

FY19 Q1 Financial Highlights

	For the three months ended		
	June 30	March 31	June 30
(\$ in thousands)	2018	2018	2017
Operating results			
Net interest income	\$ 296,781	\$ 287,497	\$ 264,708
Other income	115,243	124,877	106,648
Operating revenue	412,024	412,374	371,356
Provision for loan losses	50,322	21,697	21,495
Non-interest expenses	287,207	319,984	267,861
Net income before payment in lieu of tax	74,495	70,693	82,000
Payment in lieu of tax	17,199	15,982	18,860
Net income	\$ 57,296	\$ 54,711	\$ 63,140
Income before provision for loan losses⁽¹⁾			
Operating revenue	\$ 412,024	\$ 412,374	\$ 371,356
Less: non-interest expenses	(287,207)	(319,984)	(267,861)
Income before provision for loan losses	\$ 124,817	\$ 92,390	\$ 103,495
Financial position (\$ in thousands)			
Net loans	\$ 45,110,251	\$ 44,111,040	\$ 41,660,483
Total assets	\$ 53,332,092	\$ 51,893,091	\$ 48,649,214
Total risk-weighted assets	\$ 35,832,000	\$ 35,320,997	\$ 33,495,147
Total deposits	\$ 34,453,566	\$ 32,683,773	\$ 33,674,625
Equity	\$ 3,426,124	\$ 3,279,156	\$ 3,133,005
Key performance measures (%)			
Return on average assets	0.44	0.60	0.52
Return on average risk-weighted assets	0.64	0.64	0.76
Operating revenue growth ⁽²⁾	11.0	10.8	(2.4)
Other income to operating revenue	28.0	30.3	28.7
Operating expense growth ⁽²⁾	7.2	9.3	5.3
Efficiency ratio	69.7	77.6	72.1
Net interest margin	2.33	2.34	2.25
Loan losses to average loans	0.45	0.28	0.21
Net loan growth ⁽³⁾	2.3	2.1	2.1
Total deposit growth ⁽³⁾	5.4	(2.5)	(0.75)
Growth in assets under administration ⁽³⁾	3.7	1.2	2.7
Tier 1 capital ratio ⁽⁴⁾	10.0	9.8	9.7
Total capital ratio ⁽⁴⁾	15.0	14.3	14.0
Other information			
Investor Services' assets under administration (\$ in thousands)	19,355,357	18,668,716	17,181,617
Total customers	756,690	753,269	731,275
Team members ⁽⁵⁾	5,459	5,302	5,182

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

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

⁽³⁾Measures are calculated by comparing current quarter balances against the prior quarter. The year-to-date measures are calculated by comparing current year balances against balances at March 31, 2018.

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

⁽⁵⁾Number of team members includes casual and commissioned.

Caution regarding forward-looking statements

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

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

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

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

The following Management's Discussion and Analysis (MD&A) considers ATB's results of operations and financial position for the three months ended June 30, 2018 and is dated August 16, 2018. 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, 2018 as well as the audited consolidated financial statements and MD&A for the year ended March 31, 2018.

Economic Outlook

Alberta's economy at a glance

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

Halfway through 2018, Alberta remains in much better shape when compared to the last couple of years. Many segments have grown, which has helped create an optimistic future for Alberta.

Last year we saw growth return to the province, employment rebound, and the energy sector stabilize. Almost all important economic indicators are now above where they were before the 2016 recession. These positive trends are expected to continue over the coming quarters as many indicators point to sustained growth.

ATB is forecasting real GDP growth between 2% and 3% this year, followed by approximately 2% growth in FY20.

Alberta's economic challenges

Still, this is not to say everything in Alberta's economy has come or will come easy as many businesses still continue to struggle. In fact, there are signs of discouraged workers—the participation rate is falling—and the provincial unemployment rate is still much higher than many are accustomed to. Household debt levels still sit around record levels and borrowing costs are creeping higher.

Over the course of spring and early summer, there have been various threats beyond the province's control—such as NAFTA negotiations and other interprovincial trade disputes. These obstacles continue to add layers of uncertainty and will impact the province's economic expansion.

The global economy may also be shifting into another period of financial, market and technological volatility that could cause concern and slow down the economic momentum that Alberta experienced in 2017.

North American oil prices, measured by North America's West Texas Intermediate blend, have improved. Alberta's heavy oil producers, however, have not benefited as much due to pipeline bottlenecks and other constraints. In the current price environment, our energy sector is positioned for only modest expansion, particularly in capital spending programs.

Other sectors of the economy continue to show promise, and the technology, agriculture, agri-foods and tourism industries are expected to help Alberta's economy expand.

Net Income

For the quarter ended June 30, 2018, ATB earned net income of \$57.3 million, a \$2.6 million (4.7%) increase from the \$54.7 million income earned last quarter as our lower non-interest expenses slightly outpaced the higher provision for loan losses experienced. Compared to the \$63.1 million net income earned in the same quarter last year, we saw a significant increase in net interest income, which was more than offset by higher expenses and loan loss provisions.

ATB's net contribution to the Government of Alberta, comprised of net income, payment in lieu of taxes, and deposit guarantee fee for the quarter, was \$87.9 million, an increase of \$5.2 million (6.3%) from last quarter's \$82.7 million.

Income before provision for loan losses this quarter is \$124.8 million, a \$32.4 million (35.1%) increase from last quarter, and a \$21.3 million (20.6%) increase from the same quarter last year. The increase from last quarter is the result of lower non-interest expenses, and the improvement from the same time last year the result of operating revenue growing at a much faster rate than our non-interest expenses.

Operating Revenue

Total operating revenue, which consists of net interest income and other income, ended the quarter at \$412.0 million, with \$296.8 million in net interest income and \$115.2 million in other income. Although operating revenue is consistent with last quarter, operating revenue grew \$40.7 million (11.0%) from the same time last year. This was largely the result of three prime rate increases and balance sheet growth, along with capital markets revenue generated by AltaCorp Capital Inc. (AltaCorp).

Net Interest Income

Net interest income represents the difference between interest earned on assets, such as loans and securities, and interest paid on liabilities, such as deposits and collateralized borrowings. Net interest income is \$296.8 million this quarter, an increase of \$9.3 million (3.2%) and \$32.1 million (12.1%) over last quarter and the same time last year. Our growing balance sheet is the main contributor for both increases as business loans and residential mortgage loans outgrew our increasing reliance on wholesale and collateralized borrowings. Our business loans have greatly benefited from the prime rate increases, which has offset the updated pricing strategies and higher cost we pay for our deposits.

Net Interest Margin

Net interest margin is the ratio of net interest income to average interest-earning assets. This is an important measure to ATB as it indicates the profitability of our lending business.. For the quarter ended June 30, 2018, net interest margin is 2.33%, slightly lower than the 2.34% attained last quarter, but higher than the 2.25% achieved during the same quarter last year. The slight decrease from last quarter is mainly driven by a new non-redeemable fixed date deposit received this quarter. The increase from the same time last year is driven by the same factors impacting our year-over-year net interest income growth previously noted.

Net Interest Income

(\$ in thousands)	For the three months ended					
	June 30, 2018 vs. March 31, 2018			June 30, 2018 vs. June 30, 2017		
	Increase (decrease) due to changes in			Increase (decrease) due to changes in		
	Volume	Rate	Net change	Volume	Rate	Net change
Assets						
Interest-bearing deposits with financial institutions, and securities	\$ 1,107	\$ 3,673	\$ 4,780	\$ 624	\$ 12,474	\$ 13,098
Loans	10,458	7,619	18,077	34,528	22,790	57,318
Change in interest income	\$ 11,565	\$ 11,292	\$ 22,857	\$ 35,152	\$ 35,264	\$ 70,416
Liabilities						
Deposits	\$ 486	\$ 5,921	\$ 6,407	\$ (1,888)	\$ 17,354	\$ 15,466
Wholesale borrowings	2,306	745	3,051	11,346	(1,562)	9,784
Collateralized borrowings	1,125	1,625	2,750	6,989	4,189	11,178
Securities sold under repurchase agreements	1,240	126	1,366	786	1,417	2,203
Subordinated debentures	(6)	5	(1)	(90)	(198)	(288)
Change in interest expense	\$ 5,151	\$ 8,422	\$ 13,573	\$ 17,143	\$ 21,200	\$ 38,343
Change in net interest income	\$ 6,414	\$ 2,870	\$ 9,284	\$ 18,009	\$ 14,064	\$ 32,073

Other Income

Other income consists of all operating revenue not classified as net interest income. ATB recorded \$115.2 million this quarter, which is a \$9.6 million (7.7%) decrease from our prior quarter results. The decrease results from lower capital markets revenue, as AltaCorp closed a significant advisory service deal last quarter. This is partially offset by higher Investor Services revenue as assets under administration continue to grow.

When compared to the same quarter last year, other income increased by \$8.6 million (8.1%) with over half of the increase from our growing assets under administration and its impact on our Investor Services revenue. As AltaCorp became a wholly owned subsidiary last quarter, capital markets revenue also contributed to the increase from last year. We did have a slight offset as the Bank of Canada interest rate announcements unfavourably impacted our interest rate and liquidity risk management portfolios.

Credit Quality

The provision for loan losses is recorded to recognize the net of write-offs, recoveries and required changes to the allowance for Stage 1, 2 and 3 loans over the quarter. During the quarter, ATB recorded a \$50.3 million provision, mainly attributed to our Stage 3 corporate customers as we had several new impaired high-dollar loans as well as increases to existing allowances. Elsewhere in the portfolio, a Stage 1 and 2 credit card and business loan recovery did help to offset our Stage 3 provision. Overall, the provision increased by \$28.6 million (131.9%) from last quarter, and by \$28.9 million (134.1%) from the same quarter last year. Loan losses this quarter reflect the methodology under International Financial Reporting Standards (IFRS) 9, which replaces the guidance in International Accounting Standards (IAS) 39.

Continuing the trend seen throughout the last fiscal year, the Stage 1 and 2 provision is a recovery. The recovery, however, is significantly higher than last quarter and this time last year due to the new IFRS 9 expected credit loss methodology that came into effect this quarter. We continue to see positive indicators this quarter that resulted in lower Probability of Default (PD) rates for our entire portfolio and lower Loss Given Default (LGD) rates for the commercial and business portfolios. As loan losses now consider probability-weighted forward-looking macroeconomic information, our Stage 1 and 2 provision also benefited from an optimistic outlook as a result of improving economic conditions.

The Stage 3 provision increased significantly from last quarter and this time last year. The increase is the result of a number of high value Corporate Financial Services (CFS) loans becoming impaired during the quarter, as well as significant increases to the existing allowances in CFS and Business and Agriculture (B&Ag). While the higher number of impairments is not expected to be a persistent trend in CFS, more impairments are likely in B&Ag due to the volume and aging of accounts on the watchlist.

Management remains confident in the overall quality of the portfolio, supported by our strong credit- and loss-limitation practices. As at June 30, 2018, gross impaired loans of \$698.7 million comprise 1.5% of the total loan portfolio (March 31, 2018: 1.4%, June 30, 2017: 1.4%).

Non-Interest Expenses

Non-interest expenses consist of all expenses except for interest expenses and the provision for loan losses. This quarter total non-interest expenses are \$287.2 million, a \$32.8 million (10.2%) decrease from last quarter primarily due to lower salary and employee benefits, professional and consulting and general and administration costs. Salaries decreased by \$14.3 million (8.7%) with team members meeting their maximum employee contribution limits this quarter. Professional and consulting costs are lower this quarter by \$13.1 million (49.8%) as we spent less on our digital banking project, while general and administration costs declined by \$8.0 million (34.1%) as we had a large marketing campaign last quarter.

Compared to the same quarter last year, non-interest expenses increased by \$19.3 million (7.2%), primarily due to higher employee incentive program costs, digital banking data costs, sponsorship costs, and donations.

The efficiency ratio is calculated by dividing non-interest expenses by operating revenue and measures how much it costs ATB to generate revenue. A lower ratio is indicative of higher efficiency at generating income. For the quarter ended June 30, 2018, ATB reported an efficiency ratio of 69.7% compared to 77.6% last quarter, and 72.1% for the same period last year.

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

Review of Business Segments

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

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

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

Retail Financial Services (RFS)

	For the three months ended		
	June 30 2018	March 31 2018	June 30 2017
<i>(\$ in thousands)</i>			
Net interest income	\$ 111,216	\$ 111,328	\$ 109,568
Other income	21,196	22,965	19,619
Operating revenue	132,412	134,293	129,187
Provision for loan losses	1,087	6,451	6,911
Non-interest expenses	127,187	133,146	122,409
Net income (loss)	\$ 4,138	\$ (5,304)	\$ (133)
Total assets	\$ 22,168,317	\$ 22,027,241	\$ 21,529,807
Total liabilities	\$ 12,195,639	\$ 12,170,992	\$ 12,160,793

RFS earned income this quarter compared to the losses experienced last quarter and the same time last year. The lower provision for loan losses is the major contributor for both increases, with lower non-interest expenses also driving the increase from last quarter.

Operating revenue decreased by \$1.9 million (1.4%) from last quarter, but increased \$3.2 million (2.5%) from this time last year. The driver of the quarterly decrease is due to safety deposit box revenue collected every January and higher insurance revenue. The increase over the same time last year is due to the prime rate increases and credit card revenue.

The provision for loan losses decreased \$5.4 million (83.2%) from the prior quarter and \$5.8 million (84.3%) from the prior year, with write-offs decreasing and a higher Stage 1 and 2 recovery, driven by a lower PD as customers began to benefit from the improving economy. This was, however, partially offset by a lower recovery experienced on our Stage 3 loans.

Non-interest expenses decreased \$6.2 million (4.6%) from the prior quarter but increased \$4.6 million (3.7%) from this time last year. Driving the decrease this quarter are allocated expenses offset by higher salary costs and sundry losses. The increase from this time last year is again driven by sundry losses and higher corporate allocations.

Loans increased from last quarter, driven by higher mortgage growth in the spring compared to the winter months. The increase from last year is not only due to stronger mortgage growth but also an increased focus on retention.

Deposits are up slightly from last quarter and this time last year. Both are due to our current market leading rates and targeted savings offers, along with our continued focus on building relationships and growing deposits.

Business and Agriculture (B&Ag)

(\$ in thousands)	For the three months ended		
	June 30 2018	March 31 2018	June 30 2017
Net interest income	\$ 83,416	\$ 81,338	\$ 74,757
Other income	20,597	18,500	17,098
Operating revenue	104,013	99,838	91,855
Provision for (recovery of) loan losses	14,847	(585)	16,644
Non-interest expenses	67,221	57,588	54,865
Net income	\$ 21,945	\$ 42,835	\$ 20,346
Total assets	\$ 7,792,393	\$ 7,453,391	\$ 7,504,925
Total liabilities	\$ 9,315,761	\$ 9,041,412	\$ 9,304,418

Net income for the quarter decreased by \$20.9 million (48.8%) from last quarter but increased by \$1.6 million (7.9%) over this time last year. The decrease from last quarter is attributable to a significant increase in our provision for loan losses, and our non-interest expenses. Compared to last year, net income increased due to higher loan volumes that generated higher interest income.

Operating revenue for the quarter is \$104.0 million, a \$4.2 million (4.2%) increase over last quarter, and a \$12.2 million (13.2%) increase over this time last year. The increases are as a result of balance sheet growth and higher credit card fees, both driven by improving consumer confidence.

The provision for loan losses increased significantly from last quarter, but decreased by \$1.8 million (10.8%) from this time last year. This quarter experienced a large Stage 3 provision as a number of loans on our watchlist were considered non-recoverable and became impaired. We also experienced a recovery in our Stage 1 and 2 loans, which helped to more than offset the Stage 3 provision increase over last year.

Non-interest expenses are \$9.6 million (16.7%) higher than last quarter, and are up \$12.4 million (22.5%) from this time last year, both resulting from higher corporate allocated costs.

Loans continue to grow from last quarter and this time last year. This quarter's growth, however, is stronger than normal as business owners increase their appetite for credit as they continue to feel optimistic about the economy.

Similar to our loans, deposits have steadily increased from last quarter and this time last year. The increase over last quarter is driven by tax dollars collected by our municipality customers. Compared to last year, the growth is attributed to a new business development deposit team focused on gathering deposits.

Corporate Financial Services (CFS)

(\$ in thousands)	For the three months ended		
	June 30 2018	March 31 2018	June 30 2017
Net interest income	\$ 85,516	\$ 84,342	\$ 80,685
Other income	18,360	20,420	19,921
Operating revenue	103,876	104,762	100,606
Provision for (recovery of) loan losses	34,388	15,831	(2,060)
Non-interest expenses	32,444	31,602	27,043
Net income	\$ 37,044	\$ 57,329	\$ 75,623
Total assets	\$ 13,463,720	\$ 11,963,893	\$ 12,747,217
Total liabilities	\$ 10,515,734	\$ 9,210,721	\$ 10,266,289

Net income decreased \$20.3 million (35.4%) from the prior quarter and by \$38.6 million (51.0%) from the same quarter last year, with provision for loan losses the main factor.

Operating revenue decreased slightly from the prior quarter, but increased \$3.3 million (3.3%) from the same quarter last year. This is due to higher net interest income as loans outgrew deposits. This is partially offset by lower credit fees as well as revenue generated by our financial markets group.

The provision for loan losses increased significantly from last quarter and this time last year as a result of the Stage 3 provision recorded for a few high-value customers. With management closely monitoring the portfolio, we do not expect the Stage 3 provision to be indicative of the entire portfolio due to the recovery recorded this quarter for Stage 1 and Stage 2 loans.

Non-interest expenses increased slightly from last quarter, but increased \$5.4 million (20.0%) from the same quarter last year as a result of higher allocated corporate expenses.

The majority of our loan portfolios continue to grow steadily from last quarter and the same time last year. There have, however, been some loans repaid in our real estate portfolio over this period.

Deposits remain consistent with this time last year, but grew exponentially from last quarter, especially in the project finance and energy and commercial portfolios. More than half of this growth was the result of a new U.S. amortizing deposit received in June.

Investor Services

	For the three months ended		
	June 30 2018	March 31 2018	June 30 2017
<i>(\$ in thousands)</i>			
Net interest income	\$ 236	\$ 230	\$ 133
Other income	51,502	50,108	46,944
Operating revenue	51,738	50,338	47,077
Non-interest expenses	38,334	37,986	33,810
Net income before payment in lieu of tax	13,404	12,352	13,267
Payment in lieu of tax	3,083	2,844	3,051
Net income	\$ 10,321	\$ 9,508	\$ 10,216
Total assets	\$ 123,979	\$ 140,817	\$ 128,522
Total liabilities	\$ 83,682	\$ 102,970	\$ 92,175
Assets under administration	\$ 19,355,357	\$ 18,668,716	\$ 17,181,617

Net income increased slightly from both the prior quarter and the same quarter last year as higher operating revenues are almost entirely offset by higher non-interest expenses.

Operating revenue increased \$1.4 million (2.8%) from the prior quarter and \$4.7 million (9.9%) when compared to the same quarter last year. Both are due to higher assets under administration and higher penetration of the proprietary Compass portfolio.

Non-interest expenses increased slightly from last quarter, and are \$4.5 million (13.4%) higher when compared to the same quarter last year. Both are the result of higher variable costs associated with our assets under administration growing, and increased expenses to strengthen the advisory team and deliver digital investment solutions.

Assets under administration increased \$0.7 billion (3.7%) from the prior quarter and \$2.2 billion (12.7%) from the same quarter last year. This is driven by steady net asset gathering and normal market growth, with the Compass portfolio continuing to be the main driver. The proprietary Compass portfolio remained steady at the 77.3% of the total assets under administration achieved last quarter, but increased from the 76.3% attained in the same quarter last year.

**AltaCorp**

	For the three months ended		
	June 30	March 31	June 30
<i>(\$ in thousands)</i>	2018	2018	2017
Net interest expense	\$ (33)	\$ (62)	\$ -
Other income	5,858	15,921	-
Operating revenue	5,825	15,859	-
Non-interest expenses	6,066	12,086	-
Net (loss) income before income taxes	(241)	3,773	-
Income taxes	64	588	-
Net (loss) income	\$ (305)	\$ 3,185	\$ -
Total assets	\$ 37,440	\$ 28,537	\$ -
Total liabilities	\$ 29,050	\$ 21,131	\$ -

Net income decreased from last quarter by \$3.5 million (109.6%) as operating revenue decreased more than non-interest expenses. Operating revenue decreased by \$10.0 million (63.3%) with a significant one-time advisory deal closed last quarter. Non-interest expenses decreased \$6.0 million (49.8%) from last quarter primarily due to lower commission expenses resulting from lower advisory service revenues previously noted.

Statement of Financial Position

Total Assets

Assets continue to grow and ended the quarter at \$53.3 billion with loans being the driving factor for the \$1.4 billion (2.8%) and \$4.7 billion (9.6%) increase from last quarter and the same time last year.

Loans

Net loans grew by \$1.0 billion (2.3%) over the quarter, primarily driven by a \$0.7 billion (3.0%) increase in business loans supported by the agriculture, commercial and project finance portfolios, and a \$0.2 billion (1.5%) increase in residential mortgages. These same factors also led to our \$3.4 billion (8.3%) growth over the same quarter last year.

Total Liabilities

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

Total liabilities stood at \$49.9 billion for the quarter, an increase of \$1.3 billion (2.7%) from last quarter as a result of a new U.S. fixed date non-redeemable deposit received this quarter. The \$4.4 billion (9.7%) increase over the same quarter last year was also the result of the new deposit, along with a \$3.1 billion increase in our wholesale and collateralized borrowings, which are both used as a funding source to supplement customer deposits in supporting our lending activities.

Deposits

Deposits are \$34.5 billion, which represents a \$1.8 billion (5.4%) and a \$0.8 billion (2.3%) increase from last quarter and the same time last year. The majority of our growth from last quarter came from fixed date non-redeemable deposits in CFS, as well as municipality deposits in B&Ag. The growth from last year resulted from our fixed date redeemable deposits growing by \$1.6 billion (52.4%), offset by a decrease in savings accounts.

Wholesale Borrowings

Wholesale borrowings, consisting primarily of bearer deposit notes, interest-bearing deposits, and mid-term notes issued by the Government of Alberta, can fluctuate quarter to quarter. The agreement with the Government of Alberta currently limits the total volume of such borrowings to \$7.0 billion. The balance as at June 30, 2018 is \$4.5 billion, a slight decrease from last quarter. This year, we have relied more on short-term bearer deposit notes and fewer mid-term notes that drove the \$1.8 billion (68.2%) increase from the same time last year.

Collateralized Borrowings

Collateralized borrowings, which represent ATB's participation in the Canada Mortgage Bonds (CMB) program, consists of securitized residential mortgages sold through the CMB program and to third-party investors, as well as securitized credit card receivables. As at June 30, 2018 balances were \$8.5 billion, a slight increase from last quarter, and \$1.3 billion (18.4%) more than last year. The increase from last year is the result of our ability to securitize more of the growing mortgage book.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss continues to be volatile as it decreased from last quarter, but increased from the same time last year. The improvement from last quarter is a result of an actuarial gain recognized for our pension obligation. When compared to the same time last year, our pension obligation also experienced an actuarial gain, but not enough to offset the significant unrealized losses from our interest rate management products designated for hedge accounting.

Capital Management

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

As a Crown corporation, ATB and its subsidiaries operate under a regulatory framework established pursuant to the *Alberta Treasury Branches Act* and associated regulations and guidelines. The capital adequacy requirements for ATB are defined in a guideline authorized by the Government of Alberta's President of Treasury Board and Minister of Finance, which was modelled after guidelines governing other Canadian deposit-taking institutions. ATB's minimum Tier 1 capital requirement is 7.0%, and the total capital requirement is the greater of 10.0% of risk-weighted assets or 5.0% of total assets. As at June 30, 2018, ATB had a Tier 1 capital ratio of 10.0% and a total capital ratio of 15.0%, both exceeding our regulatory requirements.

Credit Risk

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

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

Total Credit Exposure

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

As at (\$ in thousands)	June 30 2018	March 31 2018
Financial assets ⁽¹⁾	\$ 51,876,128	\$ 50,685,126
Other commitments and off-balance sheet items	19,445,140	20,148,902
Total credit risk	\$ 71,321,268	\$ 70,834,028

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

Industry Concentration

ATB is inherently exposed to significant concentrations of credit risk, as its customers all participate in the Alberta economy which, in the past, has shown strong growth and occasional sharp declines. ATB manages its credit through diversification of its credit portfolio by limiting concentrations to single borrowers, industries, and geographic regions of Alberta. As at June 30, 2018, commercial real estate is the largest single-industry segment at \$6.0 billion (March 31, 2018: \$6.0 billion). This represents no more than 13.0% (March 31, 2018: 13.5%) of the total gross loan portfolio. The outstanding principal for the single-largest borrower is \$100.0 million (March 31, 2018: \$100.0 million), which represents no more than 0.22% (March 31, 2018: 0.22%) of the total gross loan portfolio.

Residential Real Estate Secured Lending

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

<i>As at</i>		June 30, 2018		March 31, 2018	
<i>(\$ in thousands)</i>					
Residential mortgages	Insured	\$ 7,279,063	45.5%	\$ 7,209,387	45.8%
	Uninsured	8,709,094	54.5%	8,541,043	54.2%
Total residential mortgages		15,988,157	100.0%	15,750,430	100.0%
Home equity lines of credit	Uninsured	3,361,023	100.0%	3,383,789	100.0%
Total home equity lines of credit		3,361,023	100.0%	3,383,789	100.0%
Total	Insured	\$ 7,279,063	37.6%	\$ 7,209,387	37.7%
	Uninsured	\$ 12,070,117	62.4%	\$ 11,924,832	62.3%

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

<i>As at</i>	June 30 2018	March 31 2018
< 25 years	80.1%	79.7%
25-30 years	18.7%	18.8%
30-35 years	1.2%	1.5%
Total	100.0%	100.0%

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

<i>As at</i>	June 30 2018	March 31 2018
Residential mortgages	0.70	0.69
Home equity lines of credit	0.57	0.57

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

Market Risk

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

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

Interest Rate Risk

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

Interest Rate Sensitivity

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

<i>As at</i> <i>(\$ in thousands)</i>	June 30 2018	March 31 2018
Increase in interest rates of:		
100 basis points	\$ 37,459	\$ 39,371
200 basis points	71,390	76,137
Decrease in interest rates of:		
100 basis points ⁽¹⁾	(45,215)	(48,732)
200 basis points ⁽¹⁾	(108,460)	(105,026)

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

The potential impact of a 100- and 200-basis-point change is well within our interest rate risk management policy of \$77.4 million and \$132.7 million, respectively.

Foreign-Exchange Risk

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

Liquidity Risk

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

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

On June 30, 2018, the Liquidity Coverage Ratio (LCR) is 131.0% (March 31, 2018: 129.0%) versus a current-year board-approved minimum of 110.0%.

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

As at (\$ in thousands)							June 30	March 31
	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	2018	2018
							Total	Total
Mid-term notes	\$ 199,894	\$ 199,716	\$ -	\$ -	\$ -	\$ 1,579,200	\$ 1,978,810	\$ 2,189,477
Bearer deposit notes	2,420,822	-	-	-	-	-	2,420,822	2,466,992
Interest-bearing deposits	60,000	-	-	-	-	-	60,000	-
Mortgage-backed securities	1,094,728	1,043,813	2,364,635	-	1,137,933	2,385,795	8,026,904	7,908,453
Credit card securitization	500,000	-	-	-	-	-	500,000	500,000
Securities sold under repurchase agreements	446,435	-	-	-	-	-	446,435	790,827
Subordinated debentures	82,564	98,177	32,298	45,038	81,437	-	339,514	331,199
Total long-term funding	\$ 4,804,443	\$ 1,341,706	\$ 2,396,933	\$ 45,038	\$ 1,219,370	\$ 3,964,995	\$ 13,772,485	\$ 14,186,948
Of which:								
Secured	\$ 2,041,163	\$ 1,043,813	\$ 2,364,635	\$ -	\$ 1,137,933	\$ 2,385,795	\$ 8,973,339	\$ 9,199,280
Unsecured	2,763,280	297,893	32,298	45,038	81,437	1,579,200	4,799,146	4,987,668
Total long-term funding	\$ 4,804,443	\$ 1,341,706	\$ 2,396,933	\$ 45,038	\$ 1,219,370	\$ 3,964,995	\$ 13,772,485	\$ 14,186,948

Interim Condensed Consolidated Statement of Financial Position

(Unaudited)

As at (\$ in thousands)	Note	June 30 2018	March 31 2018	June 30 2017
Cash		\$ 183,502	\$ 285,527	\$ 433,402
Interest-bearing deposits with financial institutions		1,127,903	1,110,848	537,137
Total cash resources		1,311,405	1,396,375	970,539
Securities measured at fair value through profit or loss		95,755	4,760,130	4,449,505
Securities measured at fair value through other comprehensive income		4,898,386	-	-
Total securities		4,994,141	4,760,130	4,449,505
Securities purchased under reverse repurchase agreements		299,481	50,096	249,579
Business		22,090,814	21,439,814	19,645,554
Residential mortgages		15,988,157	15,750,430	15,132,863
Personal		6,757,674	6,711,755	6,655,139
Credit card		745,716	718,065	734,993
		45,582,361	44,620,064	42,168,549
Allowance for loan losses	9	(472,110)	(509,024)	(508,066)
Total net loans	8	45,110,251	44,111,040	41,660,483
Derivative financial instruments	10	672,465	576,712	451,405
Property and equipment		322,510	333,092	355,628
Software and other intangibles		295,240	292,796	271,500
Other assets		326,599	372,850	240,575
Total other assets		1,616,814	1,575,450	1,319,108
Total assets		\$ 53,332,092	\$ 51,893,091	\$ 48,649,214
Redeemable Fixed Date Deposits		4,721,690	4,738,787	3,097,283
Non-redeemable Fixed Date Deposits		5,923,715	4,354,113	6,106,949
Saving Accounts		9,559,542	9,525,181	10,407,323
Transaction Accounts		7,690,806	7,751,748	8,153,588
Notice Accounts		6,557,813	6,313,944	5,909,482
Total deposits		34,453,566	32,683,773	33,674,625
Securities sold under repurchase agreements		446,435	790,827	198,463
Wholesale borrowings		4,459,632	4,656,469	2,651,951
Collateralized borrowings	11	8,526,904	8,408,453	7,203,689
Derivative financial instruments	10	753,093	673,162	431,500
Other liabilities		926,824	1,070,052	1,024,782
Total other liabilities		15,112,888	15,598,963	11,510,385
Subordinated debentures		339,514	331,199	331,199
Total liabilities		49,905,968	48,613,935	45,516,209
Retained earnings		3,573,624	3,453,844	3,242,425
Non-controlling interest		2,460	3,508	-
Accumulated other comprehensive loss		(149,960)	(178,196)	(109,420)
Total equity		3,426,124	3,279,156	3,133,005
Total liabilities and equity		\$ 53,332,092	\$ 51,893,091	\$ 48,649,214

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

Curtis Stange
President and Chief Executive Officer

Bob McGee
Chief Financial Officer and Head of Operations

Interim Condensed Consolidated Statement of Income

(Unaudited)

(\$ in thousands)	Note	For the three months ended		
		June 30 2018	March 31 2018	June 30 2017
Loans		\$ 448,874	\$ 430,797	\$ 391,556
Securities		20,679	16,425	10,212
Interest-bearing deposits with financial institutions		3,662	3,136	1,031
Interest income		473,215	450,358	402,799
Deposits		105,657	97,884	87,988
Wholesale borrowings		25,275	22,224	15,491
Collateralized borrowings		43,207	40,457	32,029
Subordinated debentures		2,295	2,296	2,583
Interest expense		176,434	162,861	138,091
Net interest income		296,781	287,497	264,708
Service charges		18,828	18,770	17,254
Investor Services		49,832	48,044	45,011
Card fees		15,929	14,682	13,934
Credit fees		11,877	11,368	11,260
Insurance		4,668	5,979	4,405
Capital markets revenue		5,691	15,919	-
Foreign exchange		(1,994)	(1,024)	7,848
Net gains on derivative financial instruments		6,807	4,434	9,475
Net gains on securities		2,677	4,348	(3,858)
Sundry		928	2,357	1,319
Other income		115,243	124,877	106,648
Operating revenue		412,024	412,374	371,356
Provision for loan losses	9	50,322	21,697	21,495
Salaries and employee benefits		151,214	165,559	144,329
Data processing		31,124	27,958	26,511
Premises and occupancy, including depreciation		22,281	23,630	22,310
Professional and consulting costs		13,197	26,283	14,272
Deposit guarantee fee		11,328	9,637	10,936
Equipment, including amortization		5,774	6,270	6,508
Software and other intangibles amortization		18,749	19,846	16,197
General and administrative		15,396	23,362	12,288
ATB agencies		3,195	3,177	2,830
Other		14,949	14,262	11,680
Non-interest expenses		287,207	319,984	267,861
Net income before payment in lieu of tax		74,495	70,693	82,000
Payment in lieu of tax	12	17,199	15,982	18,860
Net income		\$ 57,296	\$ 54,711	\$ 63,140
Net income attributable to non-controlling interests		\$ 134	\$ 1,372	-

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

Interim Condensed Consolidated Statement of Comprehensive Income

(Unaudited)

	For the three months ended		
	June 30 2018	March 31 2018	June 30 2017
<i>(\$ in thousands)</i>			
Net income	\$ 57,296	\$ 54,711	\$ 63,140
Items that may be reclassified subsequently to profit or loss:			
Unrealized net gains on securities measured at fair value through other comprehensive income:			
Unrealized net losses arising during the period	1,807	-	-
Net gains reclassified to net income	(2,684)	-	-
Unrealized net gains (losses) on derivative financial instruments designated as cash flow hedges:			
Unrealized net gains (losses) arising during the period	21,094	(9,809)	(43,203)
Net gains reclassified to net income	(13,627)	(6,092)	(15,373)
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit plan liabilities	21,646	24,913	(18,845)
Other comprehensive income (loss)	28,236	9,012	(77,421)
Comprehensive income (loss)	\$ 85,532	\$ 63,723	\$ (14,281)
Attributable to:			
ATB Financial	\$ 85,586	\$ 62,351	\$ (14,281)
Non-controlling interests	(54)	1,372	-

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

Interim Condensed Consolidated Statement of Changes in Equity

(Unaudited)

(\$ in thousands)	For the three months ended		
	June 30 2018	March 31 2018	June 30 2017
Retained earnings			
Balance at beginning of the period	\$ 3,453,844	\$ 3,399,133	\$ 3,179,285
Net income	57,296	54,711	63,140
Transition adjustment (Note 4)	62,394	-	-
Other	90	-	-
Balance at end of the period	3,573,624	3,453,844	3,242,425
Non-controlling interest			
Balance at beginning of the period	3,508	-	-
Balance at the date of acquisition	-	2,136	-
Net (loss) income attributable to non-controlling interests in subsidiaries	(60)	1,372	-
Other ⁽¹⁾	(994)	-	-
Balance at end of the period	2,455	3,508	-
Accumulated other comprehensive loss			
Securities measured at fair value through other comprehensive income			
Balance at beginning of the period	-	-	-
Other comprehensive loss	(876)	-	-
Balance at end of the period	(876)	-	-
Derivative financial instruments designated as cash flow hedges			
Balance at beginning of the period	(126,362)	(110,461)	40,021
Other comprehensive income (loss)	7,467	(15,901)	(58,576)
Balance at end of the period	(118,895)	(126,362)	(18,555)
Defined benefit plan liabilities			
Balance at beginning of the period	(51,834)	(76,747)	(72,020)
Other comprehensive income (loss)	21,646	24,913	(18,845)
Balance at end of the period	(30,188)	(51,834)	(90,865)
Accumulated other comprehensive loss	(149,960)	(178,196)	(109,420)
Equity	\$ 3,426,118	\$ 3,279,156	\$ 3,133,005

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

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

Interim Condensed Consolidated Statement of Cash Flows

(Unaudited)

	For the three months ended		
(\$ in thousands)	June 30 2018	March 31 2018	June 30 2017
Cash flows from operating activities:			
Net income	\$ 57,296	\$ 54,711	\$ 63,140
Adjustments for non-cash items and others:			
Provision for loan losses	50,322	21,697	21,495
Depreciation and amortization	32,600	35,301	31,287
Net gains on securities	(2,677)	(4,348)	3,858
Adjustments for net changes in operating assets and liabilities:			
Loans	(954,166)	(927,085)	(848,013)
Deposits	1,769,999	(852,969)	(252,926)
Derivative financial instruments	(15,473)	(59,931)	33,274
Prepayments and other receivables	(45,325)	4,346	6,842
Due to clients, brokers and dealers	(14,187)	11,223	(5,689)
Deposit guarantee fee payable	(36,006)	12,024	(35,056)
Accounts payable and accrued liabilities	5,908	54,552	15,717
Liability for payment in lieu of tax	(64,478)	15,767	(26,178)
Net interest receivable and payable	(21,147)	20,290	(23,958)
Change in accrued pension-benefit liability	(21,201)	(24,822)	20,594
Others, net	98,641	(79,873)	(39,081)
Net cash provided by (used in) operating activities	840,106	(1,719,117)	(1,034,694)
Cash flows from investing activities:			
Change in securities measured at fair value through net income	(236,979)	(853,085)	527,486
Change in securities purchased under reverse repurchase agreements	(249,385)	896,567	201,082
Change in interest-bearing deposits with financial institutions	(17,055)	(46,142)	110,412
Purchases of property and equipment, software and other intangibles	(24,463)	(46,590)	(21,049)
Net cash (used in) provided by investing activities	(527,882)	(49,250)	817,931
Cash flows from financing activities:			
Issuance of wholesale borrowings	2,782,436	2,957,837	349,615
Repayment of wholesale borrowings	(2,979,273)	(2,366,853)	(590,000)
Issuance of collateralized borrowings	360,231	451,145	391,029
Repayment of collateralized borrowings	(241,780)	-	-
Change in securities sold under repurchase agreements	(344,392)	790,827	198,463
Issuance of subordinated debentures	81,651	-	45,038
Repayment of subordinated debentures	(73,122)	-	(58,280)
Net cash (used in) provided by financing activities	(414,249)	1,832,956	335,865
Net (decrease) increase in cash and cash equivalents	(102,025)	64,589	119,102
Cash at beginning of period	285,527	220,938	314,300
Cash at end of period	\$ 183,502	\$ 285,527	\$ 433,402
Net cash (used in) provided by operating activities include:			
Interest paid	(189,696)	(133,499)	(166,406)
Interest received	\$ 465,294	\$ 441,286	\$ 407,156

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended June 30, 2018

Note 1 Nature of Operations

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

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

Note 2 Significant Accounting Policies

Basis of Preparation

These Interim Condensed Consolidated Financial Statements are prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the accounting requirements of the Alberta Superintendent of Financial Institutions (ASFI). The Interim Condensed Consolidated Financial Statements do not include all of the information required for complete annual consolidated financial statements and should be read in conjunction with ATB's 2018 annual consolidated financial statements. The accounting policies, methods of computation and presentation of these Interim Condensed Consolidated Financial Statements are consistent with the most recent annual consolidated financial statements. These Interim Condensed Consolidated Financial Statements were approved by the Audit Committee on August 16, 2018.

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

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

Significant Accounting Judgments, Estimates and Assumptions

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

Note 3 Summary of Accounting Policy Changes

Change in Accounting Policies and Disclosures

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

IFRS 9 Financial Instruments

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

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

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

Classification of Financial Assets

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

Business Model Assessment

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

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

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

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

The Solely Payments of Principal and Interest (SPPI) test

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

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

Financial Assets Measured at Amortized Cost

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

Financial Assets at Fair Value Through Other Comprehensive Income

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

Financial Assets at Fair Value through Profit or Loss

This category comprises two subcategories:

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

Equity Instruments

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

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

Financial Liabilities

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

Financial Liabilities at Fair Value Through Profit or Loss

This category comprises two subcategories:

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

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

Financial Liabilities Measured at Amortized Cost

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

Reclassification of Financial Assets and Liabilities

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

Impairment of Financial Assets

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

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

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

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

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

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

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

Measurement of Expected Credit Losses

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

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

Forward-Looking Information

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

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

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

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

Expected Life

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

Exceptions can apply if the loan has the following characteristics:

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

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

Significant Increase in Credit Risk

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

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

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

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

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

Default

Loans are assessed at each reporting date to determine if one or more loss events have occurred. ATB's definition of default is consistent with our internal credit risk management practices and varies across products. The majority of ATB's loans are considered impaired when they are more than 90 days past due, with the exception of personal credit cards that are written off after 180 days. Impairment may also occur earlier if there is objective evidence of a negative impact on the loan's estimated future cash flows.

Write-offs

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

Modifications and Derecognitions

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

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

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

IFRS 15 Revenue From Contracts with Customers

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

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

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

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

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

IAS 28 Investments in Associates and Joint Ventures

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

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

Future Accounting Changes

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

IFRS 16 Leases

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

ATB is currently assessing the impact of adopting this amendment, which is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted if *IFRS 15 Revenue From Contracts With Customers* has also been applied.

IAS 23 Borrowing Costs

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

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

IAS 19 Employee Benefits

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

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

Note 4 IFRS 9 Transition

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

(\$ in thousands)	As at March 31, 2018			As at April 1, 2018		
	IAS 39 Measurement category	IAS 39 Carrying amount	Reclassification	Remeasurement	IFRS 9 Carrying amount	IFRS 9 Measurement category
Redeemable Fixed Date						
Deposits	Amortized cost	\$ 4,738,787	\$ -	\$ -	\$ 4,738,787	Amortized cost
Non-redeemable Fixed Date						
Deposits	Amortized cost	4,354,113	-	-	4,354,113	Amortized cost
Saving Accounts	Amortized cost	9,525,181	-	-	9,525,181	Amortized cost
Transaction Accounts	Amortized cost	7,751,748	-	-	7,751,748	Amortized cost
Notice Accounts	Amortized cost	6,313,944	-	-	6,313,944	Amortized cost
Total deposits		32,683,772	-	-	32,683,772	
Securities sold under						
repurchase agreements	Amortized cost	790,827	-	-	790,827	Amortized cost
Wholesale borrowings	Amortized cost	4,141,489	-	-	4,141,489	Amortized cost
Wholesale borrowings	FVTPL	514,980	-	-	514,980	FVTPL
Collateralized borrowings	Amortized cost	8,408,453	-	-	8,408,453	Amortized cost
Derivative financial instruments	Amortized cost	673,162	-	-	673,162	Amortized cost
Other financial liabilities	Amortized cost	986,370	-	-	986,370	Amortized cost
Non-financial liabilities		83,682	-	-	83,682	
Total other liabilities		15,598,963	-	-	15,598,963	
Subordinated debentures	Amortized cost	331,199	-	-	331,199	Amortized cost
Total liabilities		48,613,935	-	-	48,613,935	
Retained earnings		3,453,844	-	62,394	3,516,238	
Non-controlling interest		3,508	-	-	3,508	
Accumulated other comprehensive loss		(178,196)	-	-	(178,196)	
Total equity		3,279,156	-	62,394	3,341,550	
Total liabilities and equity		\$ 51,893,091	\$ -	\$ 62,394	\$ 51,955,485	

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

Note 5 Financial Instruments

a. Classification and Carrying Value

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

<i>As at June 30, 2018</i> <i>(\$ in thousands)</i>	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	\$ -	\$ -	\$ -	\$ -	\$ 183,502	\$ 183,502 ⁽¹⁾
Interest-bearing deposits with financial institutions	-	1,127,903	-	-	-	1,127,903 ⁽¹⁾
Securities measured at FVTPL	35,831	59,924	-	-	-	95,755
Securities measured at FVOCI	-	-	4,898,134	252	-	4,898,386
Total securities	35,831	59,924	4,898,134	252	-	4,994,141 ⁽¹⁾
Securities purchased under reverse repurchase agreements	-	-	-	-	299,481	299,481 ⁽¹⁾
Business	-	-	-	-	22,090,814	22,090,814
Residential mortgages	-	-	-	-	15,988,157	15,988,157
Personal	-	-	-	-	6,757,674	6,757,674
Credit card	-	-	-	-	745,716	745,716
Allowance for loan losses	-	-	-	-	(472,110)	(472,110)
Total loans	-	-	-	-	45,110,251	45,110,251 ⁽²⁾
Derivative financial instruments	672,465	-	-	-	-	672,465
Other assets	-	-	-	-	86,829	86,829
Total other assets	672,465	-	-	-	86,829	759,295 ⁽¹⁾
Financial liabilities						
Redeemable Fixed Date Deposits	\$ -	\$ -	\$ -	\$ -	\$ 4,721,690	\$ 4,721,690
Non-redeemable Fixed Date Deposits	-	-	-	-	5,923,715	5,923,715
Saving Accounts	-	-	-	-	9,559,542	9,559,542
Transaction Accounts	-	-	-	-	7,690,806	7,690,806
Notice Accounts	-	-	-	-	6,557,813	6,557,813
Total deposits	-	-	-	-	34,453,566	34,453,566 ⁽³⁾
Wholesale borrowings	-	-	-	-	4,459,632	4,459,632 ⁽⁴⁾
Collateralized borrowings	-	-	-	-	8,526,904	8,526,904 ⁽⁵⁾
Derivative financial instruments	753,093	-	-	-	-	753,093 ⁽¹⁾
Other liabilities	-	-	-	-	868,869	868,869 ⁽¹⁾
Total other liabilities	753,093	-	-	-	13,855,405	14,608,498
Securities sold under repurchase agreements	-	-	-	-	446,435	446,435 ⁽¹⁾
Subordinated debentures	-	-	-	-	339,514	339,514 ⁽⁶⁾

⁽¹⁾Fair value estimated to equal carrying value.

⁽²⁾Fair value of loans estimated to be \$46,253,976.

⁽³⁾Fair value of deposits estimated to be \$34,081,709.

⁽⁴⁾Fair value of wholesale borrowings estimated to be \$4,439,391.

⁽⁵⁾Fair value of collateralized borrowings estimated to be \$8,485,792.

⁽⁶⁾Fair value of subordinated debentures estimated to be \$339,941.

As at March 31, 2018
(\$ in thousands)

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

⁽¹⁾Fair value estimated to equal carrying value.

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

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

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

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

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

b. Fair-Value Hierarchy

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

As at June 30, 2018

(\$ in thousands)

	Level 1	Level 2	Level 3	Total
Interest-bearing deposits with financial institutions	\$ -	\$ 1,127,903	\$ -	\$ 1,127,903
Securities				
Securities measured at FVTPL	72,815	-	22,940	95,755
Securities measured at FVOCI	4,898,134	-	252	4,898,386
Other assets				
Derivative financial instruments	-	672,465	-	672,465
Total financial assets	\$ 4,970,948	\$ 1,800,369	\$ 23,192	\$ 6,794,509
Wholesale borrowings	-	-	-	-
Other liabilities				
Derivative financial instruments	-	753,093	-	753,093
Total financial liabilities	\$ -	\$ 753,093	\$ -	\$ 753,093

As at March 31, 2018

(\$ in thousands)

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

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

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

<i>(\$ in thousands)</i>	Securities designated as at FVOCI	Securities classified as at FVTPL
Fair value as at March 31, 2018	\$ -	\$ 22,940
Total realized and unrealized losses included in net income	-	-
Total realized and unrealized gains included in other comprehensive income	-	-
Purchases and Issuances	252	-
Sales and Settlements	-	-
Fair value as at June 30, 2018	\$ 252	\$ 22,940
Change in unrealized losses included in income with respect to financial instruments held as at June 30, 2018	\$ -	\$ -

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

Note 6 Financial Instruments – Risk Management

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

Note 7 Securities

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

<i>As at</i> <i>(\$ in thousands)</i>				June 30 2018	March 31 2018
	Less than 1 year	From 1-5 years	Over 5 years	Total carrying value	Total carrying value
Securities measured at FVTPL					
Issued or guaranteed by the Canadian federal or provincial governments	\$ 59,924	\$ -	\$ -	\$ 59,924	\$ 4,736,228
Other securities	12,891	22,940	-	35,831	23,902
Total securities measured at FVTPL	\$ 72,815	\$ 22,940	\$ -	\$ 95,755	\$ 4,760,130
Securities measured at FVOCI					
Issued or guaranteed by the Canadian federal or provincial governments	\$ 2,023,182	\$ 2,874,952	\$ -	\$ 4,898,134	\$ -
Other securities	-	-	252	252	-
Total securities measured at FVOCI	\$ 2,023,182	\$ 2,874,952	\$ 252	\$ 4,898,386	\$ -

Other Securities

These securities in the current year relate to investments made by AltaCorp and investments made to a broad range of private Alberta companies. There is no observable market price for the investments made to these private Alberta companies as at the balance sheet date. ATB estimated the fair value using a combination of discounted cash flows and market multiples derived from quoted prices of comparative companies, specifically the expected earnings before interest, income tax, depreciation, and amortization (EBITDA). The key assumptions in this model are the exit multiple of 6.0 to 8.0, the weighted average cost of capital of 18.0 to 20.0%, and the EBITDA multiple of 5.2 to 11.5. A 0.5 increase of the exit multiple and a 1.0% decrease in the weighted average cost of capital and 0.5 increase of the EBITDA multiple would increase the fair value by \$2.2 million (March 31, 2018: \$2.2 million, June 30, 2017: \$0.6 million). The estimate is also adjusted for the effect of the non-marketability of these investments.

Note 8 Loans

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

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

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

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

Credit Quality

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

As at June 30, 2018

(\$ in thousands)

	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
Business				
Very low risk	2,388,575	515,575	-	2,904,150
Low risk	10,028,507	3,433,681	-	13,462,188
Medium risk	2,533,958	1,821,328	-	4,355,286
High risk	47,675	668,579	-	716,254
Not rated	70,667	8,654	-	79,321
Impaired	-	-	573,615	573,615
Total	\$ 15,069,382	\$ 6,447,817	\$ 573,615	\$ 22,090,814
Residential mortgages				
Very low risk	6,402,430	5,672	-	6,408,102
Low risk	5,844,999	11,514	-	5,856,513
Medium risk	2,701,903	23,675	-	2,725,578
High risk	612,957	294,210	-	907,167
Not rated	22,202	279	-	22,481
Impaired	-	-	68,316	68,316
Total	\$ 15,584,491	\$ 335,350	\$ 68,316	\$ 15,988,157
Personal				
Very low risk	2,680,769	5,363	-	2,686,132
Low risk	2,278,078	44,863	-	2,322,941
Medium risk	970,776	231,525	-	1,202,301
High risk	276,615	169,304	-	445,919
Not rated	41,489	2,148	-	43,637
Impaired	-	-	56,744	56,744
Total	\$ 6,247,727	\$ 453,203	\$ 56,744	\$ 6,757,674
Credit card				
Very low risk	76,197	334	-	76,531
Low risk	218,134	25,280	-	243,414
Medium risk	140,751	56,344	-	197,095
High risk	42,592	101,489	-	144,081
Not rated	39,497	45,098	-	84,595
Total	\$ 517,171	\$ 228,545	\$ -	\$ 745,716
Total loans	\$ 37,418,771	\$ 7,464,915	\$ 698,675	\$ 45,582,361
Total allowance for loan losses	(65,373)	(61,374)	(345,363)	(472,110)
Total net loans	\$ 37,353,398	\$ 7,403,541	\$ 353,312	\$ 45,110,251

Undrawn loan commitments - retail				
Very low risk	3,886,806	32,256	-	3,919,062
Low risk	978,076	17,331	-	995,407
Medium risk	117,587	39,989	-	157,576
High risk	23,383	12,525	-	35,908
Not rated	19,851	2,745	-	22,596
Total	\$ 5,025,703	\$ 104,846	\$ -	\$ 5,130,549
Undrawn loan commitments - non-retail				
Very low risk	4,765,222	278,395	-	5,043,617
Low risk	5,939,076	1,498,554	-	7,437,630
Medium risk	376,699	448,079	-	824,778
High risk	29,282	108,421	-	137,703
Not rated	38,913	30,823	-	69,736
Total	\$ 11,149,192	\$ 2,364,272	\$ -	\$ 13,513,464

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

As at March 31, 2018

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

Loans Past Due

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

<i>As at June 30, 2018</i> <i>(\$ in thousands)</i>	Residential mortgages	Business	Personal	Credit card⁽¹⁾	Total	Percentage of total gross loans
Up to 1 month	\$ 174,155	\$ 77,957	\$ 52,002	\$ 39,376	\$ 343,490	0.75%
Over 1 month up to 2 months	33,378	164,717	38,342	9,792	246,229	0.54%
Over 2 months up to 3 months	35,962	34,603	16,254	4,297	91,116	0.20%
Over 3 months	1,005	4,956	919	5,574	12,454	0.03%
Total past due but not impaired	\$ 244,500	\$ 282,233	\$ 107,517	\$ 59,039	\$ 693,289	1.5%

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

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

As at June 30, 2018, \$12.1 million (March 31, 2018: \$7.4 million) of the total loans past due up to one month are one day overdue.

Note 9 Allowance for Loan Losses

Key inputs and assumptions

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

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

For the three months ended June 30, 2018	Balance at				Discounted cash flows on impaired loans and other	Balance at end of period
	beginning of period	Provision for loan losses	Write-offs	Recoveries		
(\$ in thousands)						
Business	\$ 342,366	\$ 52,885	\$ (8,800)	\$ 736	\$ (2,622)	\$ 384,565
Residential mortgages	5,406	(673)	(549)	184	(165)	4,203
Personal	59,201	10,059	(11,932)	712	(158)	57,882
Credit card	39,657	(11,949)	(5,520)	3,252	20	25,460
Total	\$ 446,630	\$ 50,322	\$ (26,801)	\$ 4,884	\$ (2,925)	\$ 472,110

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

Allowance for loan losses - Business

For the three months ended June 30, 2018 (\$ in thousands)	Performing		Impaired		Total
	Stage 1	Stage 2	Stage 3		
Balance at beginning of period	\$ 27,702	\$ 50,214	\$ 264,450		\$ 342,366
Provision for loan losses					
Transfers into (out of) Stage 1 ⁽¹⁾	6,888	(6,921)	33		-
Transfers into (out of) Stage 2 ⁽¹⁾	6,921	(10,274)	3,353		-
Transfers (out of) into Stage 3 ⁽¹⁾	(33)	(3,353)	3,386		-
New originations ⁽²⁾	3,628	3,703	2,856		10,187
Repayments ⁽³⁾	(1,247)	(2,342)	(853)		(4,442)
Remeasurements ⁽⁴⁾	(20,322)	5,955	61,507		47,140
Write-offs	-	-	(8,800)		(8,800)
Recoveries	-	-	736		736
Discounted cash flows on impaired loans and other	8	36	(2,666)		(2,622)
Balance at end of period	\$ 23,545	\$ 37,018	\$ 324,002		\$ 384,565

Allowance for loan losses - Residential Mortgages

<i>For the three months ended June 30, 2018</i> (\$ in thousands)	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of period	\$ 2,110	\$ 1,313	\$ 1,983	\$ 5,406
Provision for loan losses				
Transfers into (out of) Stage 1 ⁽¹⁾	7	(7)	-	-
Transfers into (out of) Stage 2 ⁽¹⁾	28	(45)	17	-
Transfers (out of) into Stage 3 ⁽¹⁾	(11)	(39)	50	-
New originations ⁽²⁾	11	(3)	5	13
Repayments ⁽³⁾	(4)	(1)	-	(5)
Remeasurements ⁽⁴⁾	(414)	(211)	(56)	(681)
Write-offs	-	-	(549)	(549)
Recoveries	-	-	184	184
Discounted cash flows on impaired loans and other	-	-	(165)	(165)
Balance at end of period	\$ 1,727	\$ 1,007	\$ 1,469	\$ 4,203

Allowance for loan losses - Personal

<i>For the three months ended June 30, 2018</i> (\$ in thousands)	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of period	\$ 27,676	\$ 11,152	\$ 20,373	\$ 59,201
Provision for loan losses				
Transfers (out of) into Stage 1 ⁽¹⁾	(196)	181	15	-
Transfers (out of) into Stage 2 ⁽¹⁾	(1,376)	1,068	308	-
Transfers (out of) into Stage 3 ⁽¹⁾	(337)	(695)	1,032	-
New originations ⁽²⁾	2,128	155	29	2,312
Repayments ⁽³⁾	(858)	(264)	(18)	(1,140)
Remeasurements ⁽⁴⁾	1,164	(1,778)	9,501	8,887
Write-offs	(10)	(21)	(11,901)	(11,932)
Recoveries	-	-	712	712
Discounted cash flows on impaired loans and other	-	-	(158)	(158)
Balance at end of period	\$ 28,191	\$ 9,798	\$ 19,893	\$ 57,882

Allowance for loan losses - Credit cards

For the three months ended June 30, 2018 (\$ in thousands)	Performing		Impaired	Total
	Stage 1	Stage 2	Stage 3	
Balance at beginning of period	\$ 13,151	\$ 26,506	\$ -	\$ 39,657
Provision for loan losses				
Transfers into (out of) Stage 1 ⁽¹⁾	7	(7)	-	-
Transfers into (out of) Stage 2 ⁽¹⁾	2,029	(2,029)	-	-
Transfers into (out of) Stage 3 ⁽¹⁾	-	-	-	-
New originations ⁽²⁾	220	109	-	329
Repayments ⁽³⁾	(247)	(2,325)	-	(2,572)
Remeasurements ⁽⁴⁾	(3,258)	(8,716)	2,268	(9,706)
Write-offs	-	-	(5,520)	(5,520)
Recoveries	-	-	3,252	3,252
Discounted cash flows on impaired loans and other	7	13	-	20
Balance at end of period	\$ 11,909	\$ 13,551	\$ -	\$ 25,460

⁽¹⁾Stage transfers represent movement and excludes changes due to remeasurements.

⁽²⁾New originations relate to new loans recognized during the period.

⁽³⁾Repayments relate to loans fully repaid or derecognized and excludes loans written off where a credit loss was incurred.

⁽⁴⁾Represents the change in the allowance due to changes in economic factors, risk and model parameters.

For the three months ended March 31, 2018 (\$ in thousands)	Balance at beginning of period	Provision for loan losses	Write-offs	Recoveries	Discounted cash flows on impaired loans and other	Balance at end of period
Collectively assessed						
Business	\$ 129,030	\$ 1,077	\$ -	\$ -	\$ -	\$ 130,107
Residential mortgages	9,619	510	-	-	-	10,129
Personal	40,742	(3,153)	-	-	-	37,589
Credit card	26,994	(3,109)	-	-	-	23,885
Total collective	\$ 206,385	\$ (4,675)	\$ -	\$ -	\$ -	\$ 201,710
Individually assessed						
Business	\$ 276,986	\$ 13,211	\$ (11,731)	\$ 2,477	\$ (2,016)	\$ 278,927
Residential mortgages	6,348	(273)	(450)	107	-	5,732
Personal	26,312	13,434	(19,382)	2,291	-	22,655
Credit card	-	-	-	-	-	-
Total individual	\$ 309,646	\$ 26,372	\$ (31,563)	\$ 4,875	\$ (2,016)	\$ 307,314
Total allowance	\$ 516,031	\$ 21,697	\$ (31,563)	\$ 4,875	\$ (2,016)	\$ 509,024

<i>For the three months ended June 30, 2017</i>					Discounted cash flows	
<i>(\$ in thousands)</i>	Balance at beginning of period	Provision for loan losses	Write-offs	Recoveries	on impaired loans and other	Balance at end of period
Collectively assessed						
Business	\$ 127,031	\$ 6,551	\$ -	\$ -	\$ -	\$ 133,582
Residential mortgages	14,507	(860)	-	-	-	13,647
Personal	58,258	(7,092)	-	-	-	51,166
Credit card	28,792	111	-	-	-	28,903
Total collective	\$ 228,588	\$ (1,290)	\$ -	\$ -	\$ -	\$ 227,298
Individually assessed						
Business	\$ 237,938	7,001	\$ (2,901)	\$ 553	\$ (2,188)	\$ 240,403
Residential mortgages	6,226	(138)	(51)	124	-	6,161
Personal	36,936	15,922	(20,957)	2,303	-	34,204
Credit card	-	-	-	-	-	-
Total individual	\$ 281,100	\$ 22,785	\$ (23,909)	\$ 2,980	\$ (2,188)	\$ 280,768
Total allowance	\$ 509,688	\$ 21,495	\$ (23,909)	\$ 2,980	\$ (2,188)	\$ 508,066

Note 10 Derivative Financial Instruments

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

<i>As at</i>	June 30 2018			March 31 2018		
<i>(\$ in thousands)</i>	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Over-the-counter contracts						
Interest rate contracts						
Swaps	\$ 23,704,358	\$ 153,012	\$ (257,783)	\$ 23,014,465	\$ 151,372	\$ (255,132)
Other	2,309,252	32,192	(41,269)	2,271,123	32,690	(42,340)
Foreign-exchange contracts						
Forwards	1,716,397	19,938	(20,073)	3,280,264	25,308	(17,907)
Cross-currency swaps	1,677,467	41,214	(21,113)	1,058,731	19,118	(24,362)
Commodity contracts						
Forwards	2,281,413	426,109	(411,020)	2,501,998	348,224	(331,586)
Embedded derivatives						
Market-linked deposits	422,857	-	(1,835)	422,857	-	(1,835)
Total	\$ 32,111,744	\$ 672,465	\$ (753,093)	\$ 32,549,438	\$ 576,712	\$ (673,162)

In addition to the notional amounts shown above, ATB has certain foreign exchange spot deals that settle in one day, with notional amounts of \$79.4 million as at June 30, 2018 (March 31, 2018: \$0.02 million).

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

Note 11 Collateralized Borrowings

Canada Mortgage Bond (CMB) Program

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

Credit Card Securitization

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

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

<i>As at</i> <i>(\$ in thousands)</i>	June 30 2018	March 31 2018
Principal value of mortgages pledged as collateral	\$ 7,134,950	\$ 6,947,936
ATB mortgage-backed securities pledged as collateral through repurchase agreements	924,737	983,153
Principal value of credit card receivables pledged as collateral	631,875	620,851
Total	\$ 8,691,562	\$ 8,551,940
Associated liabilities	\$ 8,526,904	\$ 8,408,453

Note 12 Payment in Lieu of Tax

For the three months ended June 30, 2018, ATB accrued a total of \$20.5 million (June 30, 2017: \$18.9 million) for payment in lieu of tax. The payment in lieu of tax will continue to be settled by issuing subordinated debentures until ATB's Tier 2 notional capital is eliminated (refer to note 13). The payment in lieu of tax is calculated as 23.0% of net income reported under IFRS.

Note 13 Capital Management

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

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

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

<i>As at</i> (\$ in thousands)	June 30 2018	March 31 2018
Tier 1 capital		
Retained earnings	\$ 3,573,624	\$ 3,453,844
Tier 2 capital		
Eligible portions of:		
Subordinated debentures	192,630	111,193
Wholesale borrowings	1,640,000	1,420,000
Collective allowance for loan losses	126,747	201,710
Notional capital	119,032	148,977
Total Tier 2 capital	2,078,409	1,881,880
Deductions from capital		
Software and other intangibles	295,240	292,796
Total capital	\$ 5,356,793	\$ 5,042,928
Total risk-weighted assets	\$ 35,832,000	\$ 35,320,997
Risk-weighted capital ratios		
Tier 1 capital ratio	10.0%	9.8%
Total capital ratio	15.0%	14.3%

Note 14 Shares

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

(a) Authorized:

Unlimited number of Class A voting common shares without nominal or par value;

Unlimited number of Class B non-voting common shares without nominal or par value.

<i>(in thousands)</i>	Shares	Value
Class A shares		
Balance, as at March 31, 2018	3,386	\$ 4,414
Shares issued during the year	-	-
Balance, as at June 30, 2018	3,386	\$ 4,414

<i>(in thousands)</i>	Shares	Value
Class B shares		
Balance, as at March 31, 2018	2,569	\$ 283
Shares issued during the year	-	-
Shares repurchased during the year	(450)	(166)
Share purchase loan	-	3
Balance, as at June 30, 2018	2,119	\$ 120

Note 15 Segmented Information

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

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

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

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

<i>Three months ended (\$ in thousands)</i>	Retail Financial Services	Business and Agriculture	Corporate Financial Services	Investor Services	AltaCorp Capital Inc.	Strategic service units	Total
June 30, 2018							
Net interest income (loss)	\$ 111,216	\$ 83,416	\$ 85,516	\$ 236	\$ (33)	\$ 16,430	\$ 296,781
Other income (loss)	21,196	20,597	18,360	51,502	5,858	(2,270)	115,243
Total operating revenue	132,412	104,013	103,876	51,738	5,825	14,160	412,024
Provision for loan losses	1,087	14,847	34,388	-	-	-	50,322
Non-interest expenses	127,187	67,221	32,444	38,334	6,066	15,955	287,207
Income (loss) before payment in lieu of tax	4,138	21,945	37,044	13,404	(241)	(1,795)	74,495
Payment in lieu of tax	-	-	-	3,083	64	14,052	17,199
Net income (loss)	\$ 4,138	\$ 21,945	\$ 37,044	\$ 10,321	\$ (305)	\$ (15,847)	\$ 57,296
Total assets	\$ 22,168,317	\$ 7,792,393	\$ 13,463,720	\$ 123,979	\$ 37,440	\$ 9,746,243	\$ 53,332,092
Total liabilities	\$ 12,195,639	\$ 9,315,761	\$ 10,515,734	\$ 83,682	\$ 29,050	\$ 17,766,102	\$ 49,905,968
March 31, 2018							
Net interest income (loss)	\$ 111,328	\$ 81,338	\$ 84,342	\$ 230	\$ (62)	\$ 10,321	\$ 287,497
Other income (loss)	22,965	18,500	20,420	50,108	15,921	(3,037)	124,877
Total operating revenue	134,293	99,838	104,762	50,338	15,859	7,284	412,374
Provision for (recovery of) loan losses	6,451	(585)	15,831	-	-	-	21,697
Non-interest expenses	133,146	57,588	31,602	37,986	12,086	47,576	319,984
(Loss) income before payment in lieu of tax	(5,304)	42,835	57,329	12,352	3,773	(40,292)	70,693
Payment in lieu of tax	-	-	-	2,844	588	12,550	15,982
Net (loss) income	\$ (5,304)	\$ 42,835	\$ 57,329	\$ 9,508	\$ 3,185	\$ (52,842)	\$ 54,711
Total assets	\$ 22,027,241	\$ 7,453,391	\$ 11,963,893	\$ 140,817	\$ 28,537	\$ 10,279,212	\$ 51,893,091
Total liabilities	\$ 12,170,992	\$ 9,041,412	\$ 9,210,721	\$ 102,970	\$ 21,131	\$ 18,066,709	\$ 48,613,935
June 30, 2017							
Net interest income (loss)	\$ 109,568	\$ 74,757	\$ 80,685	\$ 133	\$ -	\$ (435)	\$ 264,708
Other income	19,619	17,098	19,921	46,944	-	3,066	106,648
Total operating revenue	129,187	91,855	100,606	47,077	-	2,631	371,356
Provision for (recovery of) loan losses	6,911	16,644	(2,060)	-	-	-	21,495
Non-interest expenses	122,409	54,865	27,043	33,810	-	29,734	267,861
(Loss) income before payment in lieu of tax	(133)	20,346	75,623	13,267	-	(27,103)	82,000
Payment in lieu of tax	-	-	-	3,051	-	15,809	18,860
Net (loss) income	\$ (133)	\$ 20,346	\$ 75,623	\$ 10,216	\$ -	\$ (42,912)	\$ 63,140
Total assets	\$ 21,529,807	\$ 7,504,925	\$ 12,747,217	\$ 128,522	\$ -	\$ 6,738,743	\$ 48,649,214
Total liabilities	\$ 12,160,793	\$ 9,304,418	\$ 10,266,289	\$ 92,175	\$ -	\$ 13,692,534	\$ 45,516,209

Note 16 Comparative Amounts

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