



Building On Our Heritage

Business Plan 2006 - 2009

**ATB Financial**<sup>®</sup>

# Our Vision

Alberta's first choice for financial services. Personal and Business. Investor Services. Corporate.

# Our Mission

To provide personal financial services to Albertans while earning a fair return.

# ATB's Values

The success of ATB Financial is rooted in the caring, compassion and generosity of our associates. Our associates are Albertans who work and live here, and they understand and reflect the same values as our customers. These strong Alberta roots allow us to care with a difference. Four key values guide ATB's decision-making and actions:

**Customer focus** - Whether we serve the customer, or someone else does, we are all here because of our customers. Our purpose is to ensure that we deliver on our promise of customer service.

**Teamwork** - We are all part of the ATB team and our collective effort will far exceed our individual contributions.

**Ownership** - Each of us is entrusted with the responsibility for a part of ATB. Each day we make choices that reflect how we would act if this were our own company. We carefully manage resources, go the extra mile for our customers, and treat our associates the way we like to be treated.

**Integrity** - Above all else, we speak honestly, we follow through on our commitments, and our word is our bond.

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# Building on our heritage

Alberta's new prosperity represents a challenge to ATB Financial – to provide financial services across our dynamic province. We're meeting that challenge by growing and expanding our product and service offerings to levels beyond any other time in our 67-year corporate history. Several long-held ATB values have been critical to our success: we are in Alberta for the long haul; our business decisions are made right here in the province where we work and live; and we understand the needs of our customers and the marketplace - from small business and agriculture to corporate and retail financial services.

ATB has been, and will continue to be, a cornerstone in communities throughout Alberta. In fact, we are the sole financial institution in more than 90 Alberta communities. Currently, ATB's access points include 150 branches and 135 agencies (in towns and villages) in more than 240 Alberta communities. Our workforce of 3,700 associates provides Personal and Business Financial Services, Investor Services, and Corporate Financial Services to some 600,000 Albertans.

Such a strong presence in our province has been a benefit when sectors of the Alberta economy have been threatened. For example, throughout the BSE crisis, ATB's track record demonstrated it did not over-react – ATB's proactive approach was significantly different from the responses of our major competitors.

ATB's commitment puts us in an excellent position to achieve our vision of becoming Alberta's first choice for financial services. A significant factor is recognizing that our dedicated team of associates is our key enabler as we work to provide more face-to-face service to our customers. Successful businesses understand their future lies in retaining the best people and attracting talented new associates. This focus has seen about 1,000 new jobs added to our workforce since 1999 – going forward, new employment opportunities will continue to be created in urban and rural settings.

Given our long-term commitment to Alberta, we will continue focusing on our previously established strategic priorities through 2006-09:

- Modernizing our core Personal and Business Financial Services line of business
- Diversifying our revenues primarily through Investor Services
- Expanding our Corporate Financial Services capabilities to meet the needs of mid-market business customers
- Building and promoting ATB Financial's brand and focus on personal service
- Improving productivity
- Continuing to build a professional, competent and engaged team of associates
- Implementing an enterprise-wide program of risk management

The successful implementation of these priorities has contributed to ATB's strong financial performance during another excellent year for Alberta's economy.

Therefore, as we proceed towards realizing our vision, we continue to expand and revitalize our product and service offerings, while realizing substantial financial value from our three core lines of business (LOBs):

**Personal and Business Financial Services** is ATB's largest LOB, and will be the engine that fuels ATB's growth for the long term. ATB continues to make substantial investments to improve customer service, productivity and financial performance in the business's three service areas: Personal Financial Services, Business Financial Services, and MasterCard. Our competitive advantage is personal service, rooted in a culture of customer service. ATB will continue to offer exceptional personal service while delivering a fair return. We will also increase our market presence in the largest and fastest growing cities of Edmonton and Calgary, while retaining our strong market positions in rural Alberta.

**Investor Services** reached a substantial milestone, in December 2005, well ahead of expectations with \$2.1 billion in assets under administration and management. This line of business was launched in 2003 to meet the needs of ATB's existing customers who were receiving wealth management services from our competitors. Our core competitive advantages include the ability to leverage the ATB customer base and trusted brand to attract clients, as well as a unique value proposition designed to deliver individualized needs-based advice and quality ongoing service. The main themes for the next three years are aimed at laying the foundation to become the leading wealth management firm in Alberta.

**Corporate Financial Services** was formed in 2003 to serve ATB's larger borrowing clients. This line is now increasing products and services to become the leading provider of financial services to mid-market companies across selected industry sectors in Alberta. Within the last two years, we've expanded by locating commercial banking specialists in Lethbridge, Grande Prairie and Red Deer. Corporate Financial Services has a strategic advantage because of our local market knowledge, industry expertise and local decision-making. Additional non-lending services such as cash management and energy derivatives, are in development with implementation planned over the next twelve months.

Alberta and ATB have an extremely bright future, and we're encouraged by the performance of these three lines of business. But at ATB, we also look to the past, because we recognize that what makes ATB such a good financial institution is the relationships we've built with Albertans over our 67 years. Building on that heritage is what will enable our continued prosperity.



**Ron P. Triffo**, Chairman of the Board



**Bob Normand**, President and Chief Executive Officer

# Outlook 2006

Alberta's growth and prosperity appear promising – not only for the coming year, but also for the foreseeable future. Our economy will continue to be investment driven, with the oil sands attracting worldwide interest as major oil and gas companies forge ahead with multi-year plans to develop the resource. Foreign firms are bidding for a piece of the oil sands, with U.S., Chinese and French firms announcing major deals in recent months. Currently, there are almost 50 oil sands projects planned in Alberta, with a combined value of approximately \$70 billion.

Conventional oil is still a major contributor to our economy, and with oil prices expected to average around \$50 US through 2006, a slowly increasing prime rate is not expected to reduce borrowing in Alberta appreciably. Net interest margins will show slight improvement over the planning period. The interest rate increase reflects a healthy economy, meaning generally good things for ATB customers.

Although oil revenues are a major benefit, significant shortages of physical capital and labour are becoming evident. Some of governments' public tenders for bids have not had responses because companies have neither the people nor the equipment available. By most measures, Alberta is operating at, or near, full capacity judged in terms of shortages of physical capital and labour. Therefore, Alberta is expected to experience high in-migration over the next several years that will help mitigate labour shortages and keep the demand for housing elevated. Consumer demand is likely to remain strong and ATB's balance sheet growth is forecasted to remain healthy during the planning period, although recruitment and retention of talented associates will continue to be a challenge. With healthy levels of economic growth and employment, credit quality is expected to remain strong.

According to the ATB Financial Business Sentiments Index™, most businesses expect strong growth in the first quarter of 2006. The survey of over 300 businesses was conducted by the Western Centre for Economics Research at the University of Alberta Business School. In the first quarter of 2006, the business sentiments index was 149.7, representing vigorous expansion in the Alberta economy led by the oil and gas sector. The related Hiring Intentions Index revealed about two-thirds of Alberta businesses would look to hire additional staff over the next three months.

Alberta led the nation in building permit growth for both residential and non-residential permits in 2005, but new home construction during 2006 may slow somewhat as interest rates rise and demand falls in step. The upside risk to this outlook is, as new people move to Alberta to participate in the labour force, they will keep demand high in already tight housing markets.

Agriculture is a major consideration at ATB, and the impact of BSE continues to be felt. However, as the backlog of cattle are processed, and as the domestic slaughter capacity is expanded, farmers may soon be in a position to once again invest in their businesses.

Effects of long-term drought conditions continue, and some have described the 2005 crop year as the most difficult in 30 years. The excess of low-quality grain and a shortage of high-protein wheat and malting-quality barley were results of another difficult growing season. However, the overall impact was uneven, both geographically and among different crops, as yield and production records were set for several crops in Alberta.

For the 2006-2009 planning period, Alberta is poised to see growth continuing at peak levels.



# Building strategies for success

The strategies ATB continues to focus on for the planning period are aimed at advancing ATB's performance in this highly competitive and rapidly changing financial services industry. These strategies also position ATB Financial to remain a sustainable enterprise through economic cycles.

## Modernize our core Personal and Business Financial Services

More people, more branches, more face-to-face is the essence of our customer service promise. This has meant growing to 150 branches throughout Alberta. Over the last six years, 43 branches outside metropolitan Edmonton and Calgary have been built, or renovated, at a cost of \$28.5 million, and in 2006/2007, we plan to spend approximately \$6 million on branch relocations and renovations outside of Edmonton and Calgary. Two years ago, ATB began the process to build 10 new branches in Edmonton and 15 in Calgary by 2009. Since our sales and services remain largely centred on the branches, we are also optimizing our sales performance and upgrading our technology. We are maximizing the performance of all of our branches and distribution channels, expanding our ability to sell and make referrals across all lines of business, and streamlining processes to better serve our customers.

## Diversify our revenues

Most of ATB Financial's revenues come from net interest income, which means our earnings are subject to greater volatility based on movements in interest rates and credit cycles. Growth in Investor Services continues to provide tremendous opportunity to diversify revenues, as wealth management services are predominantly fee-based. Capitalizing on opportunities to add new fee-based products in our retail, business and commercial lines such as cash management, derivatives, and investment in our MasterCard product line, will support this diversification strategy.

## Expand our Corporate Financial Services

ATB Financial has a significant share of Alberta's small business market, which includes agri-business. With our Corporate Financial Services line, we have an increased capability to lend to mid-market clients. We will continue expanding our specialized industry lending expertise by adding experienced associates and building strong internal capabilities.

## Continue to promote our ATB Financial brand

We've surveyed our customers, and personal service is a meaningful factor in distinguishing ATB Financial from the competition. Therefore, our commitment to our customers will be key to our success. We will continue to develop our sales and service culture with highly qualified associates focused on advice- and needs-based sales. We will open more branches closer to where people live and work and provide more face-to-face interaction with customers, building meaningful relationships and ensure long-term value.

## Add further productivity improvements

Our investment in people, in branches, and in face-to-face service has to be matched with ongoing efforts to improve efficiency and produce a fair return on that investment. We are undertaking a number of initiatives to analyze and manage costs effectively and to ensure the benefits of all projects are realized.

## Build on our outstanding team of associates

Engaged and competent associates are essential to delivering our personal service brand. We are committed to investing in our associates through learning opportunities and ongoing career development. Attracting and retaining an outstanding team of associates will continue to be a top priority.

## Implementing a risk management program

Taking and managing risks are at the core of ATB's business and have been since our inception in 1938. ATB is completing development and implementation of a formalized enterprise-wide risk management (ERM) to provide reasonable assurance that strategic business objectives will be achieved.

As regulation and compliance requirements are becoming increasingly more complex and demanding for financial institutions, our work will ensure ATB complies with all applicable legislation and regulations. ATB's ongoing Enterprise Risk Management enhancements reinforce our commitment to protect our customers' interests.



# Plans for 2006-09

## Personal and Business Financial Services

Personal and Business Financial Services (PBFS) is ATB's core operation and largest line of business and it touches nearly every Alberta community. This line forecasts \$12.5 billion of loans and \$12.4 billion of deposits by fiscal year end.

Our competitive advantage is personal service, rooted in a culture of customer service. The definition of sales within ATB is to help understand our customers' needs and then satisfy those needs with an 'ATB Financial solution.' We will do the right thing for each customer, every time, ensuring customers feel welcomed, understood, helped, appreciated, and respected.

ATB's challenge is to continue to offer exceptional personal service while delivering a fair return. We are retaining our strong market positions in rural Alberta and building a relevant market presence in the largest and fastest-growing cities of Edmonton and Calgary.

Personal and Business Financial Services will continue to strengthen overall relationships by partnering with ATB Investor Services and Corporate Financial Services. We continue to make significant investments in our three key areas to ensure that the full potential of PBFS is realized:

### 1. **Personal Financial Services (PFS)**

The Sales and Service Delivery (SSD) program launched in 2003 continues as we upgrade technology, streamline processes, optimize our sales performance, and tailor products and services to our different customer segments. Through these and ongoing projects, we continually enhance the performance of the personal financial services line to ensure our customers receive a winning experience at each contact point with ATB Financial.

### 2. **Business Financial Services (BFS)**

In the next three years, Business Financial Services, which includes agri-business, will double the number of sales staff. We will also complete a thorough review of BFS to streamline policies, processes and products, and reduce paper. In addition, our sales culture evolution will be supported with specific training for new and existing sales and underwriting associates. Continued development of alternative channels will enable us to provide even more access options for customers, particularly in meeting their transactional needs quickly and more cost effectively. Overall, we will deliver a better bottom line.

### 3. **MasterCard**

Our focus is to develop a thriving and sustainable credit card business unit that evaluates and adapts to optimize changing industry opportunities. Five themes are prevalent in MasterCard in fiscal 2007: reduce costs through automation, increase sales through our customer touchpoints, build our product suite, make strategic investments in industry innovations, and reduce per unit fixed costs.

# Investor Services

The Investor Services business line was launched in 2003 to meet the wealth management needs of ATB's existing customers who were receiving wealth management services from our competitors. This strategy has produced a tremendous growth opportunity, while reducing the risk of losing more of our customer relationships to our competitors. Investor Services helps to provide rural and urban Albertans a greater choice and quality of investment vehicles and investment returns.

Our core competitive advantages include the ability to leverage the ATB customer-base and trusted brand to attract clients, and unique value proposition designed to deliver individualized needs-based advice and quality ongoing service.

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**“We create value by enabling our clients to achieve goals that they would not achieve on their own.”**

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Our main challenge at this stage of our growth cycle is providing the necessary infrastructure to keep up with extremely rapid increase in advisors, clients, assets, accounts, and transactions. Investor Services continues to add clients and assets ahead of plan, growing from 12,000 to 40,000 accounts, and from \$180 million to over \$2 billion in assets in three years.

The main themes for the next three years are aimed at laying the foundation to become the largest wealth management firm in Alberta:

- Deepening relationships across ATB to increase internal referrals.
- Moving to a 50:50 mix of internal and external referrals, adding referrals from Investor Services clients.
- Maintaining industry-leading advisor productivity.
- Expanding the offering to include life insurance.
- Continuing to attract new clients while providing quality service to existing clients.
- Continuing to excel in delivering professionally managed portfolios.
- Growing our advisory services group through internal promotions supported by strong training and career development programs to reduce dependency on external hires.
- Using enhanced technology and processes to improve scale and efficiency.
- Creating external brand awareness.
- Moving from managing start-up risks to strong risk management.
- Exploring potential acquisitions to supplement organic growth.

Over the next three years, Investor Services will become a significant contributor of fee-based income (\$69 million by year three) to help ATB continue to diversify income sources away from interest-spread income. ATB will also be in a better position to support our customers through their life cycle – we have tended to lose significant pieces of customer relationships as their focus moves from borrowing to saving and investing. Retention of customers also protects against the erosion of our core business, because when customers develop relationships with other institutions for their investment advice, their core banking relationship will often follow.

# Corporate Financial Services

Corporate Financial Services (CFS) was formed in 2003 to serve ATB's larger borrowing clients, commencing with oil and gas and commercial clients, and later expanding to food and forestry sectors, and more recently to these clients' deposit business. Our value proposition is based on our:

1. Local market knowledge.
2. Industry expertise.
3. Local decision-making.

In order to meet our value proposition, the following competencies and market position must be developed:

- A market share of 20% of Alberta corporations with borrowing needs in excess of \$5 million.
- A 30% increase in net contribution by fiscal year 2009.
- Industry expertise to service Alberta-centric businesses.
- A proactive marketing program that is recognized, respected and understood by all market participants.
- A provider of competitive products and services that are deemed essential to our target client base.

We are now looking at strengthening our client relationships beyond lending and deposit products by expanding our fee-based products and services. We will be adding derivatives and cash management capabilities in the upcoming years.

Cash Management services is a comprehensive suite of capabilities that allows our clients to easily manage and optimize their business operations through a combination of technology, service and processes. Significant progress toward its launch has already been made, and the first of these Cash Management services is expected to launch during the upcoming fiscal year.

CFS is also making positive steps towards development of its derivatives solution. This will enable ATB's customers to reduce financial risk associated with volatile commodity prices, foreign exchange and interest rates. In the first phase, ATB will offer a basic suite of products that will allow oil and gas producers to manage their exposure to price volatility: swaps, put options, and option collars. We are currently targeting to execute our first transactions in the first half of fiscal 2007.



# Building our success

Although the key actions for our three lines of business are the focal point in ATB Financial's 2006-2009 Business Plan, we are steadfast in our brand promise of personal service. The objective from a customer perspective is to ensure a consistent, outstanding level of personal service across all customer contact points and through all lines of business. The success of our plan depends on the key components of our people, our processes, our technology and our ability to manage risk.

## Our People

Continuing to build a team of dedicated, talented associates will be the key to delivering our business plan. Given the very tight labour market, we are continually reviewing and adapting our practices as it relates to compensation and training of all our associates. ATB is also committed to taking the necessary steps to improve employee engagement, with a goal to retain a professional and competent workforce that will enable us to preserve our competitive advantage of personal service. To this end, we will continue our efforts to:

- Implement workforce planning
- Continue ongoing development of our leadership team
- Retain and recruit talented people
- Provide competitive pay and rewards
- Foster a positive labour relations environment
- Create a learning organization
- Improve the engagement of our associates and aim to be recognized as one of the best employers in Canada
- Continue to be a good corporate citizen

## Our Processes

To support ATB's strategies for market growth, risk management, and productivity, it is essential that we continue to evaluate our processes against industry best practices.

Our Sales Effectiveness investment will help to build better processes, define performance standards and measurement as well as deliver a comprehensive training program to our sales and service associates in our largest line of business.

Work is underway on implementing a corporate performance management system to provide critical information that will support fast and proactive decision-making and to provide a framework for aligning the organization to the achievement of key objectives.

Our ongoing activity-based cost information initiative has been completed. Consistent costing information can then be used to drive improvements in performance and productivity and assist in decision-making.

We will continue to improve our management processes to ensure the effective support of our lines of business, including: ensuring we leverage the benefits of our capital investments, improving the effectiveness and efficiency of planning and budgeting process, and continuing to develop focused performance metrics.

## Our technology

Additional investments in technology will continue to support our efficiency and thus, our future growth. Our ongoing objective is to ensure ATB technology resources provide a very high level of service and reliability.

We are focused on:

- Delivering quality business solutions
- Ensuring operational excellence
- Consolidating and optimizing our information technology infrastructure

Together, the various initiatives involved will provide better support for customer-facing associates, support the development of new systems and processes, significantly improve and streamline our centralized services, reduce unit costs, and provide corporate performance management.



## Three-year goals (from 2005 plan)

	2006-07	2007-08	2008-2009
<b>Financial -</b>			
To increase ATB's return on average assets	1.19%	1.18%	1.19%
<b>Customer Satisfaction -</b>			
To achieve the highest levels of customer service on ATB's TRI*M survey	1st Quartile	1st Quartile	1st Quartile

# Quick Facts

Established on September 29, 1938  
 Independent Board of Directors established in 1996  
 Provincial Crown Corporation since October 8, 1997

- ATB Financial Assets, December 31, 2005: \$17.4 billion
- ATB Investor Services Assets Under Administration, December 31, 2005: \$2.1 billion
- Number of Associates, January 31, 2005: 3,700
- Number of Customers: 600,000
- Number of Branches today: 150
- Number of Agencies: 135
- Number of ABMs: 231

ATB Financial net income, for nine months as at December 31, 2005: **\$146.8 million**

## ATB Financial’s financial performance

As at March 31	1997	2005
Assets	\$ 8.5 billion	\$ 15.4 billion
Deposits (including wholesale)	\$ 8.4 billion	\$ 13.8 billion
Total Loans	\$ 7.3 billion	\$ 13.1 billion
Equity (Deficit)	\$ (152 million)	\$ 1.2 billion
Revenue	\$ 306 million	\$ 538.1 million
Net Income (loss)	(\$ 124 million)	\$ 187.3 million
Return on Average Assets	(1.44%)	1.26%
Operating Revenue Growth	0.19%	4.76%

## Building our communities

ATB Financial supports numerous community-based organizations and events each year through sponsorships and donations.

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| <p>Health and wellness:</p> <ul style="list-style-type: none"> <li>Stollery Children’s Hospital Foundation</li> <li>Alberta Children’s Hospital</li> <li>STARS Air Ambulance</li> <li>Alberta Mazankowski Heart Institute</li> </ul> <p>Festivals and events:</p> <ul style="list-style-type: none"> <li>Canadian Finals Rodeo</li> <li>Edmonton International Street Performers Festival</li> </ul> | <ul style="list-style-type: none"> <li>Grande Prairie Street Performers Festival</li> <li>Klondike Days Parade</li> <li>Ponoka Stampede</li> <li>Calgary Stampede</li> <li>Medicine Hat Exhibition &amp; Stampede</li> <li>Big Valley Jamboree; Red Deer Centre Fest</li> <li>Strathmore Heritage Days Rodeo</li> <li>Lethbridge Air Show</li> </ul> | <p>Sports:</p> <ul style="list-style-type: none"> <li>Edmonton and Calgary Corporate Challenge</li> <li>Spruce Meadows</li> <li>Alberta Summer Games</li> <li>Edmonton Eskimos</li> <li>Calgary Stampeders</li> </ul> |
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Annual corporate fundraising was held for: the 11 United Way associations across the province, STARS Air Ambulance, the Stollery Children’s Hospital Foundation, and the Alberta Children’s Hospital.