



2011
3rd Quarter
Condensed Financial Statements

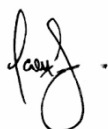
WESTERN FINANCIAL GROUP INC.

CONSOLIDATED BALANCE SHEET

(unaudited)

(in thousands of Canadian dollars, except for per share amounts)

	Note	2011	2010
		September 30	December 31
ASSETS			
Cash and cash equivalents		\$ 74,754	\$ 58,010
Held-for-trading securities		76,643	69,201
Available-for-sale securities	10	54,617	43,436
Mortgages, loans and leases	11	323,761	359,696
Investment in associates	13	11,411	21,283
Accounts receivable	14	40,928	52,863
Prepaid expenses		4,804	7,550
Property and equipment		13,257	15,491
Current income tax assets		413	-
Deferred income tax assets		1,120	431
Reinsurance contracts	17	54,243	42,119
Other assets		1,835	4,370
Goodwill	15	160,666	166,388
Intangible assets	16	66,974	72,725
Total assets		\$ 885,426	\$ 913,563
LIABILITIES			
Deposits from customers		\$ 283,875	\$ 312,196
Insurance liabilities	17	128,788	105,155
Debt	18	66,024	71,622
Interest rate swaps		-	161
Due to policyholders		20,931	22,525
Trade and other payables	19	94,428	104,675
Current income tax liabilities		-	647
Deferred income tax liabilities		10,711	13,068
Total liabilities		604,757	630,049
EQUITY			
Share capital		255,291	233,162
Other paid in capital		-	268
Contributed surplus		2,065	2,585
Accumulated other comprehensive loss	20	247	(552)
Retained earnings		23,066	48,051
Total equity		280,669	283,514
Total liabilities and equity		\$ 885,426	\$ 913,563



Approved:

Scott Tannas, Director



Robert Herdman, Director

WESTERN FINANCIAL GROUP INC.

CONSOLIDATED INCOME STATEMENT

(unaudited)

(in thousands of Canadian dollars, except for per share amounts)

	Note	Three months ended Sept 30		Nine months ended Sept 30	
		2011	2010	2011	2010
REVENUE					
Commission and other customer income		\$ 31,183	\$ 27,966	\$ 90,547	\$ 82,962
Insurance premium income	21	25,495	21,334	71,678	59,177
Interest income on customer loans		6,042	6,720	18,451	19,845
Investment income					
Change in fair value of held-for-trading securities		5,947	3,438	6,977	6,710
Realized gain on available-for-sale securities		136	17	162	105
Realized gain on sales of held-for-trading securities		-	131	-	131
Other net investment income		1,000	657	2,476	1,913
		69,803	60,263	190,291	170,843
EXPENSES					
Operating expenses	22	36,593	34,051	127,140	98,530
Policyholder benefits		15,788	12,239	37,596	33,608
Interest expense on customer deposits		2,290	3,314	7,560	9,467
Loan impairment charges	12	749	857	1,329	1,781
Income before the following:		14,383	9,802	16,666	27,457
Income from investment in associates		665	447	1,207	1,039
Loss on write-down of held-for-sale asset	13	-	-	(8,970)	-
(Loss) gain on sale of property and equipment		(27)	(5)	306	(5)
Interest and financing costs on debt		(280)	(1,559)	(3,054)	(4,564)
Depreciation of property and equipment		(576)	(671)	(1,740)	(2,001)
Amortization of intangible assets		(1,186)	(1,007)	(3,195)	(2,926)
Impairment of goodwill and intangible assets	15, 16	-	-	(16,835)	-
Income (loss) before income tax		12,979	7,007	(15,615)	19,000
Income tax expense	23	(3,445)	(2,330)	(3,068)	(6,573)
NET INCOME (LOSS) FOR THE PERIOD		\$ 9,534	\$ 4,677	\$ (18,683)	\$ 12,427
Earnings (loss) per share					
Basic		\$ 0.14	\$ 0.05	\$ (0.33)	\$ 0.13
Diluted		\$ 0.14	\$ 0.05	\$ (0.33)	\$ 0.13

WESTERN FINANCIAL GROUP INC.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(unaudited)

(in thousands of Canadian dollars, except for per share amounts)

	Three months ended Sept 30		Nine months ended Sept 30	
	2011	2010	2011	2010
Net income (loss) for the period	\$ 9,534	\$ 4,677	\$ (18,683)	\$ 12,427
Other comprehensive income:				
Unrealized net loss on available-for-sale financial instruments arising during the year, net of tax of \$267 - 3 months (2010 - \$127); net of tax of \$360 - 9 months (2010 - \$171)	565	314	826	415
Reclassification to net income of net gain on sale of available-for-sale financial instruments during the year, net of tax of \$nil - 3 months (2010 - \$nil); net of tax of \$5 - 9 months (2010 - \$11)	(136)	-	(147)	(25)
Change in fair value of interest rate swap, net of tax of \$nil - 3 months (2010 - \$70); net of tax of \$41 - 9 months (2010 - \$135)	-	(210)	120	(405)
Other comprehensive income (loss) for the period, net of tax	429	104	799	(15)
Total comprehensive income (loss) for the period	\$ 9,963	\$ 4,781	\$ (17,884)	\$ 12,412

WESTERN FINANCIAL GROUP INC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(unaudited)

(in thousands of Canadian dollars, except for per share amounts)

	Share capital	Other paid in capital	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
Balance at January 1, 2010	\$ 206,905	\$ 268	\$ 2,099	\$ (138)	\$ 38,422	\$ 247,556
Comprehensive income						
Net income	-	-	-	-	12,427	12,427
Other comprehensive income						
Unrealized net loss on available-for-sale securities, net of tax	-	-	-	415	-	415
Reclassification to net income of net gain on sale of available-for-sale securities, net of tax	-	-	-	(25)	-	(25)
Change in fair value of interest rate swap, net of tax	-	-	-	(405)	-	(405)
Total other comprehensive income (loss)	-	-	-	(15)	-	(15)
Total comprehensive income (loss)	-	-	-	(15)	12,427	12,412
Transactions with owners						
Preferred shares issued and converted, net	(61)	-	-	-	-	(61)
Ordinary shares issued and converted, net	26,296	-	-	-	-	26,296
Stock option plan:						
Value of employee services	-	-	322	-	-	322
Dividends on preferred shares						
First preferred, series 2 (\$3.38 per share)	-	-	-	-	(477)	(477)
First preferred, series 3 (\$3.38 per share)	-	-	-	-	(844)	(844)
First preferred, series 4 (\$3.38 per share)	-	-	-	-	(675)	(675)
First preferred, series 5 (\$4.84 per share)	-	-	-	-	(3,433)	(3,433)
Dividends on ordinary shares (\$0.01 per share)	-	-	-	-	(1,809)	(1,809)
Total transactions with owners	26,235	-	322	-	(7,238)	19,319
Balance at September 30, 2010	\$ 233,140	\$ 268	\$ 2,421	\$ (153)	\$ 43,611	\$ 279,287

	Share capital	Other paid in capital	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
Balance at January 1, 2011	\$ 233,162	\$ 268	\$ 2,585	\$ (552)	\$ 48,051	\$ 283,514
Comprehensive (loss) income						
Net loss	-	-	-	-	(18,683)	(18,683)
Other comprehensive income						
Unrealized net loss on available-for-sale securities, net of tax	-	-	-	826	-	826
Reclassification to net income of net gain on sale of available-for-sale securities, net of tax	-	-	-	(147)	-	(147)
Change in fair value of interest rate swap, net of tax	-	-	-	120	-	120
Total other comprehensive income (loss)	-	-	-	799	-	799
Total comprehensive (loss) income	-	-	-	799	(18,683)	(17,884)
Transactions with owners						
Preferred shares issued and converted, net	(24,007)	-	-	-	(742)	(24,749)
Ordinary shares issued and converted, net	46,136	-	-	-	-	46,136
Convertible debentures converted to shares	-	(268)	-	-	-	(268)
Stock option plan:						
Value of employee services	-	-	403	-	-	403
Proceeds from shares issued	-	-	(923)	-	-	(923)
Dividends on preferred shares						
First preferred, series 2 (\$3.38 per share)	-	-	-	-	(78)	(78)
First preferred, series 3 (\$3.38 per share)	-	-	-	-	(844)	(844)
First preferred, series 4 (\$3.38 per share)	-	-	-	-	(675)	(675)
First preferred, series 5 (\$4.50 per share)	-	-	-	-	(2,502)	(2,502)
Dividends on ordinary shares (\$0.01 per share)	-	-	-	-	(1,461)	(1,461)
Total transactions with owners	22,129	(268)	(520)	-	(6,302)	15,039
Balance at September 30, 2011	\$ 255,291	\$ -	\$ 2,065	\$ 247	\$ 23,066	\$ 280,669

WESTERN FINANCIAL GROUP INC.

CONSOLIDATED STATEMENT OF CASH FLOW

(unaudited)

(in thousands of Canadian dollars, except for per share amounts)

	Note	Nine months ended Sept 30	
		2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) income for the period		\$ (18,683)	\$ 12,427
Adjustments	24	65,762	46,960
Net (increase) decrease in mortgages, loans and leases		34,606	(19,427)
Net increase (decrease) in customer deposits		(28,322)	24,463
Interest paid		(4,363)	(11,220)
Income tax paid		(8,539)	(7,572)
Net cash generated from operating activities		40,461	45,631
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in securities		(111,602)	(139,002)
Proceeds from sale of securities		103,628	131,175
Loans granted to associates		-	(1,300)
Loan repayments received from associates		2,127	-
Investment in associates		309	(4,194)
Proceeds from sale of investment in associates		1,799	-
Purchases of property and equipment		(1,585)	(2,416)
Proceeds from sale of property and equipment		2,145	-
Net (increase) decrease in goodwill		1	1,396
Net increase in intangible assets		(889)	(3,218)
Other assets		642	425
Dividends received		68	108
Business combinations, net of cash acquired		(7,504)	(19,388)
Net cash used in investing activities		(10,861)	(36,414)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances of debt		68,981	2,500
Repayments of debt		(76,009)	(8,291)
Proceeds from issuance of ordinary shares		-	26,286
Change in other paid in capital		(268)	-
Dividends paid - ordinary shares		(2,101)	(1,697)
Dividends paid - preferred shares		(3,459)	(4,311)
Net cash (used in) generated from financing activities		(12,856)	14,487
Net increase in cash and cash equivalents for the period		16,744	23,704
Cash and cash equivalents, beginning of period		58,010	58,463
Cash and cash equivalents, end of period		\$ 74,754	\$ 82,167

WESTERN FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010
(in thousands of Canadian dollars, except for per share amounts)

NOTE 1 GENERAL INFORMATION

Western Financial Group Inc. ("the Company") was incorporated in the province of Alberta as 674658 Alberta Inc. on November 15, 1995 and is engaged in the acquisition and operation of insurance and financial service brokerage businesses, banking activities, life and health insurance underwriting, provision of dog and cat insurance products, commercial property and casualty underwriting, and travel agency operations in Western Canada.

On April 15, 2011, Desjardins Group, through Desjardins Financial Corporation Inc. ("Desjardins"), a wholly-owned subsidiary of the Fédération des caisses Desjardins du Québec, acquired control of the Company by purchasing the majority of the ordinary shares of the Company. On July 7, 2011 the shareholders of the Company approved the merger of the Company with a wholly-owned subsidiary of Desjardins Financial Corporation Inc. As part of this merger, the Company's issued and outstanding ordinary shares, other than those held by Desjardins Group, were converted into redeemable preferred shares that were immediately redeemed. Further to these transactions, Desjardins Group now holds 100% of the outstanding ordinary shares of the merged company. As of July 14, 2011 the ordinary shares of the Company were de-listed.

The Company's primary business is the ownership and operation of Western Financial Group (Network) Inc. ("the Network"), which serves over 100 communities with offices in British Columbia ("BC"), Alberta ("AB"), Saskatchewan ("SK") and Manitoba ("MB"). In addition, the Company has affiliated offices in 12 communities with 17 offices in BC and SK. These locations offer a broad variety of property and casualty insurance services including private auto insurance and government auto insurance in BC, SK and MB, home and farm insurance, business and specialty insurance, life products and in many locations, investment and financial services.

In August 2011, Western Direct Insurance ("Western Direct"), a new subsidiary of the Company, began offering direct home and auto insurance by telephone and over the internet to consumers in Calgary, Edmonton and smaller Alberta cities. This insurance is underwritten by The Personal Insurance Company. Western Direct offers a full range of personal insurance products, including home, auto, motorcycle, recreational vehicle, and watercraft coverage – along with pet insurance, all available over the telephone and internet.

The banking activities are carried out through a federally incorporated, wholly owned subsidiary, Bank West ("the Bank"), which received its bank charter on November 27, 2002 and commenced operations on January 30, 2003. The Bank is subject to the Bank Act (Canada).

The life and health insurance underwriting activities are carried out through Western Life Assurance Company ("Western Life"). Western Life is a federally incorporated, wholly owned subsidiary company licensed to write all classes of life, health, and loss of employment insurance, in all provinces in Canada and is subject to the Insurance Companies Act (Canada). Western Life's products are marketed through agents and independent brokers and the majority of the writings are in the provinces of Ontario and AB.

The provision of dog and cat insurance products and the commercial property and casualty underwriting activities are carried out through Western Financial Insurance Company ("Western Financial Insurance"). Western Financial Insurance is a federally incorporated, wholly owned subsidiary company licensed to write property and liability insurance in all provinces and territories in Canada and is subject to the Insurance Companies Act (Canada).

WESTERN FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010 (in thousands of Canadian dollars, except for per share amounts)

NOTE 2 ACCOUNTING POLICIES

To facilitate a better understanding of the Company's consolidated financial statements, wherever possible, the significant accounting policies are disclosed throughout the following notes with the related financial disclosures by major caption:

Note	Topic	Page	Note	Topic	Page
3	Impact of IFRS	9	15	Goodwill	31
4	Risk Management		16	Intangible Assets	32
	Credit Risk	11	17	Insurance Liabilities	33
	Liquidity Risk	15	18	Debt	37
	Market Risk	16	19	Trade and Other Payables	38
5	Capital Management	21	20	Accumulated Other Comprehensive Loss	39
6	Carrying Amount of Financial Instruments	23	21	Insurance Premium Income	39
7	Fair Value of Financial Instruments	24	22	Operating Expenses	40
8	Critical Accounting Estimates and Judgments	25	23	Income Taxes	40
9	Segment Information	25	24	Cash Flow From Operations	41
10	Securities - Unrealized Gains and Losses On Available For Sale	29	25	Contingencies	42
11	Mortgages, Loans and Leases	29	26	Business Combinations	42
12	Loan Impairment Charges	30	27	Related Party Transactions	43
13	Investment in Associates	30	28	Events After the Reporting Period	45
14	Accounts Receivable	31			

Change in Estimate

Effective April 15, 2011 the Company changed its method of calculating depreciation of property and equipment and amortization of computer software, to be consistent with the accounting policy of Desjardins. The Company now uses the straight-line method rather than the declining balance method. This change was adopted prospectively. As a result property and equipment are depreciated and computer software is amortized at the following rates. The impact of this change in estimate is not material in the second or third quarter.

- Buildings 20 years
- Furniture and equipment 5 years
- Computer hardware 5 years
- Leased assets 3 years
- Automotive assets 3 years
- Leasehold improvements over the lease term
- Computer software 5 years

Basis of Presentation and Adoption of International Financial Reporting Standards

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. As a result, the Company has commenced reporting on this basis in these financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian general accepted accounting principles before the adoption of IFRS. Additional information required by federal or provincial regulations is included where appropriate.

These unaudited condensed interim consolidated financial statements have been prepared in accordance with the IFRS applicable to the preparation of interim consolidated financial statements including, International Accounting Standard ("IAS") 34, *Interim Financial Reporting* and IFRS 1, *First-time adoption of International Financial Reporting Standards*. The accounting policies followed in these interim financial statements are the same as those applied in the Company's interim financial statements for the periods ended March 31, 2011 and June 30, 2011. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 3 discloses the impact of the transition to IFRS on the Company's reported equity as at September 30, 2010 and comprehensive income for the three and nine months ended September 30, 2010, including the nature and effect of significant changes in accounting policies from those used on the Company's consolidated financial statements for the year ended December 31, 2010. Comparative figures for 2010 in these financial statements have been restated to give effect to these changes.

WESTERN FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010
(in thousands of Canadian dollars, except for per share amounts)

The accounting policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS effective for the year ended December 31, 2011, as issued and outstanding as of November 14, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including transition adjustments recognized on change-over to IFRS.

The unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP audited consolidated financial statements for the year ended December 31, 2010, and the Company's interim financial statement for the quarters ended March 31, 2011 and June 30, 2011 prepared in accordance with IFRS applicable to interim financial statements.

NOTE 3 IMPACT OF IFRS

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has impacted the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

The impact of the Company's transition to IFRS is summarized as follows:

1. Transition elections
2. Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS
3. Adjustments for reinsurance assets
4. Adjustments to the statement of cash flows
5. Accounting standards issued but not yet applied

1. Transition elections

The Company has applied the mandatory transition exemptions and the following optional exceptions to full retrospective application of IFRS:

- Business combinations
- Hedge accounting
- Insurance contracts

WESTERN FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010
(in thousands of Canadian dollars, except for per share amounts)

2. Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS

	Explanatory note	December 31, 2010	September 30, 2010
Equity			
Equity as reported under Canadian GAAP		\$ 283,228	\$ 278,797
IFRS adjustments increase (decrease):			
Stock options - contributed surplus	a)	323	233
Stock options - retained earnings	a)	(323)	(233)
Commission on available-for-sale securities - AOCI	b)	(8)	(8)
Commission on available-for-sale securities - retained earnings	b)	8	8
Dividends	c)	796	998
Business combination expenses	d)	(510)	(510)
Equity as reported under IFRS		\$ 283,514	\$ 279,285

	Explanatory note	Year ended December 31, 2010	Three months ended September 30, 2010	Nine months ended September 30, 2010
Comprehensive income				
As reported under Canadian GAAP		\$ 19,866	\$ 5,205	\$ 13,099
Decrease in net income for:				
Stock options	a)	(267)	(71)	(177)
Business combination expenses	d)	(510)	(353)	(510)
As reported under IFRS		\$ 19,089	\$ 4,781	\$ 12,412

Explanatory notes

a) Stock options

In accordance with IFRS 2, *Share-based Payment*, the Company accrues the cost of stock options over the vesting period using the graded method of amortization rather than the straight-line method previously allowed under Canadian GAAP. At September 30, 2010, this resulted in an increase to contributed surplus of \$233 and a decrease to retained earnings of \$233; at December 31, 2010 an increase to contributed surplus of \$323 and a decrease to retained earnings; an overall nil impact on equity. This also decreased operating expense by \$177 for the period ended September 30, 2010 (\$267 - December 31, 2010).

b) Commission on available-for-sale securities

In accordance with International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement*, the Company now capitalizes transactions costs related to financial instruments. At September 30, 2010 and at December 31, 2010 this resulted in a decrease to accumulated other comprehensive income of \$8 and an increase to retained earnings of \$8; an overall nil impact on equity.

c) Dividends

In accordance with IAS 10, *Events after the Reporting Period*, the Company now only records dividends when declared. At September 30, 2010 this resulted in an increase to equity of \$998; (\$796 - December 31, 2010) and no impact on comprehensive income.

WESTERN FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010 (in thousands of Canadian dollars, except for per share amounts)

d) Business combination expenses

In accordance with IFRS transition provisions, the Company elected to apply IFRS 3, *Business Combinations* prospectively from January 1, 2010. As such, Canadian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward without adjustment. Also in accordance with IFRS 3, *Business Combinations*, the Company, since January 1, 2010, expenses transaction and restructuring costs related to the acquisition of a business. This decreased net income by \$510 for the year ended December 31, 2010 and decreased net income by \$353 for the three months ended September 30, 2010; \$510 for the nine months ended September 30, 2010.

3. Adjustments for reinsurance assets

In accordance with IFRS 4, *Insurance Contracts*, the Company now presents reinsurance on a gross basis. At September 30, 2010, this had the impact of increasing both reinsurance contracts and increasing insurance liabilities, by \$42,449; (\$42,119 – December 31, 2010).

4. Adjustments to the statement of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the company except that, under IFRS, cash flows relating to mortgages, loans and leases, customer deposits and interest and income tax paid are classified as operating. Under Canadian GAAP, cash flows relating to mortgages, loans and leases and to deposits from customers are classified as investing and financing respectively.

Comparative Figures

Certain of the comparative figures presented have been reclassified to conform with the current year's presentation of Property and equipment and Intangible assets.

NOTE 4 RISK MANAGEMENT

In the normal course of business, the Company is exposed to a variety of financial risks which include credit risk, liquidity risk, and market risk and it mitigates the risks accordingly. The Company's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company's policies and processes to monitor, evaluate and manage these risks are consistent with those in place at December 31, 2010. Information about the Company's risk management practices is provided in Note 5 to the 2010 audited financial statements.

a) Credit Risk

Credit risk is the risk of suffering financial loss, should any of the Company's customers, clients or market counterparties fail to fulfill their contractual obligations to the Company. The most significant assets giving rise to credit risk are the mortgage, loan and lease portfolio. The Company is also exposed to other credit risks arising from cash and cash equivalents, investments in debt securities and other exposures arising from its trading activities; accounts receivables and reinsurance contracts. The key areas in which our insurance companies are exposed to credit risk are:

- Reinsurer's share of insurance liabilities
- Amounts due from reinsurers in respect of claims already paid
- Amounts due from insurance contract holders
- Amounts due from insurance intermediaries.

WESTERN FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(in thousands of Canadian dollars, except for per share amounts)

The Company's maximum exposure to credit risk is summarized in the following table.

	As at September 30, 2011	As at December 31, 2010
Cash and cash equivalents	\$ 74,754	\$ 58,010
Held-for-trading securities	76,643	69,201
Available-for-sale securities	31,843	25,538
Mortgages, loans and leases, net of allowance for credit losses	323,761	359,696
Accounts receivable	40,928	52,863
Reinsurance contracts	54,243	42,119
Other assets	1,835	4,370
Total balance sheet maximum credit exposure	604,007	611,797
Bank West credit commitments	5,110	3,883
Maximum credit exposure	\$ 609,117	\$ 615,680

The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments. Such risks are subject to an annual or more frequent review.

i. Mortgages, Loans and Leases

The following tables present the credit quality of loans.

As at September 30, 2011							
	Gross loans neither impaired nor past due	Gross loans past due but not impaired	Gross impaired loans	Specific allowances	Collective allowance	Net loans	
Residential mortgages	\$ 8,971	\$ 1,094	\$ 140	\$ 20	\$ -	\$ 10,185	
Consumer, credit cards and other personal loans	185,003	1,240	1,607	954	-	186,896	
Business and government	122,202	4,339	3,531	1,334	-	128,738	
Collective allowance	-	-	-	-	2,058	(2,058)	
	\$ 316,176	\$ 6,673	\$ 5,278	\$ 2,308	\$ 2,058	\$ 323,761	

As at December 31, 2010							
	Gross loans neither impaired nor past due	Gross loans past due but not impaired	Gross impaired loans	Specific allowances	Collective allowance	Net loans	
Residential mortgages	\$ 11,478	\$ 666	\$ 2,351	\$ 245	\$ -	\$ 14,250	
Consumer, credit cards and other personal loans	207,032	1,991	661	728	-	208,956	
Business and government	131,292	6,231	3,160	1,538	-	139,145	
Collective allowance	-	-	-	-	2,655	(2,655)	
	\$ 349,802	\$ 8,888	\$ 6,172	\$ 2,511	\$ 2,655	\$ 359,696	

WESTERN FINANCIAL GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010
(in thousands of Canadian dollars, except for per share amounts)

A loan is considered past due when the borrower has failed to make a payment when contractually due. The following tables present the ageing of gross loans that are past due but not impaired.

As at September 30, 2011						
	1 to 29 days	30 to 59 days	60 to 89 days	90 days or more		Total
Residential mortgages	\$ -	\$ 249	\$ 445	\$ 400	\$	1,094
Consumer, credit cards and other personal loans	330	634	259	16		1,239
Business and government	2,403	896	653	388		4,340
	\$ 2,733	\$ 1,779	\$ 1,357	\$ 804	\$	6,673

As at December 31, 2010						
	1 to 29 days	30 to 59 days	60 to 89 days	90 days or more		Total
Residential mortgages	\$ 661	\$ 5	\$ -	\$ -	\$	666
Consumer, credit cards and other personal loans	1,081	639	271	-		1,991
Business and government	4,184	1,538	509	-		6,231
	\$ 5,926	\$ 2,182	\$ 780	\$ -	\$	8,888

None of the past due but not impaired mortgages, loans and leases were renegotiated during the first three quarters of 2011 or during the first three quarters of 2010.

The Company holds security related to mortgages, loans and leases in the form of real property, mortgage insurance, and liens on equipment and vehicles. Mortgages are fully collateralized by real property. Certain of the residential mortgages are insured through Canada Mortgage and Housing Corporation amounting to \$2,691 at September 30, 2011 (\$3,898 – December 31, 2010).

ii. Securities

	As at September 30, 2011		As at December 31, 2010	
	Held For Trading	Available For Sale	Held For Trading	Available For Sale
Securities:				
Bonds - AAA rating	\$ 11,736	\$ 19,968	\$ 10,725	\$ 14,653
Bonds - AA rating	36,827	5,199	34,153	3,778
Bonds - A rating	27,718	3,069	22,991	2,832
Bonds - below A rating	-	-	-	-
Bonds - BBB rating	-	-	203	-
Corporate notes	-	2,101	-	750
Term deposits	-	-	-	2,011
Subordinated debentures	-	500	-	500
Preferred shares	-	1,006	-	1,014
Government of Canada Treasury bills	362	-	1,129	-
	\$ 76,643	\$ 31,843	\$ 69,201	\$ 25,538

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Term deposits are held at major Canadian financial institutions.

iii. Accounts Receivable

Credit risk with respect to accounts receivable is minimized by the Company's large customer base, which covers all consumer and business sectors in BC, AB, MB and SK. The Company follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary.

iv. Reinsurance Assets

Western Life

Reinsurance risk is defined as the failure of reinsurers to honour their obligations resulting in losses to the Company. Maximum benefit amount limits per insured (which vary by line of business) are established for life and health insurance and reinsurance is purchased for amounts in excess of those limits. Reinsure contracts do not relieve Western Life from its obligations to policyholders. Western Life has agreements with a number of reinsurers and evaluates the ratings of reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

The following table summarizes the reinsurers' share of actuarial liabilities.

	Credit Rating		As at September 30, 2011		As at December 31, 2010
RGA Life Reinsurance Company of Canada	A+	\$	23,691	\$	17,211
Optimum Reassurance Inc.	A-		11,661		10,735
SCOR Canada Reinsurance Company	A		462		456
Munich Reinsurance Company	A+		(107)		407
		\$	35,707	\$	28,809

Western Life has guidelines and a review process in place to ascertain the credit worthiness of the companies to which it cedes. Western Life places its current new business with registered reinsurers. The group of reinsurers that Western Life ceded to has an A.M. Best rating from A- (Excellent) to A++ (Superior). No information has come to management's attention indicating weakness or failure of any of its current reinsurers therefore no provision has been made in the accounts for doubtful collection.

The following table summarizes the balances outstanding from Canadian reinsurers by risk rating. These amounts are included in Accounts receivable on the balance sheet.

Credit Rating	Reinsurance Receivable	
	As at September 30, 2011	As at December 31, 2010
A- (Excellent)	\$ 1,993	\$ 1,400
A+ (Superior)	697	1,151
A (Excellent)	62	-
	\$ 2,752	\$ 2,551

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b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to fund all cash outflow requirements as they fall due as a result of customer deposits being withdrawn, policyholder benefit payments, and cash requirements from contractual commitments or other cash outflows, such as debt maturities. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the consolidated balance sheet, or potentially an inability to fulfill lending commitments or an inability to fulfill policyholder commitments. The risk that the Company is unable to do so is inherent in all banking and insurance operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

Based on the Company's historical cash flows and financial performance, management believes that the Company's cash flows from operations will continue to provide sufficient liquidity to satisfy its obligations.

The following table presents the contractual maturities of the Company's financial assets and liabilities.

	Within 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 4 years	Over 4 to 10 years	Over 10 years	Total
Cash and cash equivalents	\$ 74,715	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39	\$ 74,754
Securities	12,720	100	2,000	2,621	12,169	10,130	34,750	56,770	131,260
Mortgages, loans and leases	71,245	9,559	22,872	49,337	43,864	92,574	38,677	-	328,128
Accounts receivable	30,112	10,094	609	113	-	-	-	-	40,928
Reinsurance contracts	-	-	-	20,310	(1,279)	(305)	2,188	33,329	54,243
	188,792	19,753	25,481	72,381	54,754	102,399	75,615	90,138	629,313
Deposits from customers	54,719	18,755	9,760	105,065	55,611	37,371	3,342	-	284,623
Insurance liabilities	551	1,012	120	41,352	(3,397)	(543)	6,314	83,379	128,788
Trade and other payables	51,729	22,319	5,899	7,228	-	-	7,253	-	94,428
Debt	59,190	167	250	500	1,000	2,000	2,917	-	66,024
Due to policyholders	838	1,674	2,512	5,023	10,047	837	-	-	20,931
	167,027	43,927	18,541	159,168	63,261	39,665	19,826	83,379	594,794
At September 30, 2011	\$ 21,765	\$ (24,174)	\$ 6,940	\$ (86,787)	\$ (8,507)	\$ 62,734	\$ 55,789	\$ 6,759	\$ 34,519
At December 31, 2010	\$ 81,642	\$ (9,766)	\$ (16,280)	\$ (63,452)	\$ (12,228)	\$ 14,916	\$ 37,286	\$ 19,046	\$ 51,165

The following tables present the potential outflows related to credit commitments and the cash flow commitment related to property leases.

	No later than 1 year			1 to 5 years	Over 5 years	Total
At September 30, 2011						
Credit commitments	\$ 5,110	\$ -	\$ -	\$ -	\$ -	\$ 5,110
Property lease commitments	4,193	12,410	1,605			18,208
Total	\$ 9,303	\$ 12,410	\$ 1,605	\$ -	\$ -	\$ 23,318

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	No later than 1			Total
	year	1 to 5 years	Over 5 years	
At December 31, 2010				
Credit commitments	\$ 3,883	\$ -	\$ -	\$ 3,883
Property lease commitments	4,157	11,693	3,725	19,575
Total	\$ 8,040	\$ 11,693	\$ 3,725	\$ 23,458

c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. Market risk includes foreign currency risk, interest rate risk, and other price risk.

The Company has no material exposure to *foreign currency risk*.

Interest rate risk, or sensitivity, is defined as the impact on net income, both current and future, resulting from a change in market interest rates. This risk and potential variability in earnings arises primarily when cash flows associated with interest sensitive assets and liabilities have different repricing dates and due to mismatch between amounts of fixed and floating rate assets and liabilities.

During 2009, the Company entered into two interest rate swap agreements to manage interest rate risk on \$40,000 of its bank debt. These were closed out on May 6, 2011 for a cash payment of \$70.

Bank West

The Company is exposed to interest rate risk arising from fluctuations in interest rates on certain of its loan portfolio and customer deposits. The Company is also exposed to interest rate risk arising from the mismatch, or gap, between the assets and liabilities of the Bank that are scheduled to mature or re-price on particular dates. The Bank uses gap analysis to measure this risk.

The gaps which existed, for the Bank, at September 30 based on the earlier of the maturity date of interest rate sensitive instruments or contractual repricing are detailed in the following table. Mortgage, loan and lease prepayments are assumed to be nil and the gap is sensitive to this assumption.

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Bank West

As at September 30, 2011

	Floating Rate	Within 1 month	Over 1 month to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Non-interest rate sensitive	Total
Assets										
Cash and securities	\$ 19,569	\$ -	\$ 4,601	\$ -	\$ -	\$ -	\$ -	\$ 7,068	\$ -	\$ 31,238
Mortgages, loans and leases	18,387	52,279	81,215	43,606	47,438	44,920	32,959	5,718	1,046	327,568
Total assets	\$ 37,956	\$ 52,279	\$ 85,816	\$ 43,606	\$ 47,438	\$ 44,920	\$ 32,959	\$ 12,786	\$ 1,046	\$ 358,806
Liabilities and Equity										
Current liabilities	\$ -	\$ 1,105	\$ 12,155	\$ -	\$ -	\$ -	\$ -	\$ 7,473	\$ -	\$ 20,733
Deposits	10,732	41,582	133,490	55,667	27,811	9,560	3,342	-	(724)	281,460
Shareholder's equity									53,676	53,676
Total liabilities and equity	\$ 10,732	\$ 42,687	\$ 145,645	\$ 55,667	\$ 27,811	\$ 9,560	\$ 3,342	\$ 7,473	\$ 52,952	\$ 355,869
Interest rate sensitive gap	\$ 27,224	\$ 9,592	\$ (59,829)	\$ (12,061)	\$ 19,627	\$ 35,360	\$ 29,617	\$ 5,313	\$ (51,906)	\$ 2,937
Cumulative gap	\$ 27,224	\$ 36,816	\$ (23,013)	\$ (35,074)	\$ (15,447)	\$ 19,913	\$ 49,530	\$ 54,843	\$ 2,937	
Cumulative gap as a percentage of total assets	7.59%	10.26%	-6.41%	-9.78%	-4.31%	5.55%	13.80%	15.28%	0.82%	

As at December 31, 2010

	Floating Rate	Within 1 year	Over 1 month to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Non-interest rate sensitive	Total
Cumulative gap	\$ 33,486	\$ 27,785	\$ (18,178)	\$ (26,860)	\$ (24,935)	\$ 13,129	\$ 50,403	\$ 41,745	\$ (15,284)	
Cumulative gap as a percentage of total assets	8.59%	7.13%	-4.66%	-6.89%	-6.39%	3.37%	12.93%	10.71%	-3.92%	

The effective, weighted average interest rates for each class of financial asset and liability are shown in the following table.

As at September 30, 2011

	Floating Rate	Within 1 month	Over 1 month to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Non-interest rate sensitive	Total
Assets										
Cash and securities	0.3%	0.0%	1.6%	11.0%	0.0%	0.0%	0.0%	3.7%	0.0%	1.8%
Mortgages, loans and leases	6.0%	13.0%	6.6%	7.1%	7.0%	6.3%	6.5%	6.2%	0.0%	5.7%
Other assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.0%	3.0%
Total assets	2.9%	13.0%	6.3%	7.1%	7.0%	6.3%	6.5%	4.8%	0.0%	7.1%
Liabilities										
Current liabilities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deposits	0.0%	2.9%	2.8%	3.0%	3.0%	3.0%	3.0%	0.0%	0.0%	2.3%
Total liabilities	0.0%	2.8%	2.6%	3.0%	3.0%	3.0%	3.0%	0.0%	0.0%	2.1%
Interest rate sensitive gap	2.9%	10.1%	3.8%	4.1%	4.0%	3.3%	3.5%	4.8%	0.0%	4.9%

As at December 31, 2010

	Floating Rate	Within 1 year	Over 1 month to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Non-interest rate sensitive	Total
Total assets	5.2%	5.7%	7.6%	6.4%	7.3%	7.1%	6.4%	5.3%	0.0%	6.9%
Total liabilities	0.0%	2.5%	3.9%	4.1%	3.5%	4.0%	4.0%	0.0%	0.0%	3.8%
Interest rate sensitive gap	5.2%	3.2%	3.7%	2.3%	3.8%	3.1%	2.4%	5.3%	0.0%	3.1%

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Based on the current interest rate gap position, it is estimated that a 100 basis point increase in all interest rates would increase net interest income by approximately 0.0% or \$3 at September 30, 2011 (2.5% or \$362 at December 31, 2010). A 100 basis point decrease in all interest rates would decrease net interest income by approximately 0.1% or \$8 at September 30, 2011 (2.5% or \$367 at December 31, 2010).

Western Life

Insurance contracts with guaranteed and fixed terms have benefit payments that are fixed and guaranteed at the inception of the contract. The financial component of these benefits is usually a guaranteed fixed interest rate and hence the Company's primary financial risk on these contracts is the risk that interest income and capital redemption from the financial assets backing the liabilities is insufficient to fund the guaranteed benefits payable.

The following tables indicate, for Western Life, the estimated amount and timing of cash flows arising from the liabilities and the extent of duration-matching for these contracts against the portion of the investment portfolio backing these liabilities.

As at September 30, 2011	Carrying amount	Contractual cash flows (undiscounted)				
		0 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	> 20 years
Assets						
Held for trading:						
Fixed rate	\$ 48,295	\$ 5,638	\$ 2,695	\$ 21,011	\$ 2,000	\$ 77,800
Total	\$ 48,295	\$ 5,638	\$ 2,695	\$ 21,011	\$ 2,000	\$ 77,800

	Carrying amount	Expected cash flows (undiscounted)				
		0 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	> 20 years
Liabilities						
Long-term insurance contracts	\$ 53,754	\$ (6,315)	\$ 3,946	\$ 12,719	\$ 11,898	\$ 78,583
Total	\$ 53,754	\$ (6,315)	\$ 3,946	\$ 12,719	\$ 11,898	\$ 78,583

Mean duration of assets 20.4 years
Mean duration of liabilities 25.5 years

As at December 31, 2010	Carrying amount	Contractual cash flows (undiscounted)				
		0 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	> 20 years
Assets						
Held for trading:						
Fixed rate	\$ 42,392	\$ 5,638	\$ 6,995	\$ 30,011	\$ 2,000	\$ 46,700
Total	\$ 42,392	\$ 5,638	\$ 6,995	\$ 30,011	\$ 2,000	\$ 46,700

	Carrying amount	Expected cash flows (undiscounted)				
		0 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	> 20 years
Liabilities						
Long-term insurance contracts	\$ 39,382	\$ (4,763)	\$ 5,634	\$ 13,091	\$ 10,722	\$ 69,530
Total	\$ 39,382	\$ (4,763)	\$ 5,634	\$ 13,091	\$ 10,722	\$ 69,530

Mean duration of assets 20.7 years
Mean duration of liabilities 25.4 years

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Most of Western Life's securities portfolio is comprised of fixed income securities; therefore changes in interest rate levels generally impact the financial results to the extent that reinvestment yields are different than the original yields on maturing securities. In addition, changes in interest rates will affect the market value of the fixed income securities. During periods of rising interest rates, the market value of the existing fixed income securities will generally decrease. During periods of declining interest rates the opposite is true. Since the investments supporting actuarial liabilities are classified as held-for-trading ("HFT"), market value increases and decreases in fixed income securities will result in corresponding increases and decreases in income. Investments classified as available-for-sale ("AFS") generally do not support actuarial liabilities; changes in the fair value of these investments are recorded in OCI.

The actuarial assumption most susceptible to change in the short run is future investment returns. Under the prescribed valuation method, Canadian Asset Liability Method ("CALM"), alternate interest rate scenarios are tested producing alternate policy liabilities for Individual Life insurance. The liability that is held is based on the interest rate scenario that produces the highest liability. The sensitivity to interest rate changes is, therefore, reflected in the development of the policy liabilities.

The liability produced for the base scenario is \$44,500 at September 30, 2011 (\$37,300 at December 31, 2010) compared to the highest liability produced of \$46,300 at September 30, 2011 (\$39,600 at December 31, 2010) – an increase of \$1,800 (\$2,300 at December 31, 2010). The highest liability results from an immediate 0.50% decrease in rates over the next twenty years.

The approximate impact of an increase of 100 basis points in the interest yields would decrease actuarial liabilities and decrease the market value of fixed income securities and income pooled funds resulting in a net decrease of \$6,838 to net income at September 30, 2011 (net increase of \$936 at December 31, 2010) and decrease OCI, net of taxes by \$796 at September 30, 2011 (increase OCI, net of taxes by \$425 at December 31, 2010). The approximate impact of a decrease of 100 basis points in the interest yields would increase actuarial liabilities and increase the market value of fixed income securities and income pooled funds resulting in a net increase of \$8,591 at September 30, 2011 (\$1,089 at December 31, 2010) and increase OCI, net of taxes by \$892 at September 30, 2011 (\$483 at December 31, 2010).

Western Financial Insurance

Most of Western Financial Insurance's securities portfolio is comprised of fixed income securities; therefore changes in interest rate levels generally impact the financial results to the extent that reinvestment yields are different than the original yields on maturing securities. In addition, changes in interest rates will affect the market value of the fixed income securities. During periods of rising interest rates, the market value of the existing fixed income securities will generally decrease. During periods of declining interest rates the opposite is true. Because investments are classified as AFS, these increases and decreases in fixed income securities will result in corresponding increases and decreases in OCI until the securities are sold and any gain or loss is realized. The primary technique for measuring interest rate risk related to fixed income securities is duration analysis.

Changes in interest rates also have an impact on the rate used to discount unpaid claims and adjustment expenses. Consequently, changes in interest rates will affect the carrying value of the unpaid claims and adjustment expenses. During periods of rising interest rates, the carrying value of unpaid claims and adjustment expenses will generally decrease and net income will increase. During periods of declining interest rates the opposite is true.

The approximate impact of an increase of 100 basis points in the interest yields would decrease the unpaid claims and adjustment expenses provision and increase the income (pre-tax) of the Company by \$3 at September 30, 2011 (December 31, 2010 - \$2) and decrease investments and other comprehensive income before income taxes of the Company by \$654 at September 30, 2011 (December 31, 2010 - \$456). The approximate impact of a decrease of 100 basis points in the interest yields would increase the unpaid claims and adjustment expenses provision and decrease the income before income taxes of the Company by \$3 at September 30, 2011 (December 31, 2010 - \$2) and increase investments and other comprehensive income before taxes of the Company by \$751 at September 30, 2011 (December 31, 2010 - \$521).

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Other price risk is the risk that the fair value and/or future cash flows of the Company's pooled fund holdings fluctuate because of changes in market prices. Investments are reviewed monthly by management and reviewed quarterly by the Investment Committee. The Company monitors its pooled fund holdings relative to equity market conditions and reviews the performance of pooled fund investments against relative benchmarks. A 5% change in price equates to an impact of \$1,139 at September 30, 2011 (December 31, 2010 - \$895) on the fair value, with an offsetting amount recorded in OCI (pre-tax).

In addition to credit risk, liquidity risk and market risk, the Company is also exposed to **product and pricing risk** and **underwriting and liability risk** and **insurance risk** through its subsidiaries, Western Life and Western Financial Insurance.

Product and pricing risk is the risk of financial loss from entering into insurance contracts when the liabilities assumed exceed the expectation reflected in the pricing of the insurance product. Western Life and Western Financial Insurance price their products by taking into account factors including claims frequency, severity trends, product line expense ratios, special risk factors, capital requirements and investment income. These factors are reviewed and adjusted as needed on a regular basis to ensure they are reflective of current trends and market climate.

Western Life or Western Financial Insurance may choose to adjust pricing below what they feel is acceptable to maintain a competitive position. However, Western Life and Western Financial Insurance strive to maintain a pricing level that ensures they are able to produce an acceptable return.

Underwriting and liability risk is the exposure to financial loss resulting from the selection and approval of the risks to be insured, the adjudication of claims, and the management contractual and non-contractual product options.

Western Life and Western Financial Insurance have specific underwriting guidelines for declining to issue, terminating, or refusing to renew a contract in all jurisdictions. These guidelines are developed, in certain circumstances, in consideration of provincial underwriting rules. Western Life and Western Financial Insurance continually review their underwriting rules and compliance with evolving provincial regulation on restricted criteria. Western Life and Western Financial Insurance consider stability, fairness and the expectations of their existing and potential policyholders when making deliberate changes to its underwriting rules.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk Western Life and Western Financial Insurance face under their insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. Western Life and Western Financial Insurance have developed their insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcomes.

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The analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The table below describes the impact on net income of various assumption changes.

Assumptions	Change	After-tax income impact	
		September 30, 2011	December 31, 2010
Mortality - insurance products	+2%	\$ (347)	\$ (370)
Mortality - annuity products	-2%	(2)	(2)
Morbidity	5% adverse	(503)	(416)
Expenses (maintenance)	+5%	(527)	(462)
Policy termination rates	10% adverse	(2,590)	(2,135)
Interest			
Immediate parallel shift at all points on yield curve	+100 bps	776	775
Immediate parallel shift persisting for one year	-100 bps	(1,164)	(1,250)
	+100 bps	1,495	2,032
	-100 bps	(1,297)	(1,408)

NOTE 5 CAPITAL MANAGEMENT

The objective of the Company's capital management policy is consistent with those in place at December 31, 2010. Information about the Company's capital management practice is provided in Note 19 to the 2010 audited financial statements beginning on page 53.

The Company maintains capital levels above required needs to take account of normal business growth and increased volatility and uncertainty in current market conditions.

a) Bank West

Capital for Canadian financial institutions is managed and reported in accordance with a capital management framework specified by the Office of the Superintendent of Financial Institutions Canada ("OSFI") commonly called Basel II. The current Basel II regulatory guidelines require banks to maintain a minimum ratio of capital to risk-weighted assets and off-balance sheet items of 8%; 4% of this must be core capital (Tier 1) and the remainder supplementary capital (Tier 2). OSFI has established that Canadian banks need to maintain a minimum total capital adequacy ratio of 10% with a Tier 1 ratio of not less than 7%. It may also prescribe higher capital levels on an institution-specific basis. OSFI has also established an Assets to Regulatory Capital Multiple, which should not exceed a maximum level prescribed by OSFI, which varies from institution to institution.

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CAPITAL AND CAPITAL RATIOS

	As at September 30, 2011	As at December 31, 2010
Tier 1 capital		
Eligible capital stock	\$ 69,112	\$ 69,112
Undistributed losses	(15,415)	(927)
Goodwill	-	(11,447)
Total Tier 1 capital	\$ 53,697	\$ 56,738
Tier 2 capital		
Subordinated debentures	\$ 5,500	5,500
Total Tier 2 capital	\$ 5,500	\$ 5,500
Total regulatory capital	\$ 59,197	\$ 62,238
Capital ratios		
Tier 1 capital	18.7%	17.0%
Tier 2 capital	1.9%	1.7%
Assets to regulatory capital	7.2	7.4

As at and for the period ended September 30, 2011, the Bank was in compliance with prescribed capital levels.

b) Western Life

The regulatory Minimum Continuing Capital and Surplus Requirements ("MCCSR") rules, set by OSFI, contain detailed instructions for determining the amount of regulatory capital that a life insurance company is required to maintain in respect of its business activities. Companies are required to maintain an MCCSR ratio of at least 150%. Western Life monitors its MCCSR on a quarterly basis. As at and for the period ended September 30, 2011, Western Life's MCCSR was in compliance with the minimum capital required.

c) Western Financial Insurance

Western Financial Insurance is subject to regulation by OSFI. OSFI requires Canadian property and casualty insurance companies to maintain a level of capital sufficient to achieve a target of 150% based on a Minimum Capital Test (MCT) ratio. As at and for the period ended September 30, 2011, Western Financial Insurance's MCT was in compliance with the minimum capital required.

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NOTE 6 CARRYING AMOUNT OF FINANCIAL INSTRUMENTS

The following tables present the carrying amount of all financial assets and liabilities according to their classification.

As at September 30, 2011

	Held for trading	Available for sale	Loans and receivables, and financial liabilities other than held for trading	Total
Financial assets				
Cash and cash equivalents	\$ 74,754	\$ -	\$ -	\$ 74,754
Securities	76,643	54,617	-	131,260
Mortgages, loans and leases	-	-	323,761	323,761
Accounts receivable	-	-	40,928	40,928
Reinsurance contracts	-	-	54,243	54,243
Total financial assets	\$ 151,397	\$ 54,617	\$ 418,932	\$ 624,946
Financial liabilities				
Deposits from customers	\$ -	\$ -	\$ 283,875	\$ 283,875
Insurance liabilities	-	-	128,788	128,788
Debt	-	-	66,024	66,024
Interest rate swaps	-	-	-	-
Due to policy holders	-	-	20,931	20,931
Trade and other payables	-	-	94,428	94,428
Total financial liabilities	\$ -	\$ -	\$ 594,046	\$ 594,046

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	Held for trading	Available for sale	Loans and receivables, and financial liabilities other than held for trading	Total
Financial assets				
Cash and cash equivalents	\$ 58,010	\$ -	\$ -	\$ 58,010
Securities	69,201	43,436	-	112,637
Mortgages, loans and leases	-	-	359,696	359,696
Accounts receivable	-	-	52,863	52,863
Reinsurance contracts	-	-	42,119	42,119
Total financial assets	\$ 127,211	\$ 43,436	\$ 454,678	\$ 625,325
Financial liabilities				
Deposits from customers	\$ -	\$ -	\$ 312,196	\$ 312,196
Insurance liabilities	-	-	105,155	105,155
Debt	-	-	71,622	71,622
Interest rate swaps	-	-	161	161
Due to policyholders	-	-	22,525	22,525
Trade and other payables	-	-	104,675	104,675
Total financial liabilities	\$ -	\$ -	\$ 616,334	\$ 616,334

NOTE 7 FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below sets out the fair values of financial instruments based on the methods described above. The table does not include assets and liabilities that are not considered financial instruments.

	As at September 30, 2011			As at December 31, 2010		
	Book Value	Fair Value	Fair Value Over (Under) Book Value	Book Value	Fair Value	Fair Value Over (Under) Book Value
Assets						
Cash and cash equivalents	\$ 74,754	\$ 74,754	\$ -	\$ 58,010	\$ 58,010	\$ -
Securities	131,260	131,260	-	112,637	112,637	-
Mortgages, loans and leases	323,761	326,570	2,809	359,696	364,318	4,622
Accounts receivable	40,928	40,928	-	52,863	52,863	-
Reinsurance contracts	54,243	54,243	-	42,119	42,119	-
Liabilities						
Deposits from customers	283,875	285,312	1,437	312,196	319,838	7,642
Insurance liabilities	128,788	128,788	-	105,155	105,155	-
Debt	66,024	66,024	-	71,622	71,622	-
Interest rate swaps	-	-	-	161	161	-
Due to policyholders	20,931	20,931	-	22,525	22,525	-
Trade and other payables	94,428	94,428	-	104,675	104,675	-

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The following table presents the Level in the fair value hierarchy into which the fair values of financial instruments that are carried at fair value on the consolidated balance sheet are categorized. The three levels of the fair value hierarchy are:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – inputs that are not based on observable market data.

	Financial assets at fair value as at September 30, 2011			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 74,754	\$ -	\$ -	\$ 74,754
Securities	100,979	30,281	-	131,260
Interest rate swap	-	-	-	-
	\$ 175,733	\$ 30,281	\$ -	\$ 206,014

	Financial assets at fair value as at December 31, 2010			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 57,697	\$ 313	\$ -	\$ 58,010
Securities	84,962	27,675	-	112,637
Interest rate swap	-	(161)	-	(161)
	\$ 142,659	\$ 27,827	\$ -	\$ 170,486

NOTE 8 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgment, which necessarily have to be made in the course of preparation of the consolidated financial statements.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgments are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Accounting policies and management's judgments for certain items are especially critical for the Company's results and financial situation due to their materiality.

Revenue recognition

The Company has recorded \$5,452 (September 30, 2010 - \$5,623) of contingent profit commissions for the first nine months of the year. Contingent profit commissions represent amounts received or receivable from insurance companies in the following fiscal year based on volumes and loss ratios of customer insurance policies written with the respective company. These are estimated by management, based on historical trends, in the year earned.

NOTE 9 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

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The Company has five reportable segments:

- insurance brokerage - provides a variety of property, casualty, life and health, and investment products and services to customers across Western Canada through the Network;
- banking services - provides premium financing to customers of the insurance segment as well as loans and mortgages to other customers through the Bank;
- life insurance – Western Life offers a range of disability products along with group life and health through the Network and other distribution channels;
- pet insurance – Western Financial Insurance Company offers dog and cat insurance products which provide pet owners with insurance coverage for various pet health related costs; and
- corporate and all other which includes travel agencies, real estate assets and Western Direct.

The results of these business segments are based on the internal financial reporting systems of the Company. The accounting policies used in these segments are generally consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2.

Management monitors the financial performance of the Network based on operating income and customer accounts receivable. The operations of the Bank, Western Life and Western Financial Insurance are monitored based on net income before income tax; the financial position is monitored based on net assets used in that segment as reported in the financial statements of the Bank, Western Life and Western Financial Insurance.

Because of the integrated nature of the Company's operations, all other assets, including intangibles and goodwill, are managed and reported at a corporate level. Goodwill is, however, allocated to reporting units within each segment for purposes of impairment testing. Interest on long term debt is recorded as a corporate expense.

For the three months ended September 30, 2011	Network	Bank West	Western Life Assurance	Western Financial Insurance	Corporate and all other	Total
REVENUE						
Commission and other customer income	\$ 30,648	\$ 126	\$ 72	\$ 195	\$ 325	\$ 31,366
Insurance premium income	-	-	15,882	9,954	-	25,836
Interest income on customer loans	-	6,042	-	-	-	6,042
Investment income	55	115	6,827	78	65	7,140
Inter-segment revenue	(97)	-	(341)	-	(143)	(581)
Revenue from external customers	30,606	6,283	22,440	10,227	247	69,803
EXPENSES						
Operating expenses	20,702	2,311	8,032	3,077	2,958	37,080
Policyholder benefits	-	-	11,008	4,780	-	15,788
Interest expense on customer deposits	-	2,290	-	-	-	2,290
Loan impairment charges	-	749	-	-	-	749
Inter-segment expenses	(90)	(34)	(69)	-	(294)	(487)
Profit (loss) before the following:	9,994	967	3,469	2,370	(2,417)	14,383
Income from investment in associates	-	-	-	-	627	627
Gain on sale of property and equipment	-	(27)	-	-	-	(27)
Interest and financing costs on debt	(1)	(56)	(8)	-	(271)	(336)
Depreciation and amortization	(473)	(255)	(41)	(275)	(718)	(1,762)
Impairment of goodwill and intangible assets	-	-	-	-	-	-
Inter-segment transactions	-	56	-	-	38	94
Profit (loss) before income tax	\$ 9,520	\$ 685	\$ 3,420	\$ 2,095	\$ (2,741)	\$ 12,979

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For the three months ended September 30, 2010	Network	Bank West	Western Life Assurance	Western Financial Insurance	Corporate and all other	Total
REVENUE						
Commission and other customer income	\$ 27,775	\$ 92	\$ 16	\$ 159	\$ 372	\$ 28,414
Insurance premium income	-	-	12,411	9,216	-	21,627
Interest income on customer loans	-	6,720	-	-	-	6,720
Investment income	34	68	3,933	183	81	4,299
Inter-segment revenue	(363)	-	(293)	-	(141)	(797)
Revenue from external customers	27,446	6,880	16,067	9,558	312	60,263
EXPENSES						
Operating expenses	19,795	2,300	6,048	3,045	3,589	34,777
Policyholder benefits	-	-	8,616	3,623	-	12,239
Interest expense on customer deposits	-	3,314	-	-	-	3,314
Loan impairment charges	-	857	-	-	-	857
Intersegment expenses	(84)	(34)	(359)	-	(249)	(726)
Profit (loss) before the following:	7,735	443	1,762	2,890	(3,028)	9,802
Income from investment in associates	-	-	-	-	433	433
Gain on sale of property and equipment	-	(5)	-	-	-	(5)
Interest and financing costs on debt	(1)	(59)	-	(1)	(1,554)	(1,615)
Depreciation and amortization	(554)	(303)	(21)	(64)	(737)	(1,678)
Impairment of goodwill and intangible assets	-	-	-	-	-	-
Inter-segment transactions	-	56	-	-	15	71
Profit (loss) before income tax	\$ 7,180	\$ 132	\$ 1,741	\$ 2,825	\$ (4,871)	\$ 7,007

For the nine months ended September 30, 2011	Network	Bank West	Western Life Assurance	Western Financial Insurance	Corporate and all other	Total
REVENUE						
Commission and other customer income	\$ 89,112	\$ 379	\$ 92	\$ 449	\$ 1,351	\$ 91,383
Insurance premium income	-	-	43,804	28,852	-	72,656
Interest income on customer loans	-	18,451	-	-	-	18,451
Investment income	143	381	8,688	377	3,945	13,534
Inter-segment revenue	(464)	-	(977)	-	(4,292)	(5,733)
Revenue from external customers	88,791	19,211	51,607	29,678	1,004	190,291
EXPENSES						
Operating expenses	63,267	7,546	21,654	11,290	25,160	128,917
Policyholder benefits	-	-	23,938	13,658	-	37,596
Interest expense on customer deposits	-	7,560	-	-	-	7,560
Loan impairment charges	-	1,329	-	-	-	1,329
Inter-segment expenses	(397)	(101)	(456)	-	(823)	(1,777)
Profit (loss) before the following:	25,921	2,877	6,471	4,730	(23,333)	16,666
Income from investment in associates	-	-	-	-	1,169	1,169
Loss on write-down of held-for-sale asset	-	-	-	-	(8,970)	(8,970)
Gain on sale of property and equipment	-	31	-	-	275	306
Interest and financing costs on debt	(4)	(169)	(7)	10	(3,052)	(3,222)
Depreciation and amortization	(1,509)	(682)	(95)	(531)	(2,118)	(4,935)
Impairment of goodwill and intangible assets	-	(16,835)	-	-	-	(16,835)
Inter-segment transactions	-	168	-	-	38	206
Profit (loss) before income tax	\$ 24,408	\$ (14,610)	\$ 6,369	\$ 4,209	\$ (35,991)	\$ (15,615)

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For the nine months ended September 30, 2010	Network	Bank West	Western Life Assurance	Western Financial Insurance	Corporate and all other	Total
REVENUE						
Commission and other customer income	\$ 82,054	\$ 401	\$ 87	\$ 450	\$ 1,227	\$ 84,219
Insurance premium income	-	-	33,173	26,909	-	60,082
Interest income on customer loans	-	19,845	-	-	-	19,845
Investment income	60	204	8,124	420	164	8,972
Inter-segment revenue	(999)	-	(905)	-	(371)	(2,275)
Revenue from external customers	81,115	20,450	40,479	27,779	1,020	170,843
EXPENSES						
Operating expenses	58,867	7,139	15,369	9,374	9,906	100,655
Policyholder benefits	-	-	21,253	12,355	-	33,608
Interest expense on customer deposits	-	9,467	-	-	-	9,467
Loan impairment charges	-	1,781	-	-	-	1,781
Inter-segment expenses	(264)	(101)	(992)	-	(768)	(2,125)
Profit (loss) before the following:	22,512	2,164	4,849	6,050	(8,118)	27,457
Income from investment in associates	-	-	-	-	1,002	1,002
Gain on sale of property and equipment	-	(5)	-	-	-	(5)
Interest and financing costs on debt	(5)	(117)	(5)	(5)	(4,545)	(4,677)
Depreciation and amortization	(1,639)	(854)	(59)	(182)	(2,193)	(4,927)
Impairment of goodwill and intangible assets	-	-	-	-	-	-
Inter-segment transactions	-	113	-	-	37	150
Profit (loss) before income tax	\$ 20,868	\$ 1,301	\$ 4,785	\$ 5,863	\$ (13,817)	\$ 19,000

As at September 30, 2011	Network	Bank West	Western Life Assurance	Western Financial Insurance	Corporate and all other	Total
Total assets	\$ 124,577	\$ 361,369	\$ 167,832	\$ 45,209	\$ 186,439	\$ 885,426
Total liabilities	\$ 66,930	\$ 302,184	\$ 133,374	\$ 28,230	\$ 74,038	\$ 604,757

As at December 31, 2010	Network	Bank West	Western Life Assurance	Western Financial Insurance	Corporate and all other	Total
Total assets	\$ 130,187	\$ 403,919	\$ 138,734	\$ 76,357	\$ 164,366	\$ 913,563
Total liabilities	\$ 72,537	\$ 330,221	\$ 109,433	\$ 29,823	\$ 88,035	\$ 630,049

As at September 30, 2010	Network	Bank West	Western Life Assurance	Western Financial Insurance	Corporate and all other	Total
Total assets	\$ 112,856	\$ 433,982	\$ 138,411	\$ 43,392	\$ 203,603	\$ 932,244
Total liabilities	\$ 62,341	\$ 360,371	\$ 110,104	\$ 27,272	\$ 92,871	\$ 652,959

As at January 1, 2010	Network	Bank West	Western Life Assurance	Western Financial Insurance	Corporate and all other	Total
Total assets	\$ 97,863	\$ 397,461	\$ 111,954	\$ 62,048	\$ 178,803	\$ 848,129
Total liabilities	\$ 67,622	\$ 327,208	\$ 87,315	\$ 28,893	\$ 89,535	\$ 600,573

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NOTE 10 SECURITIES – UNREALIZED GAINS AND LOSSES ON AVAILABLE-FOR-SALE

The following tables present unrealized gains and losses on available-for-sale securities.

As at September 30, 2011				
	Amortized	Unrealized	Unrealized	Carrying
	cost	gross gains	gross losses	value
Securities issued or guaranteed by				
Canada	\$ 21,987	\$ 191	\$ (13)	\$ 22,165
Provinces and municipal corporations in Canada	6,625	245	(13)	6,857
Other securities in Canada				
Financial institutions	2,010	61	-	2,071
Other issuers	4,325	126	(1)	4,450
Shares	18,571	506	(3)	19,074
	\$ 53,518	\$ 1,129	\$ (30)	\$ 54,617

As at December 31, 2010				
	Amortized	Unrealized	Unrealized	Carrying
	cost	gross gains	gross losses	value
Securities issued or guaranteed by				
Canada	\$ 14,982	\$ 31	\$ (53)	\$ 14,960
Provinces and municipal corporations in Canada	4,533	38	(78)	4,493
Other securities in Canada				
Financial institutions	7,137	92	(60)	7,169
Other issuers	5,755	23	(17)	5,761
Shares	10,983	105	(35)	11,053
	\$ 43,390	\$ 289	\$ (243)	\$ 43,436

The securities portfolio is primarily comprised of high quality instruments that are not HFT and are typically held to maturity. Fluctuations in value are generally attributed to changes in market credit spreads, interest rates and shifts in the interest rate curve.

NOTE 11 MORTGAGES, LOANS AND LEASES

Reconciliation of allowance account for losses on loans and advances to customers by class is as follows:

Loans to individuals	2011		2010	
	Specific allowance for impairment	Collective allowance for impairment	Specific allowance for impairment	Collective allowance for impairment
Balance January 1	\$ 973	\$ 1,040	\$ 1,076	\$ 1,239
Reversal of impairment	(943)	-	(978)	-
Loan impairment charges	526	(90)	1,006	(161)
Other adjustments	443	-	-	-
At September 30	\$ 999	\$ 950	\$ 1,104	\$ 1,078

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Loans to corporate entities	2011		2010	
	Specific allowance for impairment	Collective allowance for impairment	Specific allowance for impairment	Collective allowance for impairment
Balance January 1	\$ 1,538	\$ 1,615	\$ 1,278	\$ 1,782
Reversal of impairment	(1,857)	-	(823)	-
Loan impairment charges	1,476	(507)	1,059	70
Other adjustments	152	-	-	-
At September 30	\$ 1,309	\$ 1,108	\$ 1,514	\$ 1,852

Total portfolio	2011		2010	
	Specific allowance for impairment	Collective allowance for impairment	Specific allowance for impairment	Collective allowance for impairment
Balance January 1	\$ 2,511	\$ 2,655	\$ 2,354	\$ 3,021
Reversal of impairment	(2,800)	-	(1,801)	-
Loan impairment charges (Note 12)	2,002	(597)	2,065	(91)
Other adjustments	595	-	-	-
At September 30	\$ 2,308	\$ 2,058	\$ 2,618	\$ 2,930

NOTE 12 LOAN IMPAIRMENT CHARGES

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Loan impairment charges	\$ 749	\$ 857	\$ 1,330	\$ 1,781
Amounts written off during the year as uncollectible	77	194	672	194
Reversal of impairment	(1,311)	(517)	(2,800)	(1,801)
	\$ (485)	\$ 534	\$ (798)	\$ 174

NOTE 13 INVESTMENT IN ASSOCIATES

	% interest held	
	As at September 31,	As at December 31,
	2011	2010
Harvard Western Ventures Ltd.	50%	50%
AgShare Agency Ltd.	50%	50%
Falkins Insurance Agencies Ltd.	40%	40%
Archibald Clarke & Defieux Insurance Services Ltd.	30%	30%
Jennings Capital Inc.	0%	48%

The Company has sold its investment in Jennings Capital Inc. ("Jennings"). In the Company's financial statements for the three month period ended March 31, 2011, the Company's investment in Jennings was recorded as a held-for-sale asset with a value of \$1,799 on the balance sheet. On the income statement for the same period, the Company recorded an \$8,970 write-down of the held-for-sale asset. On April 6, 2011, the sale of Jennings was complete and no further gain or loss was recorded.

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	For the period ended September 30, 2011	For the year ended December 31, 2010
At January 1	\$ 21,283	\$ 11,591
Share of profit	721	3,149
Investment/(sale) during period	177	6,543
Reclassification to held for sale	(10,770)	-
At end of period	\$ 11,411	\$ 21,283

The following summarizes financial information about the Company's share of assets, liabilities, revenues and profit or loss of its associates.

	For the period ended September 30, 2011	For the year ended December 31, 2010
Assets	\$ 9,352	\$ 27,285
Liabilities	\$ 4,397	\$ 16,244
Revenues	\$ 4,523	\$ 22,065
Profit	\$ 721	\$ 3,149

NOTE 14 ACCOUNTS RECEIVABLE

	September 30, 2011	December 31, 2010
Trade receivables	\$ 20,006	\$ 31,414
Less provisions for impairment of trade receivables	(27)	(27)
Trade receivables - net	19,979	31,387
Insurance receivables:		
Due from contract holders	3,952	3,522
Less provision for impairment of receivables from contract holders	(25)	(25)
Due from agents, brokers and intermediaries	17,057	18,014
Less provision for impairment of receivables from agents, brokers and intermediaries	(35)	(35)
	20,949	21,476
	\$ 40,928	\$ 52,863
Current	\$ 41,015	\$ 52,950
Non-current	\$ (87)	\$ (87)

NOTE 15 GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of acquired subsidiaries and associates at the date of acquisition. Goodwill on acquisitions of associates is included in investments in associates.

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	September 30, December 31,	
	2011	2010
Balance, beginning of period	\$ 166,388	\$ 148,205
Arising from acquisitions	5,314	18,183
Impairment	(11,036)	-
Balance, end of period	\$ 160,666	\$ 166,388

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to the operating segment. An operating segment-level summary of the goodwill allocation is presented below.

	September 30, December 31,	
	2011	2010
Network	\$ 128,938	\$ 123,625
Western Financial Insurance	24,728	24,728
Western Life Assurance	5,188	5,188
Corporate and all other	1,812	1,812
Bank West	-	11,036
	\$ 160,666	\$ 166,388

Goodwill is tested annually as well as whenever a trigger event has been observed for impairment by comparing the present value of the expected future cash flows from a cash-generating unit with the carrying value of its net assets, including attributable goodwill and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

During the quarter ended March 31, 2011, \$11,036 of goodwill was written down due to impairment. Due to the current development of a new business plan for Bank West, management determined that this change in strategy was a possible indicator of impairment and performed an assessment. Based on this assessment goodwill was determined to be impaired and was written down. In addition, this change in strategy also resulted in a number of categories of intangibles related to Bank West also being written down (Note 16).

NOTE 16 INTANGIBLE ASSETS

During the first quarter of 2011 the Company determined that the following intangibles related to Bank West were impaired and were therefore written down (Note 15).

- Relationships \$4,399
- Trade names \$840
- Proprietary processes \$410
- Non-compete agreements \$150

Intangible assets are tested for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. Due to the development of a new business plan for Bank West, management determined that this change in strategy was a possible indicator of impairment and performed an assessment. Based on this assessment intangibles were determined to be impaired at March 31, 2011 and \$5,799 of intangible assets was written down, as detailed above. There were no write-downs of intangible assets due to impairment during the year ended December 31, 2010.

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NOTE 17 INSURANCE LIABILITIES

Insurance liabilities include life and health insurance contract liabilities and property and casualty insurance contract liabilities. The following is a summary of the Company's insurance liabilities.

	September 30, 2011 December 31, 2010	
Gross		
Insurance liabilities		
Individual non-participating life	\$ 77,503	\$ 64,480
Individual annuities	818	811
Individual accident & sickness	1,750	1,838
Group life	5,372	4,538
Group accident & sickness	4,018	3,057
Other policy liabilities		
Individual non-participating life	1,349	1,770
Individual annuities	-	-
Individual accident & sickness	4,961	3,921
Group life	5,528	3,522
Group accident & sickness	25,768	19,309
Provision for claims incurred but not reported	1,721	1,909
Total insurance liabilities, gross	\$ 128,788	\$ 105,155

	September 30, 2011 December 31, 2010	
Recoverable from reinsurers		
Insurance liabilities		
Individual non-participating life	\$ 31,226	\$ 25,097
Individual annuities	-	-
Individual accident & sickness	123	128
Group life	2,276	1,840
Group accident & sickness	2,082	1,598
Other policy liabilities		
Individual non-participating life	-	-
Individual annuities	-	-
Individual accident & sickness	1,763	1,399
Group life	1,663	1,106
Group accident & sickness	15,110	10,951
Total reinsurers' share of liabilities	\$ 54,243	\$ 42,119

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	September 30, 2011	December 31, 2010
Net		
Insurance liabilities		
Individual non-participating life	\$ 46,277	\$ 39,383
Individual annuities	818	811
Individual accident & sickness	1,627	1,710
Group life	3,096	2,698
Group accident & sickness	1,936	1,459
Individual non-participating life		
Individual non-participating life	1,349	1,770
Individual annuities	-	-
Individual accident & sickness	3,198	2,522
Group life	3,865	2,416
Group accident & sickness	10,658	8,358
Provision for claims incurred but not reported	1,721	1,909
Total insurance liabilities, net	\$ 74,545	\$ 63,036
Current	21,275	16,838
Non-current	53,270	46,198

Changes in insurance liabilities and corresponding reinsurance assets for the period are as follows.

As at September 30, 2011			
	Insurance liabilities	Reinsurance contracts	Net
Balances January 1, 2011	\$ 105,155	\$ 42,119	\$ 63,036
Change in balances for in-force policies	2,593	(6)	2,599
Balances arising from new policies	7,014	5,486	1,528
Method and assumption changes	5,130	1,564	3,566
Increase in insurance liabilities and reinsurance contracts	14,737	7,044	7,693
Balance before other policy liabilities and assets	119,892	49,163	70,729
Other policy liabilities and assets	8,896	5,080	3,816
Total insurance liabilities and reinsurance contracts	\$ 128,788	\$ 54,243	\$ 74,545

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	As at December 31, 2010		
	Insurance liabilities	Reinsurance contracts	Net
Balances January 1, 2010	\$ 85,753	\$ 31,802	\$ 53,951
Change in balances for in-force policies	4,805	1,009	3,796
Balances arising from new policies	7,720	7,261	459
Method and assumption changes	(95)	(1,869)	1,774
Increase in insurance liabilities and reinsurance contracts	12,430	6,401	6,029
Balance before other policy liabilities and assets	98,183	38,203	59,980
Other policy liabilities and assets	6,972	3,916	3,056
Total insurance liabilities and reinsurance contracts	\$ 105,155	\$ 42,119	\$ 63,036

a) Life and health insurance contract liabilities

Life and health insurance contract liabilities consist of actuarial liabilities and a provision for unpaid and unreported claims.

The calculation of the insurance liabilities requires that assumptions are made with respect to the timing of many elements such as death, disability, investment income, inflation, policy cancellations, expenses, income taxes, premiums and commissions. To predict experience, Western Life uses the best estimate assumptions. Some of these assumptions refer to events that are likely to occur in the distant future and they could eventually be changed.

Insurance liabilities including provisions for unpaid and unreported claims are determined in accordance with Canadian accepted actuarial practice and any requirements of OSFI. As confirmed by guidance provided by the Canadian Institute of Actuaries ("CIA"), the current CALM of valuation of insurance liabilities satisfies the eligibility requirements for use of IFRS 4, *Insurance contracts*.

The insurance liabilities have been determined by the Appointed Actuary using accepted actuarial practice involving the use of assumptions for such factors as mortality and morbidity rates, future investment yields, future expense levels and rates of withdrawal. The process of determining actuarial liabilities necessarily involves the risk that actual results may vary from assumed results. The risk varies in proportion to the length of the period covered by each assumption and the potential volatility of actual results. The additional reserve resulting from assumed results. The risk varies in proportion to the length of period covered by each assumption and the potential volatility of actual results. The additional reserve resulting from using assumptions which include these margins is referred to as the provision for adverse deviation. The provision will be included in future income to the extent it is not required to cover adverse experience.

The basic assumptions made in establishing insurance liabilities are best estimated for a range of possible outcomes. To recognize the uncertainty in establishing these estimates, to allow for possible deterioration in experience and to provide greater comfort that the actuarial reserves are adequate to pay future benefits, the actuary is required to include in each assumption a range of allowable margins prescribed by the CIA. Western Life maintains margins near the middle of the allowable range prescribed by the CIA. In total, Western Life's margin comprises 18% (December 31, 2010 – 20%) of Western Life's policy liabilities totaling \$12,800 (December 31, 2010 - \$12,000).

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b) Property and casualty insurance contract liabilities

Property and casualty insurance contract liabilities consist of provision for claims and adjustment expenses.

The provision for unpaid claims represents the amounts needed to provide for the estimated ultimate expected cost of settling claims related to insured events (both reported and unreported) that have occurred on or before each balance sheet date. The provision for adjustment expenses represents the estimated ultimate expected costs of investigating, resolving and processing these claims. The computation of these provisions takes into account the time value of money using discount rates based on projected investment income from the assets supporting the provisions.

The process of determining the provision for unpaid claims and adjustment expenses necessarily involves risks that actual results will deviate from the best estimate made. These risks vary in proportion to the length of the estimation period and the volatility of each component comprising liabilities. To recognize the uncertainty in establishing these best estimates and to allow for possible deterioration in the experience, actuaries are required to include explicit margins for adverse deviation in assumptions for asset defaults, reinvestment risk and claims development.

All provisions are periodically reviewed and evaluated in the light of emerging claim experience and changing circumstances. The resulting changes in estimates of the ultimate liability are recorded as incurred claims in the current period.

The establishment of the provision for unpaid claims and adjustment expenses is based on known facts and interpretation of circumstances and is therefore a complex and dynamic process influenced by a large variety of factors. These factors include Western Financial Insurance's experience with similar cases and historical trends involving claim payment patterns, loss payments, pending levels of unpaid claims, claims severity and claim frequency patterns.

Other factors include the continually evolving and changing regulatory and legal environment, actuarial studies, professional experience and expertise of Western Financial Insurance's claims department personnel, the quality of the data used for projection purposes, existing claims management practices including claims handling and settlement practices, the effect of inflationary trends on future claims settlement costs, investment rates of return, court decisions, economic conditions and public attitudes. In addition, time can be a critical part of the reserving determination, since the longer the span between the incidence of a loss and the payment or settlement of the claims, the more variable the ultimate settlement amount can be.

Consequently, the establishment of the provision for unpaid claims and adjustment expenses process relies on the judgment and opinions of a large number of individuals, on historical precedent and trends, on prevailing legal, economic, social and regulatory trends and on expectations as to future developments. The process of determining the provisions necessarily involves risks that the actual results will deviate, perhaps substantially, from the best estimates made.

The development of insurance liabilities provides a measure of Western Financial Insurance's ability to estimate the ultimate value of claims. The top half of the table below illustrates how the Western Financial Insurance's estimate of the total claims outstanding for each year has changed at successive period-ends. The bottom half of the table reconciles the cumulative claims to the amount included on the balance sheet. The Company has elected to apply the transitional provisions of IFRS 4, and disclose only five years of data in its claims development table, as permitted by IFRS 4 in the year of adoption of IFRS. The disclosures will be increased in each succeeding additional year, until the full ten years of information is included.

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Western Financial Insurance

Reporting Period	2006	2007	2008	2009	2010	Sept 30 2011	Total
Estimate of ultimate claims costs:							
At end of reporting period	8,256	10,509	14,771	16,425	17,434	14,468	81,863
One year later	8,326	10,406	14,135	15,536	17,282	-	65,685
Two years later	8,321	10,402	14,131	15,535	-	-	48,389
Three years later	8,321	10,402	14,135	-	-	-	32,858
Four years later	8,321	10,402	-	-	-	-	18,723
Five years later	8,321	-	-	-	-	-	8,321
Current estimate of cumulative claims	8,321	10,402	14,135	15,535	17,282	14,468	80,143
Cumulative payments to date	(8,321)	(10,402)	(14,131)	(15,536)	(17,024)	(13,008)	(78,422)
Liability recognized in the balance sheet	-	-	4	(1)	258	1,460	1,721
Reserve in respect of prior years	-	-	-	-	-	-	-
Total reserve included in balance sheet	-	-	4	(1)	258	1,460	1,721

NOTE 18 DEBT

During April 2011, Caisse Centrale Desjardins ("CCD") established an unsecured operating credit facility in favour of Bank West in an aggregate principal amount of up to \$20,000. This facility is repayable on demand and bears interest at the CCD cost of funds plus a margin of 0.5%. There were no amounts drawn under this facility at September 30.

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	As at September 30, 2011	As at December 31, 2010
Advance provided by Desjardins, no repayment terms, unsecured, interest at CCD cost of funds plus 0.5%.	\$ 55,000	\$ -
Demand loan in an aggregate principal amount of up to \$50,000 provided by CCD, convertible into a 5 year term loan with a 7 year amortization period, unsecured, interest at CCD cost of funds plus 0.75%	6,917	-
Operating credit facility in favour of the Company in an aggregate principal amount of up to \$10,000 provided by CCD, repayable on demand, unsecured, interest at CCD cost plus 0.5%	4,107	-
Bank loans provided by a Canadian chartered bank, authorized to a maximum of \$70,000 (2010 - \$70,000) repayable at \$835 (2010 - \$804) per month plus interest, at bank prime rate plus 2.25% (2010 - prime plus 2.25%) per annum. These loans were paid out on May 6, 2011.	-	54,937
\$16,710 convertible unsecured subordinated debentures , interest payable semi-annually 12% per annum with a maturity date of June 30, 2014. These were fully redeemed on May 24, 2011.	-	15,765
Fixed rate demand mortgage with a maturity date of June 19, 2012, repayable at \$14 per month including interest at 3.75%, secured by a \$1,602 conventional mortgage providing a first charge over the property located at 777 Portage Avenue, Winnipeg, MB, a fixed rate promissory note of the borrower, general assignment of rents and assignment of insurance coverage. This was paid out in April 2011.	-	920
	\$ 66,024	\$ 71,622

NOTE 19 TRADE AND OTHER PAYABLES

	As at September 30, 2011	As at December 31, 2010
Trade payables	\$ 49,662	\$ 53,301
Withholding and other taxes	1,170	41
Accrued expenses	43,596	51,333
	\$ 94,428	\$ 104,675
Current	87,175	95,835
Non-current	7,253	8,840

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NOTE 20 ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss as at September 30 and other comprehensive income for the nine month period then ended were as follows.

	September 30, 2011			September 30, 2010		
	Opening balance	Net Change	Ending Balance	Opening balance	Net Change	Ending Balance
(Losses) gains from change in fair value on available-for-sale securities	\$ (432)	\$ 679	\$ 247	\$ (206)	\$ 390	\$ 184
Change in fair value of interest rate swap	(120)	120	-	68	(405)	(337)
	\$ (552)	\$ 799	247	\$ (138)	\$ (15)	\$ (153)

NOTE 21 INSURANCE PREMIUM INCOME

WESTERN LIFE

Premiums for individual and group insurance contracts, and contracts with limited mortality or morbidity risk, are recognized as revenue when due. Premiums relating to specific program contracts (Whole Life, Group Critical Illness, Group Accidental Death & Dismemberment and Creditor) are recognized as revenue when earned. When premiums are recognized, actuarial liabilities are computed, with the result that benefits and expenses are matched with such revenue.

WESTERN FINANCIAL INSURANCE

Premiums are taken into income on a monthly pro-rata basis over the policy term. Unearned premiums represent the portion of premiums written that relates to the unexpired term of the policies in force.

	Three months ended September 30					
	2011			2010		
	Western Life Assurance	Western Financial Insurance	Total	Western Life Assurance	Western Financial Insurance	Total
Insurance premium income	\$ 23,404	\$ 9,954	\$ 33,358	\$ 18,247	\$ 9,215	\$ 27,462
Insurance premium ceded to reinsurers	(7,863)		(7,863)	(6,128)		(6,128)
Net insurance premium income	\$ 15,541	\$ 9,954	\$ 25,495	\$ 12,119	\$ 9,215	\$ 21,334

	Nine months ended September 30					
	2011			2010		
	Western Life Assurance	Western Financial Insurance	Total	Western Life Assurance	Western Financial Insurance	Total
Insurance premium income	\$ 62,527	\$ 28,851	\$ 91,378	\$ 46,420	\$ 26,909	\$ 73,329
Insurance premium ceded to reinsurers	(19,700)		(19,700)	(14,152)		(14,152)
Net insurance premium income	\$ 42,827	\$ 28,851	\$ 71,678	\$ 32,268	\$ 26,909	\$ 59,177

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NOTE 22 OPERATING EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Salaries and benefits	\$ 19,815	\$ 18,425	\$ 67,925	\$ 54,461
Commission expense	5,832	4,225	15,559	10,166
Professional and consulting fees	1,509	1,412	6,045	3,282
Advertising, marketing and public relations	928	1,491	5,427	4,626
Information technology and telecommunication	440	470	4,311	3,743
Operating lease payments	1,580	1,641	4,979	5,006
Regulatory fees	1,127	902	4,099	2,737
Other operating expenses	5,362	5,485	18,795	14,509
	<u>\$ 36,593</u>	<u>\$ 34,051</u>	<u>\$ 127,140</u>	<u>\$ 98,530</u>

Included in Salaries and benefits is an accrual of \$813 for the Employee Share Ownership Plan (“ESOP”) which began on June 1, 2011. The ESOP enables substantially all employees to purchase preferred shares of the Company, which is not publicly traded. Eligible employees make personal contributions to the ESOP up to 5% of their earnings, which are used to acquire preferred shares of the Company. These preferred shares are classified as a liability. The employee contributions are matched by the Company in the form of a deferred cash bonus (“DCB”) which is subject to a three year vesting period. The DCB is included in trade and other payables on the balance sheet.

NOTE 23 INCOME TAXES

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the respective jurisdiction that the Company’s subsidiaries and associates operate in and generate taxable income.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only to the extent it is probable that future taxable profit will be available against which these temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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The tax on the Company's profit before tax differs from the theoretical amount that would arise using the statutory tax rate applicable to profits of the consolidated entities as follows:

	Three months ended September 30, 2011	Nine months ended September 30, 2011
Income (loss) before tax	\$ 12,979	\$ (15,615)
Expected income tax expense (recovery)	3,475	(4,113)
Tax effects of:		
Income not subject to tax	(118)	(30)
Expenses not deductible for tax purposes	89	5,031
Tax losses for which no deferred income tax asset was recognized	11	1,217
Income tax rate and other adjustments	(12)	863
Adjustment in respect of prior years	-	100
Tax expense	\$ 3,445	\$ 3,068

NOTE 24 CASH FLOW FROM OPERATIONS

	<u>Nine months ended September 30</u>	
	2011	2010
Adjustments for:		
Change in fair value of held-for-trading securities	\$ (6,977)	\$ (6,710)
Realized net loss - held-for-trading and available-for-sale securities	(162)	(236)
Other net investment income	(2,476)	(1,913)
Loan impairment charges	1,329	1,781
Income from investment in associates	(1,207)	(1,039)
Loss on write-down of held for sale asset	8,970	-
Depreciation of property and equipment	1,740	2,001
Amortization of intangible assets	3,195	2,926
Impairment of goodwill and intangibles	16,835	-
Future income taxes	(3,438)	132
Stock based compensation	403	321
Other non-cash expenses	17,217	(60)
Change in non-cash operating assets and liabilities		
Accounts receivable	11,867	9,955
Prepaid expenses	2,747	(101)
Trade and other payables	(1,676)	24,834
Reinsurance contracts	(12,123)	(10,647)
Insurance liabilities	23,633	20,612
Due to policyholders	(1,594)	(1,752)
Income taxes	7,479	6,856
	\$ 65,762	\$ 46,960

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NOTE 25 CONTINGENCIES

The Company has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from contingent liabilities other than those provided for.

NOTE 26 BUSINESS COMBINATIONS

As part of its business strategy the Company acquires insurance brokerages on a regular basis. All such business combinations are accounted for using the acquisition method whereby the assets and liabilities have been recorded at fair market values and the operating results have been included in the Company's financial statements from the effective date of purchase.

On January 1, 2011 the Company acquired 100% of the outstanding shares of Keenleyside Insurance Services Ltd. an insurance brokerage located in Terrace, BC for cash consideration of \$2,705. The acquired company contributed profit of \$344 to the Company from the period January 1 to September 30, 2011.

On February 1, 2011 the Company acquired, for cash of \$356, the general insurance business of Berwyn Insurance Ltd. located in Berwyn, Alberta.

On June 2, 2011 the Company acquired 100% of the outstanding shares of Bell and Cross Insurance Agency Ltd. an insurance brokerage located in Winnipeg, MB for cash consideration of \$2,604.

On July 1, 2011 the Company acquired for cash 100% of the outstanding shares of Dave Duncan Insurance Agency Ltd. an insurance brokerage located in Gilbert Plains, MB. This purchase is estimated to be \$1,100.

On August 31, 2011 the Company acquired for cash 100% of the outstanding shares of Leith & Glassford Agency Ltd. an insurance brokerage located in Rosetown, SK. This purchase is estimated to be \$1,000. The Company has not completed its purchase price allocation and therefore the initial accounting for this business combination has been determined only provisionally.

On September 30, 2011 the Company acquired, for cash of \$95, the general insurance business of Brown Pineo Insurance and Financial Brokers Ltd. o/a First Durham Insurance and Vince Reiedy in Winnipeg, MB.

Details of net assets acquired and goodwill are as follows:

	September 30, 2011	September 30, 2010
Purchase consideration:		
Cash paid	\$ 7,857	\$ 19,451
Direct costs relating to the acquisition	-	-
Fair value of shares issued, net of issuance costs	-	-
Total purchase consideration paid	\$ 7,857	\$ 19,451

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The assets and liabilities arising from the acquisition are as follows:

	September 30, 2011		September 30, 2010	
	Fair Value	Acquirees' carrying amount	Fair Value	Acquirees' carrying amount
Cash and cash equivalents	\$ 353	\$ 353	\$ 63	\$ 63
Other investments	-	-	-	-
Other assets	233	233	43	43
Property and equipment	65	65	19	19
Intangible assets	2,355	-	354	-
Trade and other payables	(469)	(469)	(107)	(107)
Deferred income taxes receivable (payable)	5	5	-	-
Fair value of net assets	\$ 2,542	\$ 187	\$ 372	\$ 18
Goodwill	5,315		19,079	
Total purchase consideration paid	\$ 7,857		\$ 19,451	
Total purchase consideration paid	\$ 7,857		\$ 19,451	
Cash and cash equivalents in subsidiary acquired	(353)		(63)	
Cash outflow on acquisition	\$ 7,504		\$ 19,388	

Good will is attributable to the profitability of the acquired businesses and the significant synergies expected to arise after the Company's acquisition.

NOTE 27 RELATED PARTY TRANSACTIONS

Immediately prior to the closing of the purchase by Desjardins, all outstanding options and all outstanding Employee Share Ownership Plan ("ESOP") shares vested. In addition, certain executives of the Company and its subsidiaries, as listed in the offer, had change of control clauses in their employment agreements. The aggregate obligation of the Company pursuant to the Change of Control Agreements in the circumstances of an involuntary termination or an election to terminate employment following a Change of control, including amounts that were payable under the Long Term Incentive Plan were paid on or about April 26, 2011 and amounted to \$3,167.

The following additional transactions were carried out with related parties:

a) Sales of services

	September 30, 2011		September 30, 2010	
Sales of services:				
Parent	\$ 14	\$ -		
Key Management	5	3		
	\$ 19	\$ 3		

Sales of services with related parties are in accordance with normal business practice and are recorded at the exchange amount.

b) Purchases of goods and services

There were no purchases of goods and services with related parties during the first nine months of 2011 and 2010.

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c) Key management compensation

Key management includes directors and the following:

- President & CEO, Western Financial Group Inc.
- Executive VP & CFO, Western Financial Group Inc.
- Executive VP & Chief Administrative Officer, Western Financial Group Inc.
- Executive VP, Western Financial Group Inc.
- President & CEO, Western Financial Group (Network) Inc.
- President & CEO, Bank West
- President & CEO, Western Life Assurance Company
- President & CEO, Western Financial Insurance Company

The compensation paid or payable to key management for employee services is shown below.

	September 30, 2011	September 30, 2010
Salaries and other short-term employee benefits including payments on closing of purchase by		
Desjardins	\$ 5,796	\$ 2,423
Post-employment benefits	3	18
Share-based payments	2,810	307
	\$ 8,609	\$ 2,748

d) Period end balance arising from sales/purchases of goods/services

	September 30, 2011	September 30, 2010
Receivables from related parties:		
Associates	\$ 681	\$ 360

e) Loans to related parties

	September 30, 2011	December 31, 2010
Loans to key management of the company (and their families):		
At January 1	\$ 125	\$ 225
Loans advanced during the year	125	-
Loan repayments received	(127)	(100)
	\$ 123	\$ 125
Loans to associates:		
At January 1	\$ 2,128	\$ 1,890
Loans advanced during the year	-	1,538
Loan repayments received	(2,128)	(1,300)
	-	\$ 2,128
Total loans to related parties:		
At January 1	\$ 2,253	\$ 2,115
Loans advanced during the year	125	1,538
Loan repayments received	(2,255)	(1,400)
	\$ 123	\$ 2,253

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The loans to associates are due on demand and non-interest bearing. The loans advanced to key management have the following terms and conditions:

	Amount of loan	Term	Interest rate
2010	\$ 125	Unspecified	0.0%
2011	\$ 125	60 months	6.5%

No provision has been required in 2011 and 2010 for the loans made to key management personnel and associates.

f) *Loans from related parties*

	September 30, 2011	December 31, 2010
Loans from Parent		
At January 1	\$ -	\$ -
Loans advanced during the year	66,107	-
Loan repayments made	(83)	-
Interest charged	391	-
Interest payable	(391)	-
	\$ 66,024	\$ -

NOTE 28 EVENTS AFTER THE REPORTING PERIOD

Effective October 1, 2011 the Company acquired for cash 100% of the outstanding shares of Border Agencies (1979) and Bannatyne Insurance Ltd. o/a Border Bannatyne Insurance Services, an insurance brokerage located in Estevan, SK. This purchase is estimated to be \$5,000.

Effective November 1, 2011 the Company acquired for cash 100% of the outstanding shares of Watrous Insurance Brokers Ltd., an insurance brokerage located in Watrous, SK. This purchase is estimated to be \$1,800.