624,222**	$ 7,394,422
ATB mortgage-backed securities pledged as collateral through repurchase agreements	**398,955**	605,722
Principal value of credit card receivables pledged as collateral	**637,851**	678,852
Total	**$ 8,661,028**	$ 8,678,996
Associated liabilities	**$ 8,529,343**	$ 8,545,092

11 Payment in Lieu of Tax (PILOT)

As a result of the loss ATB incurred in the three months ended June 30, 2020, no PILOT is payable (June 30, 2019: $14.2 million). Any PILOT will continue to be settled by issuing subordinated debentures until ATB's Tier 2 notional capital is eliminated. PILOT is calculated as 23.0% of net income reported under IFRS. As noted in the 2020 annual consolidated financial statements, the net income that ATB Capital Markets (formerly AltaCorp Capital Inc.) earned in Canada is subject to PILOT effective April 1, 2020. In addition, net income earned by ATB Private Equity LP, a new legal entity registered March 23, 2020, is also subject to PILOT. Effective April 1, 2020, the methodology to calculate ATB Wealth's PILOT has changed to be based on 23% of their net income before PILOT.

12 Capital Management

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

As a Crown corporation, ATB and its subsidiaries operate under a regulatory framework established pursuant to the *ATB Act* and associated regulations and guidelines. The capital adequacy requirements for ATB are defined in a guideline authorized by the Minister, which was modelled after guidelines governing other Canadian deposit-taking institutions. ATB's minimum Tier 1 capital requirement is 7%, 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 subordinated debentures and wholesale borrowings, the collective allowances 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 net income each quarter. Effective April 1, 2017, software and other intangibles were deducted from total capital.

As at June 30, 2020, ATB has exceeded both the total capital requirements and the Tier 1 capital requirement of the *Capital Requirements* guideline.

($ in thousands)	**June 30 2020**	March 31 2020
Tier 1 capital		
Retained earnings	**$ 3,638,294**	$ 3,752,651
Tier 2 capital		
Eligible portions of:		
Wholesale borrowings	**1,945,662**	2,018,480
Collective allowance for loan losses	**317,321**	315,453
Notional capital	**74,276**	74,276
Total Tier 2 capital	**$ 2,337,259**	$ 2,408,209
Deductions from capital		
Software and other intangibles	**301,016**	308,819
Total capital	**$ 5,674,537**	$ 5,852,041
Total risk-weighted assets (1)	**$ 36,265,294**	$ 38,803,887
Risk-weighted capital ratios		
Tier 1 capital ratio	**10.0%**	9.7%
Total capital ratio	**15.6%**	15.1%

(1) Effective April 1, 2020, the methodology to calculate the risk-weighted assets has been revised, resulting in a lower amount compared to prior period results. Comparative results were not restated for the change.

13 Segmented Information

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

- **Everyday Financial Services** provides financial services to individuals and small businesses through our branch, agency, Client Care, and ABM networks.
- **ATB Business,** created April 1, 2020, merged three channels into one operating model in order to provide value to our business customers. It provides financial advisory services to medium and large businesses, corporations, and agricultural customers.
- **ATB Wealth** provides investment advisory, insurance solutions, private banking, and institutional portfolio management solutions.

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

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 is disclosed in the notes to the statements. Since these AoEs are based on ATB's internal management structure, they may not be directly comparable to those of other financial institutions.

Net interest income is attributed to each AoE according to ATB's internal funds transfer pricing (FTP) system, whereby assets earn net interest income to the extent that external revenues exceed internal FTP expense, and liabilities earn net interest income to the extent that internal FTP revenues exceed external interest expenses. Provisions for loan losses are allocated based on the loans the AoE has issued. Direct expenses are attributed between AoEs as incurred. Certain indirect expenses are allocated to ATB Wealth and ATB Capital Markets on the basis of service-level agreements. Other indirect costs are allocated between the reporting segments using indirect allocation methods incorporating financial and activity-based cost drivers. Indirect expenses that are not allocated and direct expenses of a corporate or support nature are reported under strategic service units. (Refer to Notes 2 and 8 of our 2020 annual consolidated financial statements for the year ended March 31, 2020, for more on the method used to generate the segmented information.)

For the three months ended *($ in thousands)*	**Everyday Financial Services (1)**	**ATB Business (2)**	**ATB Wealth**	**Strategic service units**	**Total**
June 30, 2020					
Net interest income	**$ 115,971**	**$ 149,034**	**$ 4,658**	**$ 5,776**	**$ 275,439**
Other income	**24,940**	**47,520**	**55,642**	**21,063**	**149,165**
Total operating revenue	**140,911**	**196,554**	**60,300**	**26,839**	**424,604**
Provisions for loan losses	**54,088**	**185,928**	**5,300**	**-**	**245,316**
Non-interest expenses (3)	**133,478**	**95,841**	**54,760**	**9,423**	**293,502**
(Loss) income before payment in lieu of taxes (PILOT)	**(46,655)**	**(85,215)**	**240**	**17,416**	**(114,214)**
PILOT (4)	**-**	**-**	**55**	**(55)**	**-**
Net (loss) income	**$ (46,655)**	**$ (85,215)**	**$ 185**	**$ 17,471**	**$ (114,214)**
Total assets	**$ 26,599,716**	**$ 20,984,142**	**$ 1,715,046**	**$ 5,846,923**	**$ 55,145,827**
Total liabilities	**16,508,232**	**17,403,943**	**1,743,856**	**15,568,801**	**51,224,832**

($ in thousands)	Everyday Financial Services	ATB Business (2)	ATB Wealth	Strategic service units	Total
March 31, 2020					
Net interest income	$ 117,683	$ 153,397	$ 5,677	$ 17,185	$ 293,942
Other income	30,213	44,045	57,890	827	132,975
Total operating revenue	147,896	197,442	63,567	18,012	426,917
Provisions for loan losses	46,452	196,333	2,497	-	245,282
Non-interest expenses (3)	139,138	96,552	61,819	4,276	301,785
(Loss) income before PILOT	(37,694)	(95,443)	(749)	13,736	(120,150)
PILOT	-	967	3,173	(30,780)	(26,640)
Net (loss) income	$ (37,694)	$ (96,410)	$ (3,922)	$ 44,516	$ (93,510)
Total assets	$ 25,566,346	$ 22,691,714	$ 1,096,125	$ 6,447,271	$ 55,801,456
Total liabilities	15,714,736	18,466,714	1,126,753	16,412,144	51,720,347

($ in thousands)	Everyday Financial Services	ATB Business (2)	ATB Wealth	Strategic service units	Total
June 30, 2019					
Net interest income	$ 122,965	$ 152,497	$ 4,737	$ 18,824	$ 299,023
Other income	27,378	43,006	55,667	8,796	134,847
Total operating revenue	150,343	195,503	60,404	27,620	433,870
Provisions for loan losses	14,717	50,738	633	-	66,088
Non-interest expenses (3)	139,633	102,140	54,149	12,473	308,395
(Loss) income before PILOT	(4,007)	42,625	5,622	15,147	59,387
PILOT	-	(634)	3,616	10,626	13,608
Net (loss) income	$ (4,007)	$ 43,259	$ 2,006	$ 4,521	$ 45,779
Total assets	$ 23,950,252	$ 21,628,582	$ 1,090,201	$ 7,527,627	$ 54,196,662
Total liabilities	14,536,689	18,226,203	1,100,368	16,609,629	50,472,889

(1) Effective April 1, 2020, Client Care is included in EFS's results. Results for the three months ended June 30, 2019, and March 31, 2020, were not restated.
(2) Effective April 1, 2020, ATB Business includes Business and Agriculture (B&Ag), Corporate Financial Services (CFS), and ATB Capital Markets Inc. (formerly AltaCorp Capital Inc.).
(3) Certain costs are allocated from the strategic service units (SSUs) to the areas of expertise. The allocation method, revised annually, creates fluctuations in ATB's segmented results.
(4) Effective April 1, 2020, the net income that ATB Capital Markets (formerly AltaCorp Capital Inc.) earned in Canada is subject to PILOT due to ATB's purchase of all employee-owned Class B shares on March 31, 2020, thereby attaining 100% ownership. Effective April 1, 2020, the methodology to calculate ATB Wealth's PILOT has changed to be based on 23% of their net income before PILOT compared to 23% of their legal entity results that had been used in prior year.

14 Comparative Amounts

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