



Western
Financial
Group

Q1 2009

Western Financial Group Inc.

DEAR FELLOW SHAREHOLDERS

We are pleased with our first quarter results given the challenging environment.

Our operations remain strong through these turbulent times, and given the very different economic conditions we saw in the same period last year, it is gratifying that we are keeping up the pace on our revenue side that we set a year ago for the first quarter of 2009. Expenses are up, which we budgeted for, after restructuring our overall compensation for our employees last year. Bank West has had a reversal in the first quarter, falling from a small operating profit to a small loss but we expect to see that overcome in the second and third quarters as much of their additional increase in expenses relate to taking over expenses at AgriFinance, without the benefit of its revenue which is derived in large part from the summer and fall months.

Given the trends of the first quarter, and some early indications from the current quarter underway, we remain optimistic that our stated 2009 Objectives can be achieved.

2009 OBJECTIVES	
Same Store Revenue	5%-8% growth
Network Operating Margin	29%
Bank West Specific Provisions	50 bps or less
Western Life Loss Ratio	<45%
Overall 2009 Net Income	\$14.5 to \$16.5 million

The Network increased revenues by 6.3% to \$17.5 million, while expenses also increased by 10.2% from \$12.6 million to \$13.9 million year over year for the first quarter. Same store revenue increased 5.2%, products per customer account (PPCA) increased to 2.33 and same store customer count increased 1.2%.

Bank West saw a 21.8% increase in its net interest and investment income from \$1.5 million to \$1.9 million. Provisions for credit losses rose from \$80,000 to \$289,000 as a result of market conditions, and operating expenses increased from \$769,000 to \$2.1 million. The increases were due to expenses related to the AgriFinance purchase coupled with seasonality in their revenue which traditionally is small in the first quarter and strong in the second and third quarters. One time restructuring charges, including severance and technology investment costs toward the completion of the Wealthview management platform, also contributed to the differences.

Western Life achieved a strong start to the year, with net premium revenue at \$8.5 million from \$7.2 million. Our investment portfolio continued to reflect the impact of the current economic conditions decreasing total revenue by \$800,000.

The Company's equity partners at Falkins Insurance and Harvard Western Ventures had positive starts to the year. Jennings Capital has successfully weathered the storm in the investment banking business and is in the process of returning to positive numbers which it anticipates in the second quarter.

On behalf of the Board of Directors,



Scott Tannas
President and Chief Executive Officer
High River, Alberta
May 14, 2009

Western Financial Group Inc.

FINANCIAL HIGHLIGHTS

THREE MONTHS ENDED MARCH 31

(in \$ thousands except for per share amounts)

	2009	2008	% Change
The Network			
Commissions and other customer revenue	\$ 17,522	\$ 16,489	6.3 %
Operating expenses	<u>13,932</u>	<u>12,639</u>	10.2 %
Operating income	<u>\$ 3,590</u>	<u>\$ 3,850</u>	(6.7) %
Bank West			
Interest and investment income	5,537	4,942	12.0 %
Interest expense-customer deposits	<u>3,654</u>	<u>3,396</u>	7.6 %
Net interest and investment income	1,883	1,546	21.8 %
Provisions for credit losses	289	80	261.1 %
Operating expenses	<u>2,096</u>	<u>769</u>	172.6 %
Operating (loss) income	<u>\$ (502)</u>	<u>\$ 697</u>	(172.0) %
Western Life			
Premium and investment income	7,950	8,004	(0.7) %
Policyholder benefits	3,633	3,705	(1.9) %
Operating expenses	<u>3,377</u>	<u>3,123</u>	8.1 %
Operating income	<u>\$ 940</u>	<u>\$ 1,176</u>	(20.0) %
Corporate and all other			
Other revenues	372	667	(44.2) %
Operating expenses	<u>2,154</u>	<u>2,397</u>	(10.1) %
Operating (loss) income	<u>\$ (1,782)</u>	<u>\$ (1,730)</u>	3.0 %
Total operating income	<u>\$ 2,246</u>	<u>\$ 3,993</u>	(43.8) %
Net income	914	2,386	(61.7) %
Preferred dividends	<u>(1,003)</u>	<u>-</u>	- %
Earnings available to common shareholders	(89)	2,386	(103.7) %
Earnings per common share			
- basic (\$)	\$ 0.00	\$ 0.05	(100.0) %
- diluted (\$)	\$ 0.00	\$ 0.04	(100.0) %

Western Financial Group Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our results of operations and financial condition should be read in conjunction with our unaudited consolidated financial statements and related notes as at and for the three months ended March 31, 2009 and the management's discussion and analysis and audited consolidated financial statements and related notes for the year ended December 31, 2008.

This management's discussion and analysis is dated May 14, 2009 and provides forward-looking information and comments regarding our objectives, strategies, financial results, risk management and business outlook. Forward-looking information and statements involve numerous assumptions, risks and uncertainties, including the risk that prediction and other forward-looking statements may not prove to be accurate. We caution the reader not to place undue reliance on these statements, as a number of important factors could cause actual results to differ materially from the estimates and comments expressed in them. A variety of factors, many of which are beyond our control affect our operations, performance and results. Such factors may include, but are not limited to: changing and prolonged financial and economic uncertainty; regulatory and legal developments; competition industry trends and availability of capital resources; declining interest rates; credit quality; liquidity; movement in credit spreads; changes in accounting standards and policies; changes in tax laws; and our anticipated success in managing our risks. We caution readers that the foregoing list is not exhaustive. Except as required by law, we do not undertake to update any forward-looking statements, written or oral, that we may make from time to time regarding our operations and performance.

NON-GAAP MEASURES

The financial statements are expressed in Canadian dollars and have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). We use non-GAAP measures to discuss our business, operations and performance. Although our non-GAAP measures do not have standardized meanings prescribed by GAAP, these measures are determined by reference to our financial statements and management's discussion and analysis. We discuss these measures as we feel that they are some of the key indicators of the performance of our business.

Operating income refers to earnings, including investment income, before income from equity investments, impairment on equity investments, impairment on available for sale securities, the gain or loss on the sale of investments and capital assets, interest and financing costs on long-term debt, amortization of intangible assets, amortization of capital assets, and income tax expense.

Return on common equity refers to the rolling four quarters net income after preferred dividends divided by average common shareholders' equity.

Total long-term liabilities refer to customer deposits maturing after one year, and long-term debt less the current portion of long-term debt.

Same store revenue is the change from one year to the next in the revenues of the WFG Agency Network's ("the Network's") existing branches in the year excluding acquisitions in the year.

Customer accounts tracks the increase in our customers and policies in the Network's existing branches in the year excluding acquisitions in the year.

Products per customer account ("PPCA") tracks the number of additional products we deliver to a customer.

Loss ratios assist in analyzing the underwriting at Western Life Assurance Company ("Western Life") by dividing the claims incurred by the net premiums written.

Regulatory capital refers to the total capital required to support credit, market and operational risk at Bank West, in accordance with OSFI requirements.

Risk weighting of assets refers to the deemed credit risk of each asset and assets are assigned a rating which is then used as a calculation for the regulatory capital at Bank West including operational risk and market risk based on OSFI

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requirements. Tier 1 and Tier 2 capital refers to the core capital that must be maintained at Bank West. The current regulatory guidelines require banks to maintain a minimum ratio of capital to risk-weighted asset and off-balance sheet items of 10%, of which 7% is to be tier 1 and the remainder supplementary capital (tier 2).

Capital adequacy ratio is a measure of the regulatory capital at Bank West and is expressed as a percentage of the bank's risk weighted credit exposures. This ratio is used to protect depositors and promotes the stability and efficiency of financial institutions.

CURRENT OUTLOOK

We do not expect there to be significant changes to the financial services industry in general that would have a material impact on the growth of Bank West, WFG Agency Network, or Western Life. With the tightening of the credit markets and credit in general due to the current adverse market and economic conditions that are expected to last through 2009 and into 2010 in Canada this could change our outlook and we will continue to monitor our business and the market changes that could impact our business.

While P&C insurance rates at the Network in 2008 remained soft, we expect personal and business insurance premiums to rise over the next twelve months. Over the past few years, the financial results of insurers have deteriorated, as rising claims costs were not fully covered by increases in premiums. With continuing claims cost increases and a reduction in investment income, we believe that insurance companies will be forced to apply additional rate increases. As broker's revenues are derived from commissions, we expect to realize increased revenue at the Network as insurance premiums increase. We have not seen the expected rate increase in the first three months of 2009. We continue to track same store sales and expect to see increases in premium rates in the second quarter.

We expect inflationary trends that have been present on the expense side of our business, particularly wages, to abate somewhat. With the increase in pricing we don't expect to see an adverse impact on our customer retention as we expect to remain competitive in our market place. Our retention rates have remained consistent with 2008.

Bank West will be presented with both challenges and opportunities in the future that have not been presented in the past. There should be on-going quality lending opportunities and possible acquisition opportunities. We expect to see challenges in credit quality with residential mortgages, personal loans, and collections with an increase in specific provisions for loan losses in 2009. Bank West will maintain disciplined underwriting practices along with regular diligent review of delinquencies and appropriate reserving levels. Our credit quality remained sound in the first quarter of 2009 with gross impaired loans consistent to year end at 1.0% of total loans.

We anticipate that the life and health insurance industry will remain stable in the medium to long-term, especially in the communities in Western Canada in which we operate. In 2009, we will continue with our strategy in developing new distribution channels and increasing distribution in WFG Agency Network and our Western communities to further diversify our portfolio. In the first three months of 2009 we saw an increase in premiums between Western Life the Network and our affiliated companies.

Our equity investments provide products and services similar to the Western Financial Group of companies except Jennings Capital Inc., which is an investment dealer. The investment dealer industry is subject to a decrease in business with the current economic environment, and they have seen impairment in their securities portfolios as they are carried at fair value. The current challenges, with regard to the conditions in the capital markets, are adversely impacting earnings, which are expected to be under pressure until market conditions improve. This trend continued in the first quarter of 2009.

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BUSINESS OF WESTERN FINANCIAL GROUP

We are a leader in providing insurance, financial services and banking services to more than 500,000 individuals and businesses in Western Canada through the Network, affiliated insurance brokers, Western Life and Bank West.

Our primary business is the ownership and operation of WFG Agency Network, which serves 100 communities with offices in British Columbia, Alberta, Saskatchewan and Manitoba. In addition, we have affiliated offices in 12 communities with 15 offices in British Columbia and Saskatchewan. These locations offer a broad variety of property and casualty insurance services including private automobile insurance and government auto in British Columbia, Saskatchewan and Manitoba, home and farm insurance, business and specialty insurance, life products, and in many locations, investment and financial services.

In addition, Western Life was acquired effective February 28, 2005, and brings a wide range of quality life insurance products to the WFG Agency Network offices. These include term and permanent life insurance, group benefits, health and disability insurance and loss of employment insurance. Western Life also has a network of over 2,000 brokers who sell its products. Since being acquired Western Life and the Network have worked closely in developing strategies to successfully integrate their product lines with our clients through the Network.

Bank West (“the Bank”), a Schedule I chartered bank, offers deposit and loan services, including Guaranteed Investment Certificates (GICs) and personal and commercial loans which are offered through its own broker network as well as through WFG Agency Network locations. The Bank has been successful in developing a growing business in recreational vehicles, marine and auto dealership financing and in offering mortgage products.

Investment products are offered from many of the WFG Agency Network locations on a referral basis to Jennings Capital, a full-service investment dealer with its head office in Calgary, Alberta, in which we have a 31.0% equity interest.

ACQUISITIONS AND INVESTMENTS

During the first quarter of 2009 we acquired all of the outstanding shares of Bakes-Jarvie Insurance Brokers Ltd. in Nanaimo, BC. In January 2009 we acquired all of the outstanding shares of AgriFinancial Canada Corp. (“AgriFinancial”) in Winnipeg, MB. AgriFinancial is a leading lender to agribusiness in Western Canada including more than 25,000 farmers who carry AgriFinancial’s AgriCard, a specialty credit card accepted at more than 750 agricultural merchants. In addition to the AgriCard, AgriFinancial provides term loans to farmers for the purchase of farm equipment. AgriFinancial will become a specialty unit within our banking subsidiary, Bank West.

In January 2009 we agreed to increase our investment in Hayhurst Elias Dudek Inc. (“HED”) to 75% from 49% in 2008. The transaction has an effective date of January 1, 2009 and is expected to close June 30, 2009. HED is one of the largest independently-owned insurance brokers in Canada, with approximately 190 employees nationwide. HED’s head office and the majority of the employees are located in Winnipeg, with additional offices in Toronto, Montreal and Halifax. HED offers three core product segments: i) Commercial Property & Casualty; ii) Life and Health; and iii) Pet Health Insurance through its subsidiary SecuriCan General Insurance Company, the leading provider of pet insurance in Canada, sold under the Petsecure brand.

During 2008, we acquired all of the outstanding shares of the following insurance brokerage businesses: Southern Insurance Management Inc., in Lethbridge, Alberta, Simpson Insurance Ltd., in Trochu, Alberta, Woodland Insurance Agencies, in Grande Cache, Alberta, Boyd Agencies Ltd. in Prince Albert, Saskatchewan, Vet’s Insurance & Consultants Ltd. in Coleman, Alberta and Dunn Realty and Insurance Ltd. in Wolseley, Saskatchewan. In addition we increased our investment in Hayhurst Elias Dudek Inc. (“HED”) to 49%. In August 2006, we acquired a 25% initial interest in Hayhurst Elias Dudek Inc. (“HED”).

See note 5 of the financial statements for additional details regarding acquisitions.

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KEY BUSINESS DRIVERS

Our management has identified certain key business drivers to assist it in managing and evaluating the progress of our business, especially the largest component of our business, the Network. These drivers consist of both non-GAAP measures and operational indicators. For the Network we track **same-store revenue** change, from one period to the next. As we continue to add branch offices to the Network through acquisitions it is important for us to track the revenues of the Network's existing branch offices. As we continue to add new products through the sale of Property and Casualty insurance and the addition of financial service products through the Network, we expect the average number of products we sell to existing customers to increase. To analyze this, we track the **products per customer account (PPCA)**. We also track the Network's year-to-date annualized percentage change in **same-store customer account** increase. With Western Life we track the increase in the **policy and certificate count**, and with Bank West we are focused on the growth of the **loan book**. Corporately we are looking at our **return on common equity** and the increase we are able to achieve over the next few years. The table below shows our key business drivers.

THREE MONTHS ENDED MARCH 31	2009	2008	2007	2006	2005
Same-store Revenue (% change) ⁽¹⁾	+5.2 %	+8.5 %	+ 7.6 %	+ 3.7 %	+ 7.7 %
Products per customer account (PPCA)	2.33	2.19	2.22	2.15	1.77
Same-store Customer Count (year to date annualized, % change) ⁽²⁾	+1.2 %	+3.4 %	+ 3.7 %	+ 3.0 %	+ 1.0 %
Western Life Policy/Certificate Count	28,432	26,231	23,194	19,141	17,300
Bank West Loan Book (\$ millions)	\$ 342.7	\$ 283.6	\$ 154.6	\$ 102.3	\$ 48.6
Return on Common Equity (ROE)	0.1 %	7.9 %	8.9 %	6.9 %	6.7 %

Notes:

- (1) Represents same-store revenue increase for the twelve months ended on the date indicated over the corresponding period in the prior year.
- (2) Represents year over year annualized increase.

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THREE YEAR SUMMARY

THREE MONTHS ENDED MARCH 31 (in \$ thousands except for per share amounts)	2009	2008	2007
Total revenues	\$ 31,381	\$ 30,102	\$ 24,559
Net income	914	2,386	2,545
Earnings (loss) per share - Basic (\$)	0.00	0.05	0.06
Earnings (loss) per share - Diluted (\$)	0.00	0.04	0.05
Total assets	684,858	624,970	622,701
Total long-term liabilities	242,544	245,387	162,142
Total cash dividends paid	1,015	969	-
Issued common shares	49,333,127	49,333,127	47,752,851

SEGMENTED DATA

Our financial results are divided into four reportable segments: insurance brokerage, banking services, life insurance and corporate and all other which includes travel agencies and real estate assets. The insurance brokerage segment provides a variety of property, casualty, life and health, and investment products and services to customers across Western Canada through WFG Agency Network. The banking segment commenced operations in January 2003 and provides premium financing to customers of the insurance segment as well as loans, mortgages and GIC's to other customers through Bank West. The life segment offers a range of disability products along with group life and health, and loss of employment insurance through WFG Agency Network and other distribution channels.

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THREE MONTHS ENDED MARCH 31		
(in \$ thousands except for per share amounts)	2009	2008
The Network		
Commissions and other customer revenue	17,522	16,489
Operating expenses	<u>13,932</u>	<u>12,639</u>
Operating income ⁽¹⁾	<u>\$ 3,590</u>	<u>\$ 3,850</u>
Bank West		
Interest and investment income	5,537	4,942
Interest expense-customer deposits	<u>3,654</u>	<u>3,396</u>
Net interest and investment income	1,883	1,546
Provisions for credit losses	289	80
Operating expenses	<u>2,096</u>	<u>769</u>
Operating (loss) income ⁽¹⁾	<u>\$ (502)</u>	<u>\$ 697</u>
Western Life		
Premium and investment income	7,950	8,004
Policyholder benefits	3,633	3,705
Operating expenses	<u>3,377</u>	<u>3,123</u>
Operating income ⁽¹⁾	<u>\$ 940</u>	<u>\$ 1,176</u>
Corporate and all other		
Other revenues	372	667
Operating expenses	<u>2,154</u>	<u>2,397</u>
Operating (loss) income ⁽¹⁾	<u>\$ (1,782)</u>	<u>\$ (1,730)</u>
Total operating income ⁽¹⁾	<u>\$ 2,246</u>	<u>\$ 3,993</u>
Net income	<u>\$ 914</u>	<u>\$ 2,386</u>
Preferred dividends	<u>\$ (1,003)</u>	<u>\$ -</u>
Earnings available to common shareholders	<u>\$ (89)</u>	<u>\$ 2,386</u>
Earnings (loss) per share		
- basic ⁽²⁾	<u>\$ 0.00</u>	<u>\$ 0.05</u>

Notes:

- (1) We use "operating income" to refer to earnings, before interest expense, income from long-term investments, taxes, impairment from available for sale financial instruments, one-time gains (losses), depreciation and amortization of intangible and capital assets. Operating income (loss) is a non-GAAP measure we use to measure our corporate performance before the costs of capital and amortization of capital and intangible assets. This measure may not be comparable to similar measures presented by other issuers and investors are cautioned that it should not be used as an alternative to "net income" or other measures of financial performance calculated in accordance with GAAP.
- (2) In 2009 we had \$0.00 basic earnings per share compared to earnings per share of \$0.05 in 2008. Our first preferred Series 2, 3 and 4 shares are entitled to a fixed cumulative preferential cash dividend if as and when declared by our board of directors. The dividend payment is deducted from net income for the calculation of earnings per share. As dividends have been declared since issue we are now accruing for the dividend payment on a quarterly basis. With the accrual of the dividends in 2009 we had \$0.00 earnings per share which would be comparable to earnings per share of \$0.03 in 2008 with the accrual of the dividends.

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RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2009 COMPARED TO MARCH 31, 2008

REVENUE

THREE MONTHS ENDED MARCH 31		
Revenue (in \$ thousands)	2009	2008
The Network	\$ 17,522	\$ 16,489
Bank West	5,537	4,942
Western Life	7,950	8,004
Corporate and all other	372	667
	\$ 31,381	\$ 30,102

Total revenue increased by \$1.3 million, or 4.2%, to \$31.4 million compared to \$30.1 million in 2008. This was primarily a result of the acquisitions at the Network, an increase of 18.1% in net premium income at Western Life contributing \$8.5 million to our revenue, and the increase in the gross interest and investment income at Bank West.

We saw a slower first quarter than usual due to several conditions. First, with the continued down turn in the economic conditions, the Network saw its same store sales increase at 5.2% compared to 8.9% in 2008. Our policy count continued to grow, we maintained our retention ratios, our margins remained consistent with the first quarter of 2008 but commercial businesses reduced or removed coverage on their existing assets waiting for the economy to recover and the purchase of new homes and cars seemed to be on hold. At the Bank we are beginning to see our portfolio volumes change with the acquisition of Agrifinancial. As we direct our capital to the assets managed by Agrifinance loans, and AgriCard, we expect to see revenue growth in our second and third quarters. With Western Life we continue to see growth in premium sales in the first quarter consistent with 2008 but we have a negative impact from our investment losses with our equity and bond portfolio.

THREE MONTHS ENDED MARCH 31		
Revenue (in \$ thousands)	2009	2008
The Network		
Property & Casualty Commission	\$ 12,889	\$ 11,489
Government auto	3,186	2,983
Contingent income	1,166	1,697
Other	281	320
	\$ 17,522	\$ 16,489
Premiums	\$ 80,162	\$ 70,752

The Network's revenue increased by \$1.0 million to \$17.5 million in 2009 compared to \$16.5 million in 2008. This was primarily due to acquisitions contributing \$800,000 the growth in same-store revenue of 5.2%, representing an additional contribution of approximately \$700,000, and an increase in government auto of \$200,000. Finally we recorded a decrease in contingent income of \$500,000 from receiving higher than expected income in the first quarter of 2008. These agreements can vary by office, region and company and are not finalized by third party insurers until the following year, which may require an adjustment (positive or negative) to the amount previously estimated and recorded.

THREE MONTHS ENDED MARCH 31		
Revenue (in \$ thousands)	2009	2008
Bank West		
Interest income	\$ 4,838	\$ 4,583
Investment income	84	324
Other income	615	35
	\$ 5,537	\$ 4,942

Bank West's gross interest revenue increased by \$300,000 to \$4.9 million in 2009 compared to \$4.6 million in 2008 and other income increased by \$600,000, both from the loan and credit card portfolio's of AgriFinancial.

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Bank West's loan portfolio before provisions increased 20.3% to \$342.7 million in 2009 from \$283.6 million in 2008. This increase is due to the acquisition of AgriFinancial which closed January 30, 2009. In the second half of 2008 and the beginning of 2009 we chose to preserve capital for the acquisition and did not add new loans to our portfolio. In the second half of 2008 and the beginning of 2009, the Bank also built up its deposits to be able to fund the AgriFinancial loan portfolio subsequent to closing of the acquisition. Our customer deposits increased by \$51.3 million to \$327.4 million in 2009 from \$276.1 million in 2008. These factors had a negative impact on net interest revenue and net income.

As a result, Bank West's net interest and other revenue after provisions for loan losses saw an 8.7% increase to \$1.6 million in 2009 compared to \$1.5 million in 2008. We saw provisions for loan losses in 2009 of \$300,000 compared to \$100,000 in 2008. Our gross impaired loans remain consistent with our year end results at 1.0% of our total loan portfolio.

Our investment income decreased as interest rates declined and we held short term cash waiting to close on the acquisition of AgriFinancial.

THREE MONTHS ENDED MARCH 31		
Revenue (in \$ thousands)	2009	2008
Western Life Assurance		
Premium income	\$ 8,469	\$ 7,172
Investment income (loss)	(519)	832
	\$ 7,950	\$ 8,004

Western Life contributed \$8.0 million in total revenue after losses from our equity and bond portfolio. We had \$8.5 million in net premium revenue as compared to \$7.2 million in 2008 a 17.7% growth year over year. As our investment portfolio continued to reflect the impact of the current economic environment we saw a decrease in our bond portfolio and a loss from the sale of our equity funds of \$800,000.

Specific product offerings covering creditor and group lines led the positive growth in net premiums. Additionally, direct sales from the Network of \$800,000 in 2009, demonstrated the continued support and integration between Western Life and the Network. In addition we began providing group business for clients of Hayhurst Elias Dudek ("HED") in the fourth quarter of 2008. In the first three months of 2009 this added premiums of \$1.7 million. This will continue to grow as we add renewals for a full year's cycle along with new business.

THREE MONTHS ENDED MARCH 31		
Revenue (in \$ thousands)	2009	2008
Corporate and all other		
Commission and other customer revenue	\$ 283	\$ 297
Interest and investment income	89	164
Dividend income	-	206
	\$ 372	\$ 667

Revenue from our corporate and all other segment decreased \$300,000 from the decrease in our dividend income from our equity investments and the decrease in interest rates resulting in a reduction in income from our daily cash balances. Revenue in corporate and all other is derived mainly from our travel operations along with dividend and investment income at Corporate.

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OPERATING EXPENSES

THREE MONTHS ENDED MARCH 31		
Operating Expenses (in \$ thousands)	2009	2008
The Network	\$ 13,932	\$ 12,639
Bank West	2,096	769
Western Life	3,377	3,123
Corporate and all other	2,154	2,397
	\$ 21,559	\$ 18,928

Total operating expenses increased by \$2.7 million, or 13.9%, to \$21.6 million in 2009 compared to \$18.9 million in 2008. The majority of the increase is tied to operating expenses of additional branches for the new acquisitions at the Network, the acquisition of AgriFinancial at the Bank and, an increase in commissions at Western Life due to the increase in premium sales.

Operating expenses in the Network increased \$1.3 million, or 10.2%, to \$13.9 million in 2009 compared to \$12.6 million in 2008. Our increases in expenses are normally the result of new acquisitions and the increase in activity levels as a result of new business. Acquisition activity increased our operating expenses by \$700,000 in 2009. We saw an increase in salaries and wages before acquisitions of \$600,000 from performance increases, management's estimate for year end bonuses, and we increased or employer benefits contribution from 50% matching to 75% matching in January 2009. As a percentage of revenue, salaries and wages including producer commissions increased to 58% compared to 55% in the first quarter of 2008. We expect salaries and wages as a percentage of revenue to generally run at approximately 50.0% on an annualized basis. With revenues more heavily weighted in the second and third quarter we expect salaries as a percentage of revenue to be higher in the first quarter.

Bank West's operating expenses increased by \$1.3 million to \$2.1 million in 2009 from \$800,000 in 2008. Salaries increased \$300,000 primarily due to one time severance costs and the operating cost with the acquisition of AgriFinancial for two months was approximately \$800,000. In addition, with the implementation of our new banking platform and running parallel systems we increased our computer expense by \$200,000.

Western Life expenses increased by \$300,000 or 8.1%. Western Life continues to demonstrate efficient control of expenses. Loss ratios increased slightly to 46.4% compared to 43.5% year over year with the majority of the change reflected in group lines of business. This reflects the percentage of claims to new premiums written. Additional commissions and third party administration expenses correlate to the growth in premiums and accounted for \$200,000 of the increase. Total policyholder benefits, comprising of provisions for actuarial liabilities, claims incurred and surrenders, were consistent year over year.

Corporate and all other segment expenses decreased \$200,000 to \$2.2 million in 2009 compared to \$2.4 million in 2008. The decrease was due to the reduction in legal, consulting and meeting expenses.

INCOME FROM EQUITY INVESTMENTS

Income from equity investments decreased year over year by \$900,000. These investments include Jennings Capital Inc., Harvard Western Ventures Inc., Falkins Insurance Group Limited, Hayhurst Elias Dudek Inc., and Archibald Clarke & Defieux Insurance Services Inc. We saw a decrease with the results of HED as they are similar to the Network and we expect to see stronger returns in the second and third quarter. We also saw a slight decrease in income with our investment in Jennings Capital Inc.

INCOME TAXES

We have a credit in income taxes of \$586,000 primarily due to recording the tax asset with the acquisition of Ubiquity. Upon acquisition we were unable to determine if it was reasonable to expect to use the losses. With the acquisition of AgriFinancial in 2009, we now have a reasonable financial expectation that we will fully use the tax losses that we purchased with Ubiquity. In realizing these losses we record a future tax credit.

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EARNINGS PER SHARE

In 2009 we had \$0.00 basic earnings per share compared to earnings per share of \$0.05 in 2008. Our first preferred Series 2, 3 and 4 shares are entitled to a fixed cumulative preferential cash dividend if as and when declared by our board of directors. The dividend payment is deducted from net income for the calculation of earnings per share. As dividends have been declared since issue we are now accruing for the dividend payment on a quarterly basis. With the accrual of the dividends in 2009 we had \$0.00 earnings per share which would be comparable to earnings per share of \$0.03 in 2008 with the accrual of the dividends.

LIQUIDITY AND CAPITAL RESOURCES

Total shareholders' equity at March 31, 2009 was \$202.3 million compared to \$203.7 at December 31, 2008. We had an increase in our accumulated other comprehensive losses of \$900,000 for the unrealized losses on our available-for-sale financial instruments.

We expect our capital resources will be sufficient to satisfy our financial requirements, which include business acquisitions and capital expenditures. Capital resources include cash, funds raised through equity financings, available senior bank debt and funds generated from operations.

We have a credit facility to a maximum of \$55.0 million negotiated with a Canadian chartered bank. As at March 31, 2009, \$48.8 million of this facility had been utilized. Pursuant to the terms of this credit facility, we make monthly loan payments of \$595,000 plus interest. Repayment of the credit facility is dependent upon annual renewal. In the event the chartered bank elects not to extend the initial period, the facility will convert to a two-year committed term facility for all amounts due there under. In March 2009 we entered into an interest rate swap agreement exchanging \$30.0 million of floating rate debt for a fixed rate of 4.32%. The swap agreement expires March 2014. As part of our credit facility we maintain financial covenants with current ratios, debt service coverage, interest coverage, and funded debt to EBITDA. At March 31, 2009 we were in compliance with the financial and non-financial covenants of our senior credit facility.

We have \$8.2 million repayable on our senior credit facility in the next twelve months that we expect to pay from our operating cash.

At March 31, 2009, we had a total of \$1.0 million of unsecured subordinated notes with interest payable semi-annually at 12% per annum. The notes are redeemable by us after March 2010.

At March 31, 2009, we had cash of \$41.2 million as compared to \$28.6 million at December 31, 2008. Operations contributed \$4.6 million as compared to \$13.8 million in 2008. We had a decrease in net income of \$1.5 million as discussed earlier in the MD&A. We funded the acquisition of insurance brokerages at the Network for \$6.6 million, and we funded the acquisition of AgriFinancial for \$20.2 million. We increased our capital assets by \$1.2 million primarily in leasehold improvements and technology. The advances on long-term debt, net of repayments was \$11.5 million which was used for acquisitions. The combined change in investments, mortgages and customer deposits increased cash by \$28.1million which will be deployed to fund undrawn loan commitments at March 31, 2009. We paid total cash dividends of \$1.0 million on common and preferred shares. This resulted in an increase in cash for the year of \$12.6 million.

COMMITMENTS

Under the terms of the investment agreement with Hayhurst Elias Dudek Inc., we agreed to increase our investment to 75% from 49% in 2008. The transaction has an effective date of January 1, 2009 and is expected to close June 30, 2009. We have estimated the increase in our investment to be approximately \$12.0 million, and is subject to post closing adjustments and regulatory approval. The investment will be funded from the proceeds of our private placement of convertible unsecured subordinated debentures which closed in April 2009.

Western Financial Group Inc.

RELATED PARTY TRANSACTIONS

Related parties include directors, officers and their related companies. The prices and term of transactions with related parties are in accordance with normal business practice and recorded at the exchange amount.

- Interest of \$nil (March 31, 2008 - \$7,000; December 31, 2008 - \$nil) was paid to Jennings Capital Inc., an affiliated Company in which a director holds an interest, for an investment margin loan that was repaid in 2007.
- Dividend income on preferred shares of \$5,000 (March 31, 2008 - \$155,000; December 31, 2008 - \$188,000) and loss from equity investments of \$140,000 (March 31, 2008 – gain of \$41,000; December 31, 2008 – loss of \$920,000) were recorded with respect to the Company’s investment in Jennings Capital Inc.
- Premiums of \$29,000 (March 31, 2008 - \$25,000; December 31, 2008 - \$98,000) were received from Jennings Capital Inc.
- During the first quarter ended March 31, 2009, of short term loans and advances of \$nil (first quarter ended March 31, 2008 - \$nil; year ended December 31, 2008 - \$300,000) were made to the President and CEO of the Company supported by a share pledge agreement and a promissory note.
- Commissions of \$282,000 (March 31, 2008 - \$8,000; December 31, 2008 - \$225,000) were paid to Hayhurst Elias Dudek Inc.
- Premiums of \$1.7 million (March 31, 2008 - \$44,000; December 31, 2008 - \$1.3 million) were received from Hayhurst Elias Dudek Inc., an investee over which the Company exercises significant influence.

SUBSEQUENT EVENTS

In April 2009 the Company retained a syndicate of agents led by TD Securities Inc. to conduct a “best efforts” private placement of up to \$30,000 of convertible unsecured subordinated debentures. These debentures bear a coupon of 12% payable semi-annually in arrears, and mature on June 30, 2014. The debentures are convertible by the holder into common shares of the Company at a conversion price of \$3 per common share, subject to adjustment. The private placement closed on April 21, 2009 and as a result the Company issued \$16.7 million aggregate principal amount of convertible unsecured subordinated debentures. Net proceeds from the financing will be used to increase ownership of certain strategic investments and for general corporate purposes.

OUTSTANDING SHARE DATA

At March 31, 2009 the balance of issued common shares was 49,333,127, for a total value of \$117.0 million unchanged from December 31, 2008. At the date of this report the balance of issued common shares was 49,366,460 due to the conversion of 1,200 Series 2 preferred shares into 33,333 common shares.

We have a fixed stock option plan under which we may grant options to directors, officers, shareholders and consultants to an aggregate maximum of 1,600,000 common shares. There were 668,000 options outstanding at March 31, 2009.

At March 31, 2009, and at May 13, 2009 we had the following preferred equity securities outstanding: 142,997 first preferred Series 2 shares outstanding with a principal value of \$14.3 million and convertible into a maximum of 3,972,139 common shares; 250,000 first preferred Series 3 shares outstanding with a principal value of \$25.0 million and convertible into a maximum of 3,448,276 common shares; and 200,000 first preferred Series 4 shares outstanding with a principal value of \$20.0 million, and convertible into a maximum of 2,898,551 common shares.

Western Financial Group Inc.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of our disclosure controls and procedures as at the financial year ended December 31, 2008. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as at March 31, 2009 to provide reasonable assurance that material information relating to us, including its consolidated subsidiaries, would be made known to them by others within those entities. The Chief Executive Officer and the Chief Financial Officer will certify that the design and operating effectiveness of those disclosure controls and procedures were effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

As at the financial year ended December 31, 2008, the Chief Executive Officer and Chief Financial Officer evaluated the design of our internal control over financial reporting. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operating effectiveness of internal control over financial reporting was effective as at March 31, 2009 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The Chief Executive Officer and the Chief Financial Officer will certify that the design of internal controls over financial reporting was effective.

There has been no change in our internal control over financial reporting that occurred during the most recent interim period ended March 31, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

CHANGES IN ACCOUNTING POLICIES

Goodwill and Intangibles

Effective January 1, 2009, the Company adopted the Canadian Institute of Chartered Accountants (CICA) new accounting standard, Section 3064 – Goodwill and Intangibles, replacing Section 3062 – Goodwill and Other Intangible Assets. The new standard establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of the guidance did not result in a change in the recognition of the Company's goodwill and intangible assets

Future Impact of Recently Issued Accounting Standards

International Financial Reporting Standards (“IFRS”)

The CICA will transition Canadian GAAP for publicly accountable entities to IFRS. The Company's consolidated financial statements will be prepared in accordance with IFRS for the fiscal year commencing January 1, 2011 and will include comparative information for the prior year.

The Company has commenced a four phase project to identify and evaluate the impact of the implementation of IFRS on the consolidated financial statement and develop a plan to complete the transition. The project plan includes the following phases:

- Preliminary plan and scoping,
- Detailed assessment, conversion planning and development,
- Implementation and parallel reporting, and
- Ongoing monitoring and IFRS updates.

The preliminary plan and scoping phase is complete and the detailed assessment, conversion planning and development is underway and expected to be completed by the end of 2009. The impact of the transition to IFRS on the Company's consolidated financial statements is not yet determinable. Additional information regarding the Company's plan and the expected impact of the transition will be provided as the project moves forward.

Western Financial Group Inc.

CAPITAL MANAGEMENT

Information about the Company's capital management practices is provided in Note 4 to the 2008 audited financial statements beginning on page 70 of the Annual Report 2008.

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

The objectives and practices of the Company's capital management process are consistent with those in place at December 31, 2008.

Bank West

	March 31, 2009	December 31, 2008
Tier 1 Capital		
Retained earnings (losses)	\$ (2,278)	\$ (1,603)
Capital stock	42,112	26,112
Less goodwill	(14,980)	(3,172)
Total	24,854	21,337
Tier 2 Capital		
Subordinated debentures	12,000	10,753
Total Regulatory Capital	\$ 36,854	\$ 32,090
Regulatory Capital to Risk-Weighted Assets		
Tier 1 Capital	8.2%	9.9%
Tier 2 Capital	3.9%	5.0%
Total Regulatory Capital Adequacy Ratio	12.1%	14.9%
Assets to Regulatory Capital Multiple	10.6	11.7

Throughout the first quarter of 2009, the Bank has been in compliance with all regulatory capital requirements.

Western Life

The regulatory Minimum Continuing Capital and Surplus Requirements ("MCCSR") rules, set by OSFI, contain detailed instructions for determining the amount of 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 and was in compliance with these requirements throughout the first quarter of 2009. The objective our capital management policy is to maintain adequate levels of capital in order to meet regulatory capital requirements of its regulated subsidiaries, to support ongoing business and safeguard its ability to continue as a going concern so that it can continue to provide services to its customers and provide a return on its investments to its shareholders.

Western Financial Group Inc.

RISK MANAGEMENT

In the normal course of business, the Company is exposed to a variety of financial risks affecting its financial instruments which include credit risk, liquidity risk, and market risk.

Credit Risk

Credit risk is the risk of financial loss from the failure of debtors to make payments of interest and/or principal when due. The Company's maximum exposure to credit risk at March 31, 2009 is summarized in the following table.

Cash and cash equivalents	\$	41,166
Marketable securities - held-for-trading		51,526
Marketable securities - available-for-sale		15,326
Accounts receivable		21,221
Mortgages and loans		339,449
<hr/>		
Total balance sheet maximum credit exposure	\$	468,688
<hr/>		
Bank West credit commitments	\$	16,515
<hr/>		

The credit quality of the Company's financial assets at March 31, 2009 is described in the following tables.

	Held-for-trading	Available-for-sale
Marketable securities:		
Bonds - AAA rating	\$ 2,985	\$ 468
Bonds - AA rating	4,424	17
Bonds - A rating	879	521
Equity pooled funds	-	2,931
Corporate notes	-	2,042
Preferred shares - P-1 rating	-	2,823
Canadian government securities	43,238	6,524
<hr/>		
	\$ 51,526	\$ 15,326
<hr/>		

Western Financial Group Inc.

	Residential and Commercial Mortgages		Business and Commercial Loans		Total			
Mortgages and loans								
Neither past due nor impaired	\$	79,437	\$	132,866	\$	115,733	\$	328,036
Past due but not impaired								
Past due less than 90 days		2,242		1,420		4,398		8,060
Past due 90 to 179 days		1,306		747		1,456		3,509
Impaired		1,378		589		1,681		3,648
Gross carrying value		84,363		135,622		123,268		343,253
General provision		64		1,028		1,895		2,987
Specific provision		-		492		325		817
Net carrying value	\$	84,299	\$	134,102	\$	121,048	\$	339,449
Change in allowance for credit losses								
December 31, 2008 balance	\$	75	\$	1,304	\$	676	\$	2,055
Change related to acquisition		-		-		1,705		1,705
Provision for losses		(11)		351		(51)		289
Write-offs, net of recoveries		-		(135)		(110)		(245)
March 31, 2009 balance	\$	64	\$	1,520	\$	2,220	\$	3,804

None of the past due mortgages and loans was renegotiated during the first quarter of 2009.

At March 31, 2009 gross impaired loans were \$3.5 million (\$2.8 million – December 31, 2008); reflecting 1% of the gross carrying value of the loan portfolio.

Certain of the residential mortgages are insured through Canada Mortgage and Housing Corporation amounting to \$16.8 million at March 31, 2009 (\$18.8 million at December 31, 2008).

Concentrations of credit risk arise from exposure to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics arising from factors such as economic or geographic regions or similar industries.

	March 31, 2009					December 31, 2008	
	Mortgages	Other loans	Leases	Total	Composition Percentage	Total	Composition Percentage
Alberta	\$ 46,925	\$ 137,186	\$ 12,661	\$ 196,772	58.0%	\$ 189,492	69.6%
British Columbia	32,036	22,261	2,055	56,352	16.6%	58,451	21.5%
Eastern Canada	1,906	8,448	13,074	23,428	6.9%	16,501	6.1%
Saskatchewan	2,370	28,267	20,238	50,875	15.0%	6,332	2.3%
Manitoba	1,126	10,111	4,064	15,301	4.5%	2,801	1.0%
Territories	-	354	-	354	0.1%	438	0.2%
International	-	171	-	171	0.1%	175	0.1%
	84,363	206,798	52,092	343,253	101.1%	274,190	100.8%
Allowance for credit losses	(64)	(3,018)	(722)	(3,804)	-1.1%	(2,055)	-0.8%
	\$ 84,299	\$ 203,780	\$ 51,370	\$ 339,449	100.0%	\$ 272,135	100.0%

Composition Percentage

March 31, 2009	24.8%	60.0%	15.1%	100.0%
December 31, 2008	32.6%	59.3%	8.2%	100.0%

Western Financial Group Inc.

Reinsurance risk is defined as the failure of reinsurers to honour their obligations resulting in losses to the Company beyond the ceded amounts. 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 balances outstanding from Canadian reinsurers as at March 31, 2009 by risk rating.

Credit Rating	Reinsurance Recoverable
A- (Excellent)	\$ 508
A+ (Superior)	353
	<hr/>
	\$ 861

Liquidity Risk

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, at March 31, 2009.

	0 to 4 years	5 to 9 years	Greater than 10 years	Total
Cash and cash equivalents	\$ 41,166	\$ -	\$ -	\$ 41,166
Marketable securities	30,336	10,208	26,308	66,852
Mortgages and loans	339,449	-	-	339,449
Equity investments	-	-	40,646	40,646
Accounts receivable	21,043	178	-	21,221
	<hr/>	<hr/>	<hr/>	<hr/>
	431,994	10,386	66,954	509,334
Customer deposits	327,655	-	-	327,655
Actuarial liabilities	3,862	6,601	26,917	37,380
Accounts payable and accrued liabilities	52,889	-	-	52,889
Interest rate swap	-	680	-	680
Long-term debt	36,549	13,095	-	49,644
	<hr/>	<hr/>	<hr/>	<hr/>
	420,955	20,376	26,917	468,248
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 11,039	\$ (9,990)	\$ 40,037	\$ 41,086

Market Risk

During the quarter, the Company entered into an interest rate swap agreement, expiring March 2014, to manage the interest rate risk on a portion of its bank debt. Under terms of the agreement, the variable rate of interest on the underlying debt instrument is swapped for a fixed rate of 4.35% per annum. The counter-party to this agreement is a large Canadian financial institution, which mitigates credit risk on any counterparty exposure. The actual amount of gain or loss on this hedge will fluctuate with current interest rates. As at March 31, 2009, the actual interest rate on the underlying debt instrument was 4.0% per annum. Assuming this interest rate was in effect for the term of the agreement, the Company would recognize an annual loss of \$105,000 as interest expense.

Western Financial Group Inc.



	Floating Rate	Within 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Non- interest rate sensitive	Total
Assets								
Cash and securities	\$ 31,763	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,763
Loans and mortgages	17,785	61,220	59,743	64,962	71,874	64,793	(1,489)	338,888
Other assets	-	-	-	-	-	-	17,975	17,975
Total assets	\$ 49,548	\$ 61,220	\$ 59,743	\$ 64,962	\$ 71,874	\$ 64,793	\$ 16,486	\$ 388,626
Liabilities and Equity								
Current liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,133	\$ 9,133
Deposits	-	126,589	80,521	70,665	43,766	8,518	(2,427)	327,632
Shareholders' equity	-	-	-	-	-	-	51,861	51,861
Total liabilities and equity	\$ -	\$ 126,589	\$ 80,521	\$ 70,665	\$ 43,766	\$ 8,518	\$ 58,567	\$ 388,626
Interest rate sensitive gap	\$ 49,548	\$ (65,369)	\$ (20,778)	\$ (5,703)	\$ 28,108	\$ 56,275	\$ (42,081)	\$ (0)
Cumulative gap	\$ 49,548	\$ (15,821)	\$ (36,599)	\$ (42,302)	\$ (14,194)	\$ 42,081	\$ (0)	
Cumulative gap as a percentage of total assets	12.75%	-4.07%	-9.42%	-10.89%	-3.65%	10.83%	0.00%	

Additional information about the Company's risk management practices is provided in Note 24 to the 2008 audited financial statements beginning on page 94 of the Annual Report 2008.

ADDITIONAL INFORMATION

Additional information relating to our Company, including our current Annual Information Form, is available on SEDAR at www.sedar.com.

Western Financial Group Inc.

CONSOLIDATED BALANCE SHEET		
(unaudited)		
(in thousands, except for per share amounts)		
	As at March 31	As at December 31
	2009	2008
ASSETS		
Cash and cash equivalents	\$ 41,166	\$ 28,563
Marketable securities - held-for-trading (Note 12)	51,526	53,091
Marketable securities - available-for-sale (Note 12)	15,326	103,808
Mortgages and loans (Note 6 and 12)	339,449	272,135
Equity investments	40,646	38,040
Accounts receivable	21,221	23,999
Prepaid expenses	6,365	8,039
Income taxes recoverable	2	800
Future income taxes	345	539
Capital assets	16,329	15,325
Intangible assets	34,854	27,996
Goodwill	117,629	105,285
	\$ 684,858	\$ 677,620
LIABILITIES		
Customer deposits	\$ 327,655	\$ 333,130
Actuarial liabilities	37,380	38,256
Provision for unpaid and unreported claims	9,409	8,510
Accounts payable and accrued liabilities	52,889	50,378
Interest rate swap (Note 12)	680	-
Long-term debt	49,644	38,151
Future income taxes	4,940	5,480
Total liabilities	482,597	473,905
SHAREHOLDERS' EQUITY		
Share capital	173,438	173,438
Contributed surplus	2,012	1,975
	175,450	175,413
Accumulated other comprehensive loss	(1,170)	(296)
Retained earnings	27,981	28,598
Total shareholders' equity	202,261	203,715
	\$ 684,858	\$ 677,620
The accompanying notes are an integral part of these consolidated financial statements.		
Approved:		
	Scott Tannas, Director	Greg Speirs, Director

Western Financial Group Inc.

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(unaudited)

FOR THE THREE MONTHS ENDED MARCH 31

(in thousands, except for per share amounts)

	2009	2008
REVENUE		
Commission and other customer income	\$ 18,441	\$ 16,798
Premium income	8,447	7,161
Interest income on customer loans	4,922	4,941
Investment income		
Change in fair value of held-for-trading securities	(131)	457
Realized gain on sales of held-for-trading securities	6	21
Realized loss on sales of available-for-sale assets	(728)	-
Other net investment income	424	724
	31,381	30,102
EXPENSES		
Operating expenses	21,559	18,928
Policyholder benefits	3,633	3,705
Interest expense - customer deposits	3,654	3,396
Provision for credit losses (Note 12)	289	80
Income before the following:	2,246	3,993
Income from equity investments	(253)	613
Interest and financing costs on long-term debt	(562)	(583)
Amortization of intangible assets	(412)	(352)
Amortization of capital assets	(691)	(515)
Income before income taxes	328	3,156
Income taxes	586	(770)
NET INCOME FOR THE PERIOD	\$ 914	\$ 2,386
Retained earnings, beginning of period	\$ 28,598	28,015
Preferred share dividends	(1,003)	-
Common share dividends	(528)	(478)
Retained earnings, end of period	\$ 27,981	\$ 29,923
Earnings per share (Note 7)		
Basic	\$ 0.00	\$ 0.05
Diluted	\$ 0.00	\$ 0.04

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

Western Financial Group Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE LOSS

(unaudited)

FOR THE THREE MONTHS ENDED MARCH 31

(in thousands, except for per share amounts)

	2009		2008
COMPREHENSIVE INCOME			
Net income for the period	\$ 914	\$	2,386
Other comprehensive loss from available-for-sale financial instruments and interest rate swap, net of tax of \$54 (2008 - \$87)	(874)		(496)
Comprehensive income	\$ 40	\$	1,890

	2009		2008
ACCUMULATED OTHER COMPREHENSIVE LOSS			
Balance, beginning of the period	\$ (296)	\$	(249)
Unrealized net loss on available-for-sale financial instruments arising during the period (net of tax of \$228; 2008 - \$87)	(211)		(496)
Reclassification to net income of net loss (gain) on sale of available-for-sale financial instruments during the period (net of tax of \$41; 2008 - \$nil)	187		-
Change in fair value of interest rate swap (net of tax of \$170) (Note 12)	(850)		-
Other comprehensive loss for the period, net of tax	(874)		(496)
Balance, end of the period	(1,170)	\$	(745)

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

Western Financial Group Inc.

CONSOLIDATED STATEMENTS OF CASH FLOW

(unaudited)

FOR THE THREE MONTHS ENDED MARCH 31

(in thousands, except for per share amounts)

	2009	2008
CASH PROVIDED BY (USED IN) OPERATIONS		
Net income for the period	\$ 914	\$ 2,386
Adjustments to determine net cash flows provided by (used in) operations		
Amortization of intangible assets	412	352
Amortization of capital assets	691	515
Provision for credit losses	289	80
Future income taxes	(1,064)	137
Change in fair value of held-for-trading securities	(131)	(457)
Stock based compensation	37	37
Dividends accrued but not paid	(516)	(155)
Other non-cash items, net	(287)	71
Income from equity investments	(253)	(550)
Realized net gain - held-for-trading and available-for-sale assets	(722)	(21)
Change in operating assets and liabilities		
Accounts receivable	3,317	1,859
Prepaid expenses	1,683	222
Accounts payable and accrued liabilities	(558)	8,618
Actuarial liabilities	(876)	(18)
Provision for unpaid and unreported claims	899	286
Income taxes	725	425
	4,559	13,787
CASH PROVIDED BY (USED IN) INVESTING		
Investment in marketable securities	(34,331)	(62,791)
Proceeds on sale of marketable securities	125,323	60,253
Debt (Note 5)	(69,852)	-
Net increase in mortgages and loans	12,395	5,894
Purchase of equity investments	(2,353)	(11,300)
Capital asset purchases	(1,088)	(1,058)
Net increase in goodwill	(290)	-
Other assets	-	157
Cash used in business acquisitions (Note 5)	(26,763)	(1,433)
	3,040	(10,278)
CASH PROVIDED BY (USED IN) FINANCING		
Net decrease in customer deposits	(5,474)	(7,042)
Advances of long-term debt	49,927	-
Repayments of long-term debt	(38,434)	(795)
Dividends paid - common shares	(528)	(478)
Dividends paid - preferred shares	(487)	(491)
	5,004	(8,806)
Increase (decrease) in cash for the year (Note 8)	12,604	(5,297)
Cash and cash equivalents, beginning of the period	28,563	36,033
Cash and cash equivalents, end of the period	\$ 41,167	\$ 30,736

Western Financial Group Inc.

NOTE 1 OPERATIONS

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 and travel agency operations in rural Western Canada.

The Company's primary business is the ownership and operation of WFG Agency Network, which serves 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 15 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.

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"), a wholly owned subsidiary company licensed to write all classes of life, health, and loss of employment insurance, in all provinces in Canada. Western Life 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.

NOTE 2 ACCOUNTING POLICIES

Basis of Presentation

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). These financial statements follow the same accounting policies and their methods of application as the consolidated financial statements of Western Financial Group Inc. ("the Company") for the year ended December 31, 2008, except as noted below in Note 3, Change in Accounting Policy. The Company's interim consolidated financial statements do not include all disclosures required by Canadian GAAP for annual financial statements and, therefore, should be read in conjunction with the consolidated financial statements for the year ended December 31, 2008.

NOTE 3 CHANGE IN ACCOUNTING POLICY

Goodwill and Intangibles

Effective January 1, 2009, the Company adopted the Canadian Institute of Chartered Accountants (CICA) new accounting standard, Section 3064 – Goodwill and Intangibles, replacing Section 3062 – Goodwill and Other Intangible Assets. The new standard establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of the guidance did not result in a change in the recognition of the Company's goodwill and intangible assets.

NOTE 4 FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards ("IFRS")

The CICA will transition Canadian GAAP for publicly accountable entities to IFRS. The Company's consolidated financial statements will be prepared in accordance with IFRS for the fiscal year commencing January 1, 2011 and will include comparative information for the prior year.

Western Financial Group Inc.

The Company has commenced a four phase project to identify and evaluate the impact of the implementation of IFRS on the consolidated financial statements and develop a plan to complete the transition. The project plan includes the following phases:

- Preliminary plan and scoping,
- Detailed assessment, conversion planning and development,
- Implementation and parallel reporting, and
- Ongoing monitoring and IFRS updates.

The preliminary plan and scoping phase is complete and the detailed assessment, conversion planning and development is underway and expected to be completed by the end of fiscal 2009. The impact of the transition to IFRS on the Company's consolidated financial statements is not yet determinable. Additional information regarding the Company's plan and the expected impact of the transition will be provided as the project moves forward.

NOTE 5 BUSINESS ACQUISITIONS

All business acquisitions are accounted for using the purchase 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. The allocation of purchase price is based on consideration paid and acquisition costs incurred up to the end of the current reporting period, and may be adjusted based on the outcome of contingent consideration and future acquisition related costs.

During the first quarter, the Company acquired all the outstanding shares of:

- Bakes-Jarvie Insurance Brokers Ltd. in Nanaimo, BC (effective January 1, 2009)
- AgriFinancial Canada Corp. ("AgriFinancial") in Winnipeg (effective January 30, 2009)

	Insurance Brokerage	AgriFinancial	Total
Net assets acquired in business acquisitions:			
Cash and cash equivalents	\$ 390	3,721	\$ 4,111
Other investments	50	-	50
Other assets	265	283	548
Capital assets	42	565	607
Mortgages and loans	-	79,998	79,998
Intangible assets	1,501	5,770	7,271
Goodwill	4,978	7,077	12,055
Accounts payable and accrued liabilities	(491)	(2,578)	(3,069)
Debt (1)	-	(69,852)	(69,852)
Corporate taxes payable	(73)	-	(73)
Future taxes receivable (payable)	289	(1,061)	(772)
	<u>6,951</u>	<u>23,923</u>	<u>30,874</u>
Cash and cash equivalents acquired	(390)	(3,721)	(4,111)
Consideration in cash	\$ 6,561	\$ 20,202	\$ 26,763

(1) On closing, debt was replaced by customer deposits raised at the Bank.

Of the total amount assigned to goodwill and intangibles \$nil is deductible for tax purposes. Goodwill in the amounts of \$4,978 and \$7,077 has been attributed to the WFG Agency Network and Bank West segments, respectively (Note 14).

Western Financial Group Inc.

NOTE 6 MORTGAGES AND LOANS

The composition of the Company's loan portfolio by geographic region and industry sector follows.

	March 31, 2009					December 31, 2008	
	Mortgages	Other loans	Leases	Total	Composition Percentage	Total	Composition Percentage
Alberta	\$ 46,925	\$ 137,186	\$ 12,661	\$ 196,772	58.0%	\$ 189,492	69.6%
British Columbia	32,036	22,261	2,055	56,352	16.6%	58,451	21.5%
Eastern Canada	1,906	8,448	13,074	23,428	6.9%	16,501	6.1%
Saskatchewan	2,370	28,267	20,238	50,875	15.0%	6,332	2.3%
Manitoba	1,126	10,111	4,064	15,301	4.5%	2,801	1.0%
Territories	-	354	-	354	0.1%	438	0.2%
International	-	171	-	171	0.1%	175	0.1%
	84,363	206,798	52,092	343,253	101.1%	274,190	100.8%
Allowance for credit losses	(64)	(3,018)	(722)	(3,804)	-1.1%	(2,055)	-0.8%
	\$ 84,299	\$ 203,780	\$ 51,370	\$ 339,449	100.0%	\$ 272,135	100.0%

Composition Percentage

March 31, 2009	24.8%	60.0%	15.1%	100.0%
December 31, 2008	32.6%	59.3%	8.2%	100.0%

NOTE 7 EARNINGS PER SHARE

For the three months ended March 31, 2009

	Income	Shares	Per share
Earnings per share from continuing operations			
Net income	\$ 914		
Preferred share dividends	(1,003)		
Net loss available to common shareholders	(89)		
Basic earnings per share	\$ (89)	49,333	\$ 0.00
Effect of dilutive securities			
Stock options	-	-	
Preferred shares	-	-	
Diluted earnings per share	\$ (89)	49,333	\$ 0.00

Western Financial Group Inc.

For the three months ended March 31, 2008

	Income	Shares	Per share
Earnings per share from continuing operations			
Net income	\$ 2,386		
Preferred share dividends	-		
Net income available to common shareholders	2,386		
Basic earnings per share	\$ 2,386	47,766	\$ 0.05
Effect of dilutive securities			
Stock options	-	97	
Preferred shares	-	10,376	
Convertible debentures	36	1,666	
Diluted earnings per share	\$ 2,422	59,905	\$ 0.04

At March 31, 2009 convertible redeemable series 2, 3, and 4 preferred shares were not included in the computation of diluted earnings per share because the impact was anti-dilutive. At March 31, 2008 there were no anti-dilutive instruments.

NOTE 8 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	For the three months ended March 31			
	2009		2008	
Dividends received	\$	85	\$	84
Interest paid	\$	1,804	\$	1,929
Income taxes paid	\$	475	\$	197

NOTE 9 COMMITMENTS

In the normal course of business the Bank issues commitments to extend credit to customers which are not recorded in the financial statements. These commitments which are undrawn at year-end are in the form of loans for specific amounts and maturities subject to meeting certain conditions and have no stated expiry dates. The maximum potential amount of future payments under these commitments at March 31, 2009 is \$16,515 (December 31, 2008 - \$3,235).

Under the terms of the investment agreement with Hayhurst Elias Dudek Inc., the Company has agreed to increase its investment to 75% from 49%. The transaction has an effective date of January 1, 2009 and is expected to close June 30, 2009. We have estimated the increase in our investment to be approximately \$12,000 and is subject to post closing adjustments and regulatory approval.

NOTE 10 RELATED PARTY TRANSACTIONS

Related parties include directors, officers and their related companies. The prices and term of transactions with related parties are in accordance with normal business practice and recorded at the exchange amount.

- Interest of \$nil (March 31, 2008 - \$7; December 31, 2008 - \$nil) was paid to Jennings Capital Inc., an affiliated Company in which a director holds an interest, for an investment margin loan that was repaid in 2007.
- Dividend income on preferred shares of \$5 (March 31, 2008 - \$155; December 31, 2008 - \$188) and loss from equity investments of \$140 (March 31, 2008 – gain of \$41; December 31, 2008 – loss of \$920) were recorded with respect to the Company's investment in Jennings Capital Inc.
- Premiums of \$29 (March 31, 2008 - \$25; December 31, 2008 - \$98) were received from Jennings Capital Inc.
- During the first quarter ended March 31, 2009, short term loans and advances of \$nil (first quarter ended March 31, 2008 - \$nil; year ended December 31, 2008 - \$300) were made to the President and CEO of the Company supported by a share pledge agreement and a promissory note.
- Commissions of \$282 (March 31, 2008 - \$8; December 31, 2008 - \$225) were paid to Hayhurst Elias Dudek Inc., an investee over which the Company exercises significant influence.

Western Financial Group Inc.

- Premiums of \$1,678 (March 31, 2008 - \$44; December 31, 2008 - \$1,297) were received from Hayhurst Elias Dudek Inc., an investee over which the Company exercises significant influence.

NOTE 11 CAPITAL MANAGEMENT

The objectives and practices of the Company's capital management process are consistent with those in place at December 31, 2008. Information about the Company's capital management practices is provided in Note 4 to the 2008 audited financial statements beginning on page 70 of the Annual Report 2008.

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

Bank West

	March 31, 2009	December 31, 2008
Tier 1 Capital		
Retained earnings (losses)	\$ (2,278)	\$ (1,603)
Capital stock	42,112	26,112
Less goodwill	(14,980)	(3,172)
Total	24,854	21,337
Tier 2 Capital		
Subordinated debentures	12,000	10,753
Total Regulatory Capital	\$ 36,854	\$ 32,090
Regulatory Capital to Risk-Weighted Assets		
Tier 1 Capital	8.2%	9.9%
Tier 2 Capital	3.9%	5.0%
Total Regulatory Capital Adequacy Ratio	12.1%	14.9%
Assets to Regulatory Capital Multiple	10.6	11.7

Throughout the first quarter of 2009, the Bank has been in compliance with all regulatory capital requirements.

Western Life

The regulatory Minimum Continuing Capital and Surplus Requirements ("MCCSR") rules, set by OSFI, contain detailed instructions for determining the amount of 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 and was in compliance with these requirements throughout the first quarter of 2009.

Western Financial Group Inc.

NOTE 12 RISK MANAGEMENT

In the normal course of business, the Company is exposed to a variety of financial risks affecting its financial instruments which include credit risk, liquidity risk, and market risk.

Credit Risk

Credit risk is the risk of financial loss from the failure of debtors to make payments of interest and/or principal when due. The Company's maximum exposure to credit risk at March 31, 2009 is summarized in the following table.

Cash and cash equivalents	\$	41,166
Marketable securities - held-for-trading		51,526
Marketable securities - available-for-sale		15,326
Accounts receivable		21,221
Mortgages and loans		339,449
<hr/>		
Total balance sheet maximum credit exposure	\$	468,688
<hr/>		
Bank West credit commitments	\$	16,515
<hr/>		

The credit quality of the Company's financial assets at March 31, 2009 is described in the following tables.

	Held-for-trading	Available-for-sale
Marketable securities:		
Bonds - AAA rating	\$ 2,985	\$ 468
Bonds - AA rating	4,424	17
Bonds - A rating	879	521
Equity pooled funds	-	2,931
Corporate notes	-	2,042
Preferred shares - P-1 rating	-	2,823
Canadian government securities	43,238	6,524
<hr/>		
	\$ 51,526	\$ 15,326
<hr/>		

Western Financial Group Inc.

	Residential and Commercial Mortgages		Personal Loans		Business and Commercial Loans		Total
Mortgages and loans							
Neither past due nor impaired	\$	79,437	\$	132,866	\$	115,733	\$ 328,036
Past due but not impaired							
Past due less than 90 days		2,242		1,420		4,398	8,060
Past due 90 to 179 days		1,306		747		1,456	3,509
Impaired		1,378		589		1,681	3,648
Gross carrying value		84,363		135,622		123,268	343,253
General provision		64		1,028		1,895	2,987
Specific provision		-		492		325	817
Net carrying value	\$	84,299	\$	134,102	\$	121,048	\$ 339,449
Change in allowance for credit losses							
December 31, 2008 balance	\$	75	\$	1,304	\$	676	\$ 2,055
Change related to acquisition		-		-		1,705	1,705
Provision for losses		(11)		351		(51)	289
Write-offs, net of recoveries		-		(135)		(110)	(245)
March 31, 2009 balance	\$	64	\$	1,520	\$	2,220	\$ 3,804

None of the past due mortgages and loans was renegotiated during the first quarter of 2009.

At March 31, 2009 gross impaired loans were \$3,493 (\$2,800 – December 31, 2008); reflecting 1% of the gross carrying value of the loan portfolio.

Certain of the residential mortgages are insured through Canada Mortgage and Housing Corporation amounting to \$16,778 at March 31, 2009 (\$18,814 at December 31, 2008).

Concentrations of credit risk arise from exposure to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics arising from factors such as economic or geographic regions (Note 6) or similar industries.

Reinsurance risk is defined as the failure of reinsurers to honour their obligations resulting in losses to the Company beyond the ceded amounts. 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 balances outstanding from Canadian reinsurers as at March 31, 2009 by risk rating.

Credit Rating	Reinsurance Recoverable
A- (Excellent)	\$ 508
A+ (Superior)	353
	\$ 861

Liquidity Risk

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.

Western Financial Group Inc.

The following table presents the contractual maturities of the Company's financial assets and liabilities, at March 31, 2009.

	0 to 4 years	5 to 9 years	Greater than 10 years	Total
Cash and cash equivalents	\$ 41,166	\$ -	\$ -	\$ 41,166
Marketable securities	30,336	10,208	26,308	66,852
Mortgages and loans	339,449	-	-	339,449
Equity investments	-	-	40,646	40,646
Accounts receivable	21,043	178	-	21,221
	431,994	10,386	66,954	509,334
Customer deposits	327,655	-	-	327,655
Actuarial liabilities	3,862	6,601	26,917	37,380
Accounts payable and accrued liabilities	52,889	-	-	52,889
Interest rate swap	-	680	-	680
Long-term debt	36,549	13,095	-	49,644
	420,955	20,376	26,917	468,248
	\$ 11,039	\$ (9,990)	\$ 40,037	\$ 41,086

Market Risk

During the quarter, the Company entered into an interest rate swap agreement, expiring March 2014, to manage the interest rate risk on \$30,000 of its bank debt. Under terms of the agreement, the variable rate of interest on the underlying debt instrument is swapped for a fixed rate of 4.35% per annum. The counter-party to this agreement is a large Canadian financial institution, which mitigates credit risk on any counterparty exposure. The actual amount of gain or loss on this hedge will fluctuate with current interest rates. As at March 31, 2009, the actual interest rate on the underlying debt instrument was 4.0% per annum. Assuming this interest rate was in effect for the term of the agreement, the Company would recognize an annual loss of \$105 as interest expense.

The values of actuarial liabilities and the matching bond portfolio at Western Life are affected similarly by changes in interest rates. The estimated impact of a 1% increase in interest rates resulting in decreased market value of HFT bonds would correspondingly decrease actuarial liabilities, resulting in no material impact on net income. Conversely the estimated impact of a 1% decrease in interest rates resulting in increased market value of HTF bonds would result in increased actuarial liabilities with no material impact on net income.

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	Floating Rate	Within 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Non- interest rate sensitive	Total
Assets								
Cash and securities	\$ 31,763	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,763
Loans and mortgages	17,785	61,220	59,743	64,962	71,874	64,793	(1,489)	338,888
Other assets	-	-	-	-	-	-	17,975	17,975
Total assets	\$ 49,548	\$ 61,220	\$ 59,743	\$ 64,962	\$ 71,874	\$ 64,793	\$ 16,486	\$ 388,626
Liabilities and Equity								
Current liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,133	\$ 9,133
Deposits	-	126,589	80,521	70,665	43,766	8,518	(2,427)	327,632
Shareholders' equity	-	-	-	-	-	-	51,861	51,861
Total liabilities and equity	\$ -	\$ 126,589	\$ 80,521	\$ 70,665	\$ 43,766	\$ 8,518	\$ 58,567	\$ 388,626
Interest rate sensitive gap	\$ 49,548	\$ (65,369)	\$ (20,778)	\$ (5,703)	\$ 28,108	\$ 56,275	\$ (42,081)	\$ (0)
Cumulative gap	\$ 49,548	\$ (15,821)	\$ (36,599)	\$ (42,302)	\$ (14,194)	\$ 42,081	\$ (0)	
Cumulative gap as a percentage of total assets	12.75%	-4.07%	-9.42%	-10.89%	-3.65%	10.83%	0.00%	

Other price risk is the risk that the fair value and/or future cash flows of the Company's equity pooled fund holdings relative to equity market conditions fluctuate because of changes in market prices. Investments are reviewed monthly by management and reviewed quarterly by the Investment Committee, a committee of the Board and management. The Company monitors its equity pooled fund holdings relative to equity market conditions and reviews the performance of equity pooled fund investments against relative benchmarks. A 5% change in price equates to an impact of \$147 on the fair value, with an offsetting amount recorded in OCI.

Additional information about the Company's risk management practices is provided in Note 24 to the 2008 audited financial statements beginning on page 94 of the Annual Report 2008. The Company's policies and processes to monitor, evaluate and manage these risks is consistent with those in place as at December 31, 2008.

NOTE 13 CONTINGENCIES

The Company occasionally is named as a party in claims and legal proceedings in the normal course of business. Although there can be no assurance that any particular claim will be resolved in the Company's favour, the Company, having regard to existing insurance coverage, does not expect that the outcome of claims will have a materially adverse effect on the Company as a whole.

NOTE 14 SEGMENTED INFORMATION

The Company has four reportable segments: insurance brokerage, banking services, life insurance, and corporate and all other which includes travel agencies and real estate assets. The insurance brokerage segment provides a variety of property, casualty, life and health, and investment products and services to customers across Western Canada through WFG Agency Network. The banking services segment provides premium financing to customers of the insurance segment as well as loans and mortgages to other customers through the Bank. The life insurance segment offers a range of disability products along with group life and health through WFG Agency Network and other distribution channels.

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.

Western Financial Group Inc.

Management monitors the financial performance of WFG Agency Network based on operating income and customer accounts receivable. The operations of the Bank, and Western Life 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 and Western Life.

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. All amortization expense and interest on long term debt is recorded as a corporate expense.

For the three months ended March 31, 2009	Bank West	Western Life Assurance	WFG Agency Network	Corporate and all other	Total
REVENUE					
Commission and other customer income	\$ 615	\$ 22	\$ 17,522	\$ 283	\$ 18,442
Premium income	-	8,447	-	-	8,447
Interest income on customer loans	4,922	-	-	-	4,922
Investment income (loss)	-	(519)	-	89	(430)
	5,537	7,950	17,522	372	31,381
EXPENSES					
Operating expenses	2,096	3,377	13,932	2,154	21,559
Policyholder benefits	-	3,633	-	-	3,633
Interest expense - customer deposits	3,654	-	-	-	3,654
Provision for credit losses	289	-	-	-	289
Income before the following:	(502)	940	3,590	(1,782)	2,246
Income from equity investments	-	-	-	(253)	(253)
Interest and financing costs on long-term debt	-	-	-	(562)	(562)
Amortization of intangible assets	(156)	-	-	(256)	(412)
Amortization of capital assets	(94)	(19)	(263)	(315)	(691)
Income before income taxes	\$ (752)	\$ 921	\$ 3,327	\$ (3,168)	\$ 328

For the three months ended March 31, 2008	Bank West	Life Assurance	Agency Network	and all other	Total
REVENUE					
Commission and other customer income	\$ -	\$ 11	\$ 16,489	\$ 298	\$ 16,798
Premium income	-	7,161	-	-	7,161
Interest income on customer loans	4,941	-	-	-	4,941
Investment income	-	833	-	369	1,202
	4,941	8,005	16,489	667	30,102
EXPENSES					
Operating expenses	768	3,123	12,639	2,398	18,928
Policyholder benefits	-	3,705	-	-	3,705
Interest expense - customer deposits	3,396	-	-	-	3,396
Provision for credit losses	80	-	-	-	80
Income before the following:	697	1,177	3,850	(1,731)	3,993
Income from equity investments	-	-	-	613	613
(Loss) gain on sale of investments and capital assets	-	-	-	-	-
Interest and financing costs on long-term debt	-	(4)	-	(579)	(583)
Amortization of intangible assets	(85)	-	-	(267)	(352)
Amortization of capital assets	(3)	(22)	(214)	(276)	(515)
Income before income taxes	\$ 609	\$ 1,151	\$ 3,636	\$ (2,240)	\$ 3,156

Western Financial Group Inc.

As at March 31, 2009	Bank West	Western Life Assurance	WFG Agency Network	Corporate and all other	Total
Total assets	\$ 389,798	\$ 71,503	\$ 65,647	\$ 157,911	\$ 684,858
Goodwill	\$ 10,213	\$ -	\$ 94,476	\$ 12,939	\$ 117,629

As at December 31, 2008	Bank West	Western Life Assurance	WFG Agency Network	Corporate and all other	Total
Total assets	\$ 377,011	\$ 74,876	\$ 55,628	\$ 170,105	\$ 677,620
Goodwill	\$ 3,136	\$ -	\$ 89,499	\$ 12,650	\$ 105,285

NOTE 15 SUBSEQUENT EVENTS

In April 2009 the Company retained a syndicate of agents led by TD Securities Inc. to conduct a “best efforts” private placement of up to \$30,000 of convertible unsecured subordinated debentures. These debentures bear a coupon of 12% payable semi-annually in arrears, and mature on June 30, 2014. The debentures are convertible by the holder into common shares of the Company at a conversion price of \$3 per common share, subject to adjustment. The private placement closed on April 21, 2009 and as a result the Company issued \$16,710 aggregate principal amount of convertible unsecured subordinated debentures. Net proceeds from the financing will be used to increase ownership of certain strategic investments and for general corporate purposes.

Western Financial Group Inc.

Corporate Information

Corporate Headquarters

Western Financial Group
1010 – 24 Street S.E.
High River, Alberta T1V 2A7
Scott Tannas, President & CEO

Auditors

PricewaterhouseCoopers LLP
Calgary, Alberta

Solicitors

Macleod Dixon LLP
Calgary, Alberta

Share Transfer Agent

Computershare Investor Services Inc.
Calgary, Alberta

Stock Exchange Listing

The Toronto Stock Exchange
Trading Symbol: WES

Investor Contact

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Corporate Business Units

WFG Agency Network Inc
Lana J. Wood, President & CEO

Bank West
Bruce Ratzlaff, President & CEO

Western Life Assurance Company
Dominique Gregoire, President & CEO

www.westernfinancialgroup.net