

Financial Information Package



Q2 2010



Western
FINANCIAL GROUP

WESTERN FINANCIAL GROUP INC.								
CONSOLIDATED BALANCE SHEETS (unaudited)								
(in thousands, except for per share amounts)								
	2010		2009		2008		2007	
	Q2	Q1	Annual	Annual	Annual	Annual	Annual	Annual
ASSETS								
Cash and cash equivalents	\$ 82,867	\$ 62,419	\$ 58,463	\$ 28,563	\$ 36,033	\$ 9,085	\$ 10,416	
Securities – held-for-trading	65,514	62,742	61,373	53,091	46,886	85,243	67,077	
Securities – available-for-sale	36,357	41,068	30,901	103,808	51,104	-	-	
Mortgages, loans and leases, net of allowance for credit losses	374,252	356,177	355,621	272,135	288,202	149,051	90,841	
Interest rate swap	-	216	90	-	-	-	-	
Equity investments	12,152	11,693	11,591	38,040	26,100	23,501	8,251	
Capital assets	22,785	21,752	21,630	15,325	12,141	8,844	9,333	
Goodwill	160,825	156,205	148,205	105,285	98,165	59,565	50,164	
Intangible assets	65,162	65,940	66,719	27,996	27,166	14,175	10,497	
Accounts receivable	49,590	48,145	51,114	23,999	26,680	23,510	23,076	
Prepaid expenses	8,394	7,405	7,231	8,039	5,960	8,054	6,182	
Income taxes receivable	-	-	-	800	2,191	388	-	
Future income taxes	1,283	1,325	1,102	539	584	1,271	1,411	
Other assets	1,890	2,417	2,286	-	1,489	2,235	2,451	
	\$ 881,071	\$ 837,504	\$ 816,326	\$ 677,620	\$ 622,701	\$ 384,922	\$ 279,699	
LIABILITIES								
Customer deposits	\$ 337,409	\$ 323,160	\$ 317,953	\$ 333,130	\$ 283,299	\$ 147,118	\$ 100,441	
Actuarial liabilities	42,483	40,445	40,032	38,256	38,042	34,754	33,507	
Provision for unpaid and unreported claims	16,289	15,262	13,919	8,510	8,653	6,637	6,065	
Debt	76,318	78,712	79,771	38,151	33,389	25,164	37,707	
Interest rate swaps	169	-	-	-	-	-	-	
Due to policyholders	19,384	19,632	20,392	-	-	-	-	
Accounts payable and accrued liabilities	98,146	100,140	82,700	50,378	55,685	35,944	25,099	
Income taxes payable	1,327	667	1,809	-	-	-	285	
Future income taxes	13,376	12,993	13,199	5,480	5,274	2,790	3,015	
Deferred gain on investments	-	-	-	-	-	1,295	861	
	\$ 604,901	\$ 591,011	\$ 569,775	\$ 473,905	\$ 424,342	\$ 253,702	\$ 29,260	
SHAREHOLDERS' EQUITY								
Share capital	233,356	\$ 206,905	\$ 206,905	\$ 173,438	\$ 168,693	\$ 110,607	\$ 59,676	
Other paid in capital	268	268	268	-	51	152	206	
Contributed surplus	2,112	2,068	2,041	1,975	1,849	1,923	1,776	
Accumulated other comprehensive loss	(248)	(123)	(129)	(296)	(249)	-	-	
Retained earnings	40,682	37,375	37,466	28,598	28,015	18,538	11,061	
Total Shareholders' Equity	276,170	246,493	246,551	203,715	198,359	131,220	72,719	
	\$ 881,071	\$ 837,504	\$ 816,326	\$ 677,620	\$ 622,701	\$ 384,922	\$ 101,979	



WESTERN FINANCIAL GROUP INC.
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS (unaudited)
(in thousands, except for per share amounts)

	2010		2009					2008				
	Q2	Q1	Annual	Q4	Q3	Q2	Q1	Annual	Q4	Q3	Q2	Q1
REVENUE						restated	restated					
Commission and other customer income	\$ 32,190	\$ 23,371	\$ 91,540	\$ 29,315	\$ 20,925	\$ 23,416	\$ 17,884	\$ 76,651	\$ 17,605	\$ 20,119	\$ 22,129	\$ 16,798
Premium income	19,823	18,020	45,904	18,257	9,522	9,678	8,447	31,240	8,241	8,121	7,717	7,161
Interest income on customer loans	6,386	6,174	24,556	6,134	6,487	6,540	5,395	18,596	4,368	4,677	4,610	4,941
Investment income												
Change in fair value of held-for-trading assets	2,240	1,032	1,929	(1,001)	2,304	758	(132)	(64)	1,552	(1,458)	(615)	457
Realized gain (loss) on sales of available-for-sale securities	52	36	392	546	396	(2)	(548)	(30)	(30)	-	-	-
Realized gain (loss) on sales of held-for-trading securities	(32)	39	37	(20)	27	24	6	(217)	(215)	2	(25)	21
Impairment of available-for-sale securities	-	-	-	-	-	-	-	(3,830)	(3,830)	-	-	-
Other net investment income	643	607	1,718	502	427	464	325	2,509	679	551	555	724
	61,302	49,279	166,076	53,733	40,088	40,878	31,377	124,855	28,370	32,012	34,371	30,102
EXPENSES												
Operating expenses	34,037	30,179	99,819	31,191	22,965	24,104	21,559	81,707	21,101	21,468	20,210	18,928
Policyholder benefits	11,700	9,670	24,074	8,018	7,224	5,199	3,633	14,789	5,752	2,550	2,782	3,705
Interest expense – customer deposits	3,176	2,977	15,165	4,010	3,723	3,778	3,654	12,555	2,871	3,185	3,103	3,396
Provision for credit losses	748	176	2,645	917	922	517	289	936	367	360	129	80
Income before the following	11,641	6,277	24,373	9,597	5,254	7,280	2,242	14,868	(1,722)	4,449	8,147	3,993
Income (loss) from equity investments	449	143	2,859	241	1,783	1,088	(253)	2,172	647	67	845	613
Impairment on equity investments	-	-	-	-	-	-	-	(2,053)	(2,053)	-	-	-
Gain (loss) on sale of assets	-	-	298	(77)	371	-	4	1,263	362	303	598	-
Interest and financing costs on debt	(1,595)	(1,410)	(4,308)	(1,708)	(997)	(1,041)	(562)	(2,137)	(461)	(540)	(553)	(583)
Amortization of capital assets	(893)	(800)	(3,163)	(972)	(764)	(736)	(691)	(2,661)	(574)	(731)	(841)	(515)
Amortization of intangible assets	(779)	(778)	(2,088)	(777)	(449)	(450)	(412)	(1,262)	(316)	(316)	(278)	(352)
Income (loss) before income taxes	8,823	3,432	17,971	6,304	5,198	6,141	328	10,190	(4,116)	3,232	7,918	3,156
Income taxes	(3,081)	(1,163)	(2,010)	(329)	(1,051)	(1,216)	586	(3,642)	339	(1,132)	(2,079)	(770)
NET INCOME (LOSS) FOR THE PERIOD	\$ 5,742	\$ 2,269	\$ 15,961	\$ 5,975	\$ 4,147	\$ 4,925	\$ 914	\$ 6,548	\$ (3,777)	\$ 2,100	\$ 5,839	\$ 2,386
Retained earnings, beginning of period as previously reported	\$ 37,375	\$ 37,466	\$ 28,619	\$ 33,793	\$ 31,377	\$ 27,981	\$ 28,619	\$ 28,015	\$ 34,930	\$ 33,361	\$ 29,923	\$ 28,015
Cumulative effect of adopting new accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings, beginning of period as restated	37,375	37,466	28,619	33,793	31,377	27,981	28,619	28,015	34,930	33,361	29,923	28,015
Preferred share dividends	(1,797)	(1,832)	(5,001)	(1,795)	(1,202)	(1,002)	(1,003)	(3,914)	(2,006)	-	(1,908)	-
Common share dividends	(640)	(528)	(2,113)	(528)	(529)	(528)	(528)	(2,030)	(528)	(531)	(493)	(478)
Excess on repurchase of shares	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings, end of period	\$ 40,682	\$ 37,375	\$ 37,466	\$ 37,445	\$ 33,793	\$ 31,377	\$ 27,981	\$ 28,619	\$ 32,396	\$ 34,930	\$ 33,361	\$ 29,923
Earnings per share												
Basic	\$ 0.08	\$ 0.01	\$ 0.22	\$ 0.08	\$ 0.06	\$ 0.08	\$ 0.00	\$ 0.05	\$ (0.12)	\$ 0.04	\$ 0.08	\$ 0.05
Diluted	\$ 0.08	\$ 0.01	\$ 0.22	\$ 0.09	\$ 0.06	\$ 0.07	\$ 0.00	\$ 0.05	\$ (0.12)	\$ 0.04	\$ 0.08	\$ 0.04

WESTERN FINANCIAL GROUP INC.
 CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS (unaudited)
 (in thousands, except for per share amounts)

	2007					2006				
	Annual	Q4	Q3	Q2	Q1	Annual	Q4	Q3	Q2	Q1
REVENUE										
Commission and other customer income	\$ 67,826	\$ 17,616	\$ 17,278	\$ 17,973	\$ 14,959	\$ 47,983	\$ 13,081	\$ 11,831	\$ 12,891	\$ 10,180
Premium income	27,282	7,281	7,370	6,383	6,248	22,785	5,970	6,024	5,448	5,343
Interest income on customer loans	13,805	5,173	3,312	2,760	2,560	8,214	2,455	2,343	1,874	1,542
Investment income										
Change in fair value of held-for-trading assets	752	1,886	362	(1,451)	(45)	-	-	-	-	-
Realized gain on sales of available-for-trading assets	409	409	-	-	-	-	-	-	-	-
Realized gain (loss) on sales of held-for-trading assets	(78)	(89)	173	(162)	-	-	-	-	-	-
Impairment of available-for-sale securities	-	-	-	-	-	-	-	-	-	-
Other net investment income	4,130	1,092	1,059	1,142	837	3,661	1,298	853	783	727
	\$ 114,126	\$ 33,368	\$ 29,554	\$ 26,645	\$ 24,559	\$ 82,643	\$ 22,804	\$ 21,051	\$ 20,996	\$ 17,792
EXPENSES										
Operating expenses	\$ 70,558	\$ 19,760	\$ 18,258	\$ 16,916	\$ 15,624	\$ 51,420	\$ 14,456	\$ 12,857	\$ 12,800	\$ 11,307
Policyholder benefits	13,934	4,766	4,312	1,447	3,409	13,595	3,481	3,506	3,088	3,520
Interest expense – customer deposits	9,209	3,530	2,272	1,826	1,581	5,223	1,567	1,504	1,192	960
Provision for credit losses	793	91	375	270	57	755	131	263	249	112
Income before the following	19,632	5,221	4,337	6,186	3,888	11,650	3,169	2,921	3,667	1,893
Income (loss) from equity investments	2,172	322	256	832	762	2,323	433	536	643	711
Impairment on equity investments	-	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of assets	(400)	(400)	-	-	-	566	566	-	-	-
Interest and financing costs on long-term debt	(2,788)	(829)	(532)	(901)	(526)	(2,616)	(532)	(610)	(729)	(745)
Amortization of intangible assets	(934)	(309)	(215)	(206)	(204)	(439)	(132)	(118)	(95)	(94)
Amortization of capital assets	(1,743)	(589)	(401)	(373)	(380)	(1,506)	(341)	(416)	(428)	(321)
Income before income taxes	15,939	3,416	3,445	5,538	3,540	9,978	3,163	2,313	3,058	1,444
Income taxes	(3,726)	(182)	(1,101)	(1,448)	(995)	(1,990)	(185)	(827)	(679)	(299)
NET INCOME FOR THE PERIOD	\$ 12,213	\$ 3,234	\$ 2,344	\$ 4,090	\$ 2,545	\$ 7,988	\$ 2,978	\$ 1,486	\$ 2,379	\$ 1,145
Retained earnings, beginning of period as previously reported	18,538	26,414	24,529	21,383	18,538	11,061	16,071	14,585	12,206	11,061
Cumulative effect of adopting new accounting policies	300	-	-	-	300	-	-	-	-	-
Retained earnings, beginning of period as restated	18,838	26,414	-	21,383	18,838	11,061	16,071	14,585	12,206	11,061
Excess on repurchase of shares	-	-	-	-	-	-	-	-	-	-
Preferred share dividends	(1,656)	(1,155)	-	(501)	-	(511)	(511)	-	-	-
Common share dividends	(1,380)	(478)	(459)	(443)	-	-	-	-	-	-
Retained earnings, end of period	\$ 28,015	\$ 28,015	\$ 26,414	\$ 24,529	\$ 21,383	\$ 18,538	\$ 18,538	\$ 16,071	\$ 14,585	\$ 12,206
Earnings per share										
Basic	\$ 0.24	\$ 0.05	\$ 0.05	\$ 0.08	\$ 0.06	\$ 0.22	\$ 0.05	\$ 0.05	\$ 0.08	\$ 0.04
Diluted	\$ 0.22	\$ 0.06	\$ 0.04	\$ 0.07	\$ 0.05	\$ 0.20	\$ 0.06	\$ 0.04	\$ 0.06	\$ 0.04

WESTERN FINANCIAL GROUP INC.
 CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS (unaudited)
 (in thousands, except for per share amounts)

	2005					2004				
	Annual	Q4	Q3	Q2	Q1	Annual	Q4	Q3	Q2	Q1
REVENUE										
Commission and other customer income	\$ 43,206	\$ 14,558	\$ 10,174	\$ 8,225	\$ 10,249	\$ 41,117	\$ 11,777	\$ 10,129	\$ 10,551	\$ 8,660
Premium income	16,343	1,587	5,104	8,073	1,579	-	-	-	-	-
Interest income on customer loans	4,284	2,042	794	1,109	339	1,127	95	598	168	266
Investment income										
Change in fair value of held-for-trading assets	-	-	-	-	-	-	-	-	-	-
Realized gain on sales of available-for-trading assets	-	-	-	-	-	-	-	-	-	-
Realized gain (loss) on sales of held-for-trading assets	-	-	-	-	-	-	-	-	-	-
Other net investment income	2,808	2,808	-	-	-	-	-	-	-	-
	\$ 66,641	\$ 20,995	\$ 16,072	\$ 17,407	\$ 12,167	\$ 42,244	\$ 11,872	\$ 10,727	\$ 10,719	\$ 8,926
EXPENSES										
Operating expenses	\$ 44,133	\$ 14,251	\$ 11,354	\$ 8,868	\$ 9,660	\$ 34,231	\$ 9,536	\$ 8,734	\$ 8,354	\$ 7,607
Policyholder benefits	9,564	710	2,625	5,461	768	-	-	-	-	-
Interest expense – customer deposits	2,924	2,924	-	-	-	-	-	-	-	-
Provision for credit losses	401	401	-	-	-	-	-	-	-	-
Income before the following	9,619	2,709	2,093	3,078	1,739	8,013	2,336	1,993	2,365	1,319
Income (loss) from equity investments	1,357	166	408	408	375	653	139	81	4	429
Gain (loss) on sale of assets	630	-	-	330	300	(95)	(95)	-	-	-
Interest and financing costs on long-term debt	(2,653)	(674)	(691)	(648)	(640)	(2,593)	(623)	(637)	(639)	(694)
Amortization of intangible assets	(329)	(120)	(72)	(72)	(65)	(220)	(46)	(76)	(49)	(49)
Amortization of capital assets	(1,406)	(394)	(335)	(393)	(284)	(1,052)	(278)	(306)	(254)	(214)
Income before income taxes	7,218	1,687	1,403	2,703	1,425	4,706	1,433	1,055	1,427	791
Income taxes	(2,369)	(472)	(377)	(1,155)	(365)	(1,311)	(207)	(462)	(438)	(204)
NET INCOME FOR THE PERIOD	\$ 4,849	\$ 1,215	\$ 1,026	\$ 1,548	\$ 1,060	\$ 3,395	\$ 1,226	\$ 593	\$ 989	\$ 587
Retained earnings, beginning of period as previously reported	6,212	9,846	8,820	7,272	6,212	3,319	4,999	4,488	3,539	3,319
Cumulative effect of adopting new accounting policies	-	-	-	-	-	(393)	-	(26)	-	(367)
Retained earnings, beginning of period as restated	6,212	9,846	8,820	7,272	6,212	2,926	4,999	4,462	3,539	2,952
Excess on repurchase of shares	-	-	-	-	-	(109)	(13)	(56)	(40)	-
Preferred share dividends	-	-	-	-	-	-	-	-	-	-
Common share dividends	-	-	-	-	-	-	-	-	-	-
Retained earnings, end of period	\$ 11,061	\$ 11,061	\$ 9,846	\$ 8,820	\$ 7,272	\$ 6,212	\$ 6,212	\$ 4,999	\$ 4,488	\$ 3,539
Earnings per share										
Basic	\$ 0.17	\$ 0.03	\$ 0.04	\$ 0.06	\$ 0.04	\$ 0.18	\$ 0.07	\$ 0.03	\$ 0.05	\$ 0.03
Diluted	\$ 0.15	\$ 0.03	\$ 0.03	\$ 0.05	\$ 0.04	\$ 0.16	\$ 0.05	\$ 0.03	\$ 0.05	\$ 0.03

WESTERN FINANCIAL GROUP INC.
COMPARATIVE ANALYSIS BY QUARTER (unaudited)
**Outstanding Common shares, convertible preferred shares and convertible debentures
 (in thousands)**

	2010		2009				2008				2007				2006			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Common Shares																		
Basic	49,507	49,367	49,373	49,363	49,345	49,333	48,665	49,458	49,452	47,767	47,753	45,948	44,292	44,175	42,900	35,174	35,174	30,774
Options	46	52	11	6	5	-	52	66	84	97	129	154	199	165	86	74	58	63
	49,553	49,419	49,384	49,369	49,350	49,333	48,717	49,524	49,536	47,864	47,882	46,102	44,491	44,340	42,986	35,248	35,232	30,837
Convertible Preferred Shares																		
Series 2	3,926	3,926	3,963	3,976	4,015	4,005	4,050	4,029	4,029	4,029	4,042	4,042	4,058	4,124	4,124	4,167	4,167	-
Series 3	3,448	3,448	3,448	3,448	3,448	3,448	3,448	3,448	3,448	3,448	3,448	3,448	-	-	-	-	-	-
Series 4	2,899	2,899	2,899	2,899	2,899	2,899	2,899	2,899	2,899	2,899	2,899	-	-	-	-	-	-	-
Series 5	12,632	12,633	4,119	935	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	22,904	22,907	14,429	11,257	10,361	10,352	10,397	10,376	10,376	10,376	10,389	7,490	4,058	4,124	4,124	4,167	4,167	-
Convertible Debenture																		
\$16.71 million	5,570	5,570	3,876	2,472	1,068	-	-	-	-	-	-	-	-	-	-	-	-	-
\$10 million	-	-	-	-	-	-	-	-	-	1,667	1,667	3,333	3,333	3,333	3,333	3,333	3,333	3,333
\$5 million	-	-	-	-	-	-	-	-	-	-	-	-	1,538	1,538	1,538	1,538	1,538	1,538
\$7 million	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,390
	5,570	5,570	3,876	2,472	1,068	-	-	-	-	1,667	1,667	3,333	4,871	4,871	4,871	4,871	4,871	9,261
Total	78,027	77,896	67,689	63,098	60,780	59,685	59,114	59,900	59,912	59,907	59,938	56,925	53,420	53,335	51,981	44,286	44,270	40,098