

### Financial Highlights

Compared to the second quarter in fiscal year 2004-2005:

- Net income of \$54.4 million, up 15.50 per cent.
- Total assets of \$16.6 billion, up 12.77 per cent.
- Total loans at \$14.0 billion, up 10.70 per cent.
- Total deposits of \$14.9 billion, up 12.16 per cent.
- Net interest income of \$111.7 million, up 14.82 per cent.
- Non-interest expenses of \$95.7 million, up 8.73 per cent.
- Efficiency ratio (non-interest expenses as a percentage of operating revenues) improved to 63.90 per cent from 66.81 per cent.

## ATB Financial Reports Profitable Second Quarter

**Edmonton – November 10, 2005** – ATB Financial reported second quarter earnings of \$54.4 million for the period ended September 30, 2005, up 15.50 per cent since the same time last year. ATB's equity now stands at \$1.26 billion, up \$200.8 million compared to September 30, 2004.

"The net income increase this quarter was largely a result of continued growth in loan and deposit volumes. The ongoing strength of the Alberta economy, supplemented by a quality ATB product lineup, our commitment to our customers to provide personal service, and a dedicated team of more than 3,500 associates have shaped ATB's great performance," says Bob Normand, President & CEO, ATB Financial.

During the second quarter ATB removed the remaining \$6.0 million in the BSE loan loss provision. The special reserve was no longer required given the opening of the U.S. border and the fact that our exposure to any remaining BSE residual fallout has now been fully incorporated into our specific loan allowances and our normal general allowance calculations.

### Personal & Business Financial Services

Compared to one year ago, total operating revenues increased by \$11.1 million or 10.58 per cent to \$116.1 million this quarter.

Business Financial Services (BFS) re-launched itself internally this quarter. The BFS team has committed to an initiative to strengthen ATB's position in this market. The team's plan calls for adding increased value to our customer relationships and significantly growing our book of business within this business line.

ATB continues to invest significant resources in the branch network to enhance every customer's experience with ATB. New sales and service programs continue to be tested and refined, and the new front-line transaction system rollout is underway across our branch network. This rollout is expected to be complete by the end of 2006.

**Products** – The popular Century guaranteed investment certificate (GIC), a unique offer celebrating Alberta's 2005 Centennial, is a five-year, non-redeemable product, featuring a contest to win \$100,000 by all eligible purchasers. This product is offered for a final time in autumn 2005 and the draw for the winner will take place this December.

**Branch Network** – The new McKenzie Towne branch in southeast Calgary opened August 2, 2005. ATB had been serving customers in the community, operating out of a motorhome, during construction of the new facility. The new 5,650 square foot building is designed to resemble a train station and features a drive-through automated banking machine (ABM), as well as a lobby ABM, available 24 hours a day, seven days a week.

## ATB Investor Services

Growth in this line of business continued to be strong over the summer quarter, with assets under management and administration growing to \$1.8 billion, an increase of \$250 million from the previous quarter and a \$1.0 billion increase from September 30, 2004.

The ATB Investor Services team now has a complement of 113 dedicated financial advisors plus 188 representatives in the ATB branch network. Operating revenue increased 114.86 per cent from same quarter last year.

## Corporate Financial Services

Continued strong growth in both loans and deposits this quarter can be, in part, attributed to a relationship management service model that takes advantage of the ongoing momentum of the Alberta economy. Excellent growth numbers from both net new business and existing clientele are being reported from each of the division's three groups: Commercial, Energy and Food & Forestry.

Increasing competitive forces continue to place moderate pressure on interest margins, which partially is offset by our investments in developing stronger relationships with our clients and through our ongoing progress to develop new products.

Second quarter operating revenue was \$16.5 million, up 9.42 per cent in total operating revenues from the previous quarter. Loan growth at the end of the second quarter is up 8.37 per cent year-to-date (YTD). Deposits have also shown strong growth YTD, up 25.74 per cent.

## ATB in the Community

This summer, ATB sponsored numerous events across Alberta including the Ponoka Stampede, Klondike Days Parade in Edmonton, Grande Prairie Street Performers Festival, CentreFest in Red Deer, Big Valley Jamboree in Camrose, and the Lethbridge Air Show. ATB also sponsored chuckwagon driver, Chad Harden, at the Calgary Stampede.

ATB's associate volunteer program, Community Stars, recognizes the time and commitment of our associates who shine in their communities. ATB donates to a variety of community organizations that our associates support. Some of the organizations that received funding from ATB this quarter include: Hythe Volunteer Fire Department, Jack & Jill Playschool, Lacombe Minor Hockey Association, Prairie Rose Pony Club, Smoky Lake Curling Club, Uncles at Large, Wood's Homes Foundation, and Wranglers Soccer Club.

ATB is proud to support STARS. Our annual fundraising campaign was held August 22 to September 9 in 17 branch locations. Our customers and the community supported the fundraising events organized by our associates that included barbeques, silent auctions, wing eating contests, and a leg-waxing event. The campaign raised \$60,263.

During the quarter ATB made a \$25,000 donation to the Canadian Red Cross in support of Hurricane Katrina relief efforts.

## Second Quarter – Economic Review and Outlook

Oil and gas prices remain high, and oil is generally expected to remain at or above \$50 per barrel through 2008 based on futures prices. Alberta, as Canada's largest producer of oil and natural gas, benefits immediately from enhanced cash flows to producers and to the provincial treasury. High energy prices are not all good news: the Canadian and U.S. economies could see slowed growth due to reduced consumer incomes and increased business expenses.

The Alberta economy is robust. Housing starts are strong, with starts expected to be well over 30,000 units for the fifth straight year. Alberta leads the nation in building permit growth for both residential and non-residential permits issued year-to-date. Alberta growth 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 action, with U.S., Chinese and French firms announcing major deals in recent months.

Employment in Alberta is very strong, with the unemployment rate sitting at or below the 4 per cent threshold that many economists view as full employment. Labour shortages will be a significant challenge for Alberta businesses in the medium-term. Wage pressures will increase as all industries must compete with the oil and gas sector for scarce labour. With the U.S. border partially open to live Canadian cattle, the backlog of cattle has begun to shrink and the industry is recovering.



Ron P. Triffo  
Chairman of the Board



Bob Normand  
President & CEO

## Interim Consolidated Balance Sheet

(unaudited)

As at (\$ in thousands)	September 30 2005	June 30 2005	March 31 2005	September 30 2004
<b>Assets</b>				
<b>Cash resources</b>				
Cash and items in transit	\$ 37,968	\$ 93,511	\$ 26,279	\$ 82,852
Interest bearing deposits with financial institutions	1,001,686	840,645	927,244	872,509
	<u>1,039,654</u>	<u>934,156</u>	<u>953,523</u>	<u>955,361</u>
<b>Securities</b>	<b>1,220,544</b>	<b>1,106,391</b>	<b>932,511</b>	<b>870,543</b>
<b>Loans</b>				
Residential mortgage	6,123,296	5,978,173	5,818,780	5,641,202
Personal	2,327,525	2,201,694	2,091,904	1,999,744
Credit card	316,072	294,241	288,772	293,486
Business	5,369,397	5,324,410	5,106,655	4,870,139
Allowance for loan losses	(159,654)	(159,433)	(168,194)	(178,567)
	<u>13,976,636</u>	<u>13,639,085</u>	<u>13,137,917</u>	<u>12,626,004</u>
<b>Other</b>				
Premises and equipment	108,238	108,887	110,067	93,079
Other assets	244,769	303,106	247,214	166,751
	<u>353,007</u>	<u>411,993</u>	<u>357,281</u>	<u>259,830</u>
	<b>\$ 16,589,841</b>	<b>\$ 16,091,625</b>	<b>\$ 15,381,232</b>	<b>\$ 14,711,738</b>
<b>Liabilities and equity</b>				
<b>Deposits</b>				
Personal	\$ 8,109,708	\$ 8,054,660	\$ 8,003,418	\$ 7,820,825
Business and other	6,830,790	6,441,045	5,836,614	5,499,739
	<u>14,940,498</u>	<u>14,495,705</u>	<u>13,840,032</u>	<u>13,320,564</u>
<b>Other liabilities</b>	<b>322,135</b>	<b>323,090</b>	<b>325,207</b>	<b>270,585</b>
<b>Subordinated debentures</b>	<b>71,579</b>	<b>71,579</b>	<b>65,719</b>	<b>65,719</b>
<b>Equity</b>	<b>1,255,629</b>	<b>1,201,251</b>	<b>1,150,274</b>	<b>1,054,870</b>
	<b>\$ 16,589,841</b>	<b>\$ 16,091,625</b>	<b>\$ 15,381,232</b>	<b>\$ 14,711,738</b>

The accompanying notes are an integral part of the consolidated financial statements.

## Interim Consolidated Statement of Income and Changes in Equity

(unaudited)

(\$ in thousands)	For the three months ended			For the six months ended	
	September 30 2005	June 30 2005	September 30 2004	September 30 2005	September 30 2004
<b>Interest income</b>					
Loans	\$ 179,760	\$ 171,992	\$ 161,450	\$ 351,752	\$ 320,169
Securities	7,913	6,808	4,423	14,721	8,537
Deposits with financial institutions	6,575	6,496	4,315	13,071	8,922
	<u>194,248</u>	<u>185,296</u>	<u>170,188</u>	<u>379,544</u>	<u>337,628</u>
<b>Interest expense</b>					
Deposits	81,592	77,674	71,950	159,266	145,176
Subordinated debentures	911	799	920	1,710	1,793
	<u>82,503</u>	<u>78,473</u>	<u>72,870</u>	<u>160,976</u>	<u>146,969</u>
<b>Net interest income</b>	<u>111,745</u>	<u>106,823</u>	<u>97,318</u>	<u>218,568</u>	<u>190,659</u>
<b>Other income</b>					
Service charges	14,040	13,743	13,038	27,783	25,988
Credit fees	8,134	8,528	8,916	16,662	17,362
Card fees	5,915	5,665	4,222	11,580	8,343
Investor Services	4,312	3,781	1,934	8,093	3,663
Other	3,746	3,623	4,945	7,369	8,314
Foreign exchange	1,878	1,663	1,379	3,541	2,755
	<u>38,025</u>	<u>37,003</u>	<u>34,434</u>	<u>75,028</u>	<u>66,425</u>
<b>Total operating revenues</b>	<u>149,770</u>	<u>143,826</u>	<u>131,752</u>	<u>293,596</u>	<u>257,084</u>
<b>Recovery of credit losses</b>	<u>(317)</u>	<u>(4,476)</u>	<u>(3,354)</u>	<u>(4,793)</u>	<u>(13,183)</u>
<b>Non-interest expenses</b>					
Salaries and employee benefits	49,917	49,323	45,838	99,240	94,513
Other	16,007	19,297	14,700	35,304	29,876
Communications and electronic processing	15,837	14,740	13,907	30,577	27,817
Premises and equipment, including amortization	13,948	13,965	13,580	27,913	26,152
	<u>95,709</u>	<u>97,325</u>	<u>88,025</u>	<u>193,034</u>	<u>178,358</u>
<b>Net income</b>	<u>54,378</u>	<u>50,977</u>	<u>47,081</u>	<u>105,355</u>	<u>91,909</u>
Equity at beginning of the period	1,201,251	1,150,274	1,007,789	1,150,274	962,961
<b>Equity at end of the period</b>	<u>\$ 1,255,629</u>	<u>\$ 1,201,251</u>	<u>\$ 1,054,870</u>	<u>\$ 1,255,629</u>	<u>\$ 1,054,870</u>

### Caution regarding forward-looking statements

This report includes forward-looking statements. ATB Financial from time to time may make forward-looking statements in other written or verbal communications. These statements include objectives for the short and medium term and strategies to achieve those objectives.

By their very nature, forward-looking statements require us to make assumptions, are subject to inherent risks and uncertainties, and can change due to a variety of reasons including legislative or regulatory changes, competition, technological changes, and changes in interest rates and general economic conditions. The foregoing list is not exhaustive and when relying on forward-looking statements these factors as well as other factors should be considered.

ATB cautions readers 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.

## Interim Consolidated Statement of Cash Flows

(unaudited)

(\$ in thousands)	For the three months ended			For the six months ended	
	September 30 2005	June 30 2005	September 30 2004	September 30 2005	September 30 2004
<b>Cash flows from operating activities</b>					
Net income	\$ 54,378	\$ 50,977	\$ 47,081	\$ 105,355	\$ 91,909
Adjustments to determine net cash flows:					
Recovery of credit losses	(317)	(4,476)	(3,354)	(4,793)	(13,183)
Amortization	6,880	6,515	6,766	13,395	12,249
Net changes in accrued interest receivable and payable	1,941	17,928	5,457	19,869	13,917
Other items, net	55,440	(75,938)	34,935	(20,498)	(3,660)
Net cash (used in) provided by operating activities	118,322	(4,994)	90,885	113,328	101,232
<b>Cash flows from financing activities</b>					
Net change in deposits	444,792	655,674	68,838	1,100,466	285,444
Payments on maturity of subordinated debentures	-	(9,925)	-	(9,925)	(7,519)
Proceeds on issuance of subordinated debentures	-	15,785	-	15,785	27,822
Net cash provided by financing activities	444,792	661,534	68,838	1,106,326	305,747
<b>Cash flows from investing activities</b>					
Net change in interest bearing deposits with financial institutions	(161,041)	86,599	7,261	(74,442)	84,218
Purchase of securities	(2,673,857)	(2,223,343)	(1,786,877)	(4,897,200)	(3,732,238)
Maturity of securities	2,559,704	2,049,463	1,801,953	4,609,167	3,716,692
Net change in loans	(337,232)	(496,692)	(197,031)	(833,924)	(481,768)
Net purchases of premises and equipment	(6,231)	(5,335)	(8,463)	(11,566)	(12,312)
Net cash used in investing activities	(618,657)	(589,308)	(183,157)	(1,207,965)	(425,408)
<b>Net increase in cash and cash equivalents</b>	(55,543)	67,232	(23,434)	11,689	(18,429)
Cash and cash equivalents at beginning of the period	93,511	26,279	106,286	26,279	101,281
<b>Cash and cash equivalents at end of the period</b>	\$ 37,968	\$ 93,511	\$ 82,852	\$ 37,968	\$ 82,852
Supplementary cash flow information:					
Amount of interest paid during the period	\$ 66,525	\$ 58,518	\$ 64,065	\$ 125,043	\$ 137,966

## Notes to the Interim Consolidated Financial Statements

For the three months ended June 30, 2005 (\$ in thousands)

(unaudited)

### 1. Basis of Presentation

These unaudited interim Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements for the year ended March 31, 2005, as set out on pages 89 to 119 of the 2005 Annual Report.

These interim Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles using the same significant accounting policies outlined in the notes to the Consolidated Financial Statements for the year ended March 31, 2005 except as described in Note 2 following.

### 2. New Accounting Policies

#### Generally Accepted Accounting Principles

As of December 31, 2004 ATB prospectively adopted the Canadian Institute of Chartered Accountants' (CICA's) new accounting standard Section 1100 "Generally Accepted Accounting Principles". This standard provides additional guidance on sources to consult when selecting accounting policies and determining appropriate disclosures on matters not covered explicitly in the primary sources of Canadian accounting standards.

Following the adoption of this new accounting standard, the following change in accounting policy was applied prospectively to quarterly results from March 31, 2005 onwards:

- For items processed through the clearing system that do not clear overnight, any balances receivable from or payable to other financial institutions were previously presented as a component of Cash and items in transit under Cash resources and are now presented under Other assets or Other liabilities respectively.

### 3. Allowance for Loan Losses

The allowance for credit losses recorded in the Consolidated Balance Sheet is maintained at the level which management considers adequate to absorb credit-related losses for all on- and off- balance sheet items in ATB's credit portfolio. The continuity of the allowance for credit losses is as follows:

For the three months ended	Specific			General			Total		
	Sept. 30 2005	June 30 2005	Sept. 30 2004	Sept. 30 2005	June 30 2005	Sept. 30 2004	Sept. 30 2005	June 30 2005	Sept. 30 2004
Balance at beginning of the period	\$ 27,361	\$ 32,147	\$ 39,597	\$ 137,417	\$ 140,829	\$ 147,965	\$ 164,778	\$ 172,976	\$ 187,562
Write-offs	(1,542)	(5,555)	(2,923)	-	-	-	(1,542)	(5,555)	(2,923)
Recoveries	647	1,833	2,123	-	-	-	647	1,833	2,123
Provision for (recoveries of) credit losses	(132)	(1,064)	587	(185)	(3,412)	(3,941)	(317)	(4,476)	(3,354)
Balance at end of the period	\$ 26,334	\$ 27,361	\$ 39,384	\$ 137,232	\$ 137,417	\$ 144,024	163,566	164,778	183,408
Less: Allowance for cost of credit recovery included in other liabilities							3,912	5,345	4,841
Allowance for loan losses							\$ 159,654	\$ 159,433	\$ 178,567

For the six months ended	Specific		General		Total	
	Sept. 30 2005	Sept. 30 2004	Sept. 30 2005	Sept. 30 2004	Sept. 30 2005	Sept. 30 2004
Balance at beginning of the period	\$ 32,147	\$ 39,935	\$ 140,829	\$ 157,719	\$ 172,976	\$ 197,654
Write-offs	(7,097)	(5,181)	-	-	(7,097)	(5,181)
Recoveries	2,480	4,118	-	-	2,480	4,118
Recoveries of credit losses	(1,196)	512	(3,597)	(13,695)	(4,793)	(13,183)
Balance at end of the period	\$ 26,334	\$ 39,384	\$ 137,232	\$ 144,024	163,566	183,408
Less: Allowance for cost of credit recovery included in other liabilities					3,912	4,841
Allowance for loan losses					\$ 159,654	\$ 178,567

## 4. Guarantees

Guarantees represent an irrevocable obligation to make payments to a third party in certain situations. Guarantees include contracts or indemnities that contingently require ATB to make payments (either in the form of some asset or in the form of services) to a counterparty based on (a) changes in an underlying value related to an asset, liability or equity the counterparty holds, (b) the failure of a third party to perform under an obligating agreement, or (c) failure of a third party to pay its indebtedness when due. Again, in the event of a call on such commitments, ATB has recourse against the customers.

Significant guarantees provided by ATB to third parties include:

- a) Loan guarantees and standby letters of credit (discussed in Note 15 to the Consolidated Financial Statements for the year ended March 31, 2005) totaling \$140,907 as at September 30, 2005 (June 30, 2005: \$142,387 March 31, 2005: \$132,708; September 30, 2004: \$117,638).
- b) Foreign exchange forward contracts (discussed in Note 14 to the Consolidated Financial Statements for the year ended March 31, 2005) having notional principal amounts totaling \$10,803 as at September 30, 2005 (June 30, 2005: \$6,798; March 31, 2005: \$7,273; September 30, 2004: \$3,338).
- c) Indemnification agreements entered into in the ordinary course of business, such as purchase contracts, service agreements, or sale of assets. A maximum potential liability cannot be readily estimated, but historically ATB has not made any significant payments under such guarantees.

ATB has also issued a \$5.0 million guarantee to Canadian Depository for Securities (or "CDS") in respect of one its subsidiaries to support the settlement of investment transactions with CDS.

## 5. Employee Future Benefits

ATB provides future benefits to current and past employees through a combination of defined benefit pension plan and a defined contribution pension plan but does not provide any other employee future benefits (discussed in Note 13 to the Consolidated Financial Statements for year ended March 31, 2005).

<b>For the three months ended</b>	<b>September 30, 2005</b>		<b>June 30, 2005</b>		September 30, 2004
Net pension benefit expense	\$	3,216	\$	1,639	\$ 3,194

  

<b>For the six months ended</b>	<b>September 30, 2005</b>		September 30, 2004	
Net pension benefit expense	\$	4,855	\$	6,468

The net pension benefit expense is included in Salaries and employee benefits expense in the Consolidated Statement of Income.

## 6. Segmented Information

ATB has organized its operations and activities around the following three business segments or lines of business:

- **Personal and Business Financial Services** that comprises the branch and ABM network and provides financial services to individuals, independent business and agricultural customers;
- **Corporate Financial Services** provides financial services to medium- and large-sized borrowers; and
- **Investor Services** provides wealth management solutions including retail brokerage, mutual funds, portfolio management and investment advice to ATB customers.

ATB's operating activities are not considered to be geographically distributed for external reporting purposes, as all its operations are essentially limited to customers within the province of Alberta.

## Basis of presentation

Results presented in the following schedule are based on ATB's internal financial reporting systems. The accounting policies used in these groupings are consistent with those followed in the preparation of the consolidated financial statements as disclosed in the other notes to the consolidated financial statements. As these lines of business are based on ATB's internal management structure, they may not be comparable to those of other financial institutions.

Customer-related assets and liabilities (and the directly related income and expense amounts) are allocated between the lines of business based on ownership of the client relationship rather than the specific nature of the loan, deposit or other product provided or service rendered. Beginning this fiscal year, ATB has prospectively applied a refined method of allocating certain costs between the reporting segments, incorporating better estimates of indirect cost allocation

For the three months ended:	Personal and Business Financial Services		Corporate Financial Services		Investor Services		Other Business Units*		Total	
<b>September 30, 2005</b>										
Net interest income	\$	89,751	\$	11,826	\$	698	\$	9,470	\$	111,745
Other income		26,323		4,642		4,001		3,059		38,025
Total operating revenues		116,074		16,468		4,699		12,529		149,770
Provision for (recovery of) credit losses		6,504		1,672		-		(8,493)		(317)
Non-interest expenses		81,457		2,873		8,005		3,374		95,709
Net income (loss)	\$	28,113	\$	11,923	\$	(3,306)	\$	17,648	\$	54,378
Total assets	\$	11,805,810	\$	2,082,623	\$	1,373	\$	2,700,035	\$	16,589,841
Total liabilities	\$	12,155,341	\$	1,259,993	\$	159,916	\$	1,758,962	\$	15,334,212
<b>June 30, 2005</b>										
Net interest income	\$	86,798	\$	11,351	\$	-	\$	8,674	\$	106,823
Other income		27,274		3,699		4,015		2,015		37,003
Total operating revenues		114,072		15,050		4,015		10,689		143,826
Provision for (recovery of) credit losses		(413)		494		-		(4,557)		(4,476)
Non-interest expenses		77,290		2,311		7,187		10,537		97,325
Net income (loss)	\$	37,195	\$	12,245	\$	(3,172)	\$	4,709	\$	50,977
Total assets	\$	11,449,277	\$	2,100,707	\$	4,192	\$	2,537,449	\$	16,091,625
Total liabilities	\$	11,992,252	\$	1,202,183	\$	137,674	\$	1,558,265	\$	14,890,374
<b>September 30, 2004</b>										
Net interest income	\$	80,285	\$	9,825	\$	-	\$	7,208	\$	97,318
Other income		24,688		2,848		2,187		4,711		34,434
Total operating revenues		104,973		12,673		2,187		11,919		131,752
Provision for (recovery of) credit losses		3,872		144		-		(7,370)		(3,354)
Non-interest expenses		71,871		2,898		4,522		8,734		88,025
Net income (loss)	\$	29,230	\$	9,631	\$	(2,335)	\$	10,555	\$	47,081
Total assets	\$	10,842,099	\$	1,648,528	\$	54,291	\$	2,166,820	\$	14,711,738
Total liabilities	\$	11,448,209	\$	919,003	\$	83,523	\$	1,206,133	\$	13,656,868

\* Comprised of business units of a corporate nature such as investment, risk management, asset liability management and treasury operations, as well as expenses and general allowances and recoveries for credit losses not expressly attributed to the three lines of business.

## 6. Segmented Information (continued)

For the six months ended:	Personal and Business Financial Services	Corporate Financial Services	Investor Services	Other Business Units*	Total
<b>September 30, 2005</b>					
Net interest income	\$ 176,549	\$ 23,177	\$ 698	\$ 18,144	\$ 218,568
Other income	53,597	8,341	8,016	5,074	75,028
Total operating revenues	230,146	31,518	8,714	23,218	293,596
Provision for (recovery of) credit losses	6,091	2,166	-	(13,050)	(4,793)
Non-interest expenses	158,747	5,184	15,192	13,911	193,034
Net income (loss)	\$ 65,308	\$ 24,168	\$ (6,478)	\$ 22,357	\$ 105,355
<b>September 30, 2004</b>					
Net interest income	\$ 159,651	\$ 19,047	-	\$ 11,961	\$ 190,659
Other income	48,952	5,561	4,075	7,837	66,425
Total operating revenues	208,603	24,608	4,075	19,798	257,084
Provision for (recovery of) credit losses	1,698	(383)	-	(14,498)	(13,183)
Non-interest expenses	147,450	5,784	9,383	15,741	178,358
Net income (loss)	\$ 59,455	\$ 19,207	\$ (5,308)	\$ 18,555	\$ 91,909

\* Comprised of business units of a corporate nature such as investment, risk management, asset liability management and treasury operations, as well as expenses and general allowances and recoveries for credit losses not expressly attributed to the three lines of business.

## 7. Comparative amounts

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

## Management's Discussion and Analysis

(unaudited)

### Net Income

ATB Financial reported net income for its second quarter ended September 30, 2005 of \$54.4 million compared to \$51.0 million for the previous quarter and \$47.1 million for the second quarter last year. This represents a \$3.4 million or 6.67 per cent increase from the previous quarter's net income and an increase from last year's second quarter net income of \$7.3 million or 15.50 per cent.

The net income increase over the first quarter was driven largely by continued growth in loans and deposits (on which the net interest spreads were largely unchanged). Other income increased slightly and non-interest expenses decreased slightly, and the net impact of all these was sufficient to offset a \$4.2 million decrease in credit recoveries. The increase in net income over the same quarter last year primarily reflects increased net interest income earned from both higher loan and deposit volumes and increased margins earned plus increased other income. Higher non-interest expenses and lower loan loss recoveries partially offset these increases.

### Net Interest Income

ATB's net interest income was \$111.7 million for the second quarter ended September 30, 2005 ("Q2"), an increase of \$4.9 million or 4.61 per cent compared to the previous quarter and up \$14.4 million or 14.82 per cent compared to the second quarter of last fiscal year.

The increase in net interest income from last quarter was mainly the result of growth in average interest-earning assets of \$578.6 million partially offset by a one-half basis point decline net interest margin earned on these assets. Average net interest margin earned over the quarter was essentially flat at 2.72 per cent. Margins dipped by 4 basis points in July, stabilized in August and then rebounded to above June 30 levels in September with the announced increases to the Bank of Canada lending rates.

The increase in net interest income from the same period last year reflects the combination of growth in average interest-earning assets of \$1.8 billion together with an increase in the average net interest margin earned on those assets of almost five basis points.

### Loan Quality

Results for the quarter ended September 30, 2005 include a \$0.3 million net recovery for credit losses as compared to a \$4.5 million recovery last quarter and a \$3.4 million recovery in the second quarter last year. The relatively small recovery this quarter reflects a \$6.0 million reduction of the BSE loan loss provision almost entirely offset by increased general provisions due to continued growth in our loan portfolio. Over the last six quarters, ATB has

reported recoveries of credit losses amounting to nearly \$19.4 million of which \$17.5 million is attributable to decreases in the special general provision for loan losses arising from BSE as we have come to better understand the eventual impact of BSE on our customers and have incorporated any customer-specific provisions necessary into our specific loan loss allowances. Credit performance overall still reflects the continued strength of the Alberta economy. Gross impaired loans (i.e. loan balances before deducting specific allowances for credit losses) as at September 30, 2005 were \$84.1 million compared to \$80.6 million last quarter-end and \$106.9 million a year ago. The total specific and general allowances for credit losses exceeded the gross amount of impaired loans by \$75.6 million at September 30, 2005 compared to \$78.9 million last quarter and \$73.2 million a year ago. Our loan portfolio continues to remain very strong.

### Other Income

Other income totaled \$38.0 million for the second quarter ended September 30, 2005, a slight increase from \$37.0 million earned the previous quarter as a decrease in credit fees earned partially offset increases in all other components (most notably revenues earned by Investor Services). Other income increased nearly \$3.6 million or 10.43 per cent from the second quarter last year. This increase over the same quarter last year is mainly due to growth from Investor Services, card revenues and service charges offset somewhat by reduced credit fee revenue and lower "mark-to-market" gains on the portion of our derivative portfolio that did not meet the stringent criteria for hedge accounting.

### Non-Interest Expenses

Non-interest expenses were \$95.7 million for the second quarter ended September 30, 2005, a decrease of \$1.6 million or 1.66 per cent compared to the first quarter this year but up \$7.7 million or 8.73 per cent compared to the second quarter last year.

The decrease from the previous quarter was primarily due to an adjustment recognized in Q2 relating to the deposit guarantee fee, to reduced advertising expenditures and to a reduction in insurance expense recognized. These improvements were partially offset by increased spending on consulting, associate compensation and data processing. Over half of the increase in non-interest expenses compared to the second quarter last year relates to wages, salaries and benefits. This is mainly attributable to a combination of ongoing growth in our Investor Services business, continued expansion of our branch network and annual increments. Other areas with significant increases this Q2 over last year's were consulting and professional costs as well as data processing. These impacts were

partially mitigated by reductions in expense for the deposit guarantee fee.

ATB's efficiency ratio, expressed as the ratio of non-interest expenses to operating revenue (net interest income before loss provisions plus other income), was 63.90 per cent this second quarter. This represents an improvement from the 67.67 per cent for the first quarter and from 66.81 per cent for Q2 last year.

## Balance Sheet

ATB's total assets were \$16.6 billion at September 30, 2005, an increase of 3.10 per cent from \$16.1 billion at June 30, 2005 and 12.77 per cent from \$14.7 billion at September 30, 2004. Total loans, net of allowance for losses, increased by \$337.6 million or 2.47 per cent from the previous quarter-end balance and increased nearly \$1.4 billion or 10.70 per cent from the end of Q2 last year. Total deposits increased \$444.8 million or 3.07 per cent over the second quarter this year and are \$1.6 billion or 12.16 per cent higher than at September 30 last year. In comparison, during the second quarter of last year, total assets increased by 1.11 per cent, total loans increased by 1.61 per cent and total deposits increased by 0.52 per cent.

ATB's total equity as at September 30, 2005 is nearly \$1.3 billion, up by \$54.4 million from the end of the first quarter and up \$200.8 million from a year ago.

## Segmented Information

On a segmented basis, total assets as at September 30, 2005 for Personal and Business Financial Services increased by \$356.5 million or 3.1 per cent during the quarter. Total assets for Corporate Financial Services decreased over the second quarter by \$0.2 million. Investor Services' assets under management and administration grew to \$1.8 billion at September 30, 2005, an increase of \$250.0 million from June 30, 2005 and a \$1.0 billion increase from September 30, 2004.

Operating revenues increased across all three business segments this quarter but net income deteriorated from the previous quarter's in all three. Personal and Business Financial Services increased revenues by \$2.0 million this quarter but an increase in specific loan loss provisions (up \$6.9 million from Q1) and increased non-interest expense (of 4.2 million) resulted in the \$9.1 million decrease in net income. The higher loan loss provision this quarter reflected an increase in both the general provision attributable to the "P&B" loan portfolio as well as an increase in specific provisions. Corporate Financial Services' net income decreased by \$0.3 million, as credit provisions increased \$1.2 million and non-interest expenses increased slightly (by less than \$0.6 million), offsetting the \$1.4 million increase in revenues.

Investor Services' net loss grew slightly to \$3.3 million for the second quarter from \$3.2 million in the first quarter. This business will continue to report losses until the income generated from its ongoing management of assets outpaces the costs of securing new business. This is still expected to occur near the end of the next fiscal year.

Compared against the corresponding second quarter of last fiscal year, reported net income for the three months ended September 30, 2005 decreased by \$1.1 million or 3.82 per cent for Personal and Business Financial Services mainly due to increased allocation of general credit provisions and increased non-interest expenses exceeding growth in operating revenues.. Corporate Financial Services net income for the second quarter this year increased by \$2.3 million or 23.80 per cent from the corresponding quarter last year, reflecting strong growth in revenues more than offsetting increased credit provisions. Investor Services net loss increased by \$1.0 million over the second quarter last year.

## Highlights

(unaudited)

	For the three months ended			For the six months ended	
	September 30 2005	June 30 2005	September 30 2004	September 30 2005	September 30 2004
<b>Operating results</b> (\$ in thousands)					
Interest income	\$ 194,248	\$ 185,296	\$ 170,188	\$ 379,544	\$ 337,628
Interest expense	82,503	78,473	72,870	160,976	146,969
Net interest income	111,745	106,823	97,318	218,568	190,659
Other Income	38,025	37,003	34,434	75,028	66,425
Total operating revenues	149,770	143,826	131,752	293,596	257,084
Recovery of credit losses	(317)	(4,476)	(3,354)	(4,793)	(13,183)
Non-interest expenses	95,709	97,325	88,025	193,034	178,358
Net income	\$ 54,378	\$ 50,977	\$ 47,081	\$ 105,355	\$ 91,909

### Financial position

Total assets	\$ 16,589,841	\$ 16,091,625	\$ 14,711,738	\$ 16,589,841	\$ 14,711,738
Total deposits	\$ 14,940,498	\$ 14,495,705	\$ 13,320,564	\$ 14,940,498	\$ 13,320,564
Total loans, net of allowance for losses	\$ 13,976,636	\$ 13,639,085	\$ 12,626,004	\$ 13,976,636	\$ 12,626,004
Equity	\$ 1,255,629	\$ 1,201,251	\$ 1,054,870	\$ 1,255,629	\$ 1,054,870

### Key Performance Measures

Operating revenue growth*	13.68	14.76	2.24	14.20	(0.51)
Net interest margin**	2.72	2.73	2.67	2.72	2.64
Net interest spread on average earning assets**	2.78	2.79	2.73	2.78	2.70
Other income to operating revenue	25.39	25.73	26.14	25.55	25.84
Non-interest expenses to operating revenue	63.90	67.67	66.81	65.75	69.38
Return on average assets**	1.32	1.30	1.29	1.31	1.27
Operating expense growth*	8.73	7.74	11.22	8.23	11.10
Net impaired loans to total gross loans	(0.53)	(0.57)	(0.57)	(0.53)	(0.57)
Credit losses to average loans**	(0.01)	(0.13)	(0.11)	(0.06)	(0.21)
Loan growth*	10.70	9.77	6.53	10.70	6.53
Deposit growth*	12.16	9.39	5.55	12.16	5.55
Asset growth*	12.77	10.60	6.75	12.77	6.75

\* Growth percentage calculated over a trailing one year period.

\*\* Measure calculated as average over the three or six month period.