



Financial Information Package



Western
Financial
Group

Q1 2009

2009 Q1 Financial Information Package – Western Financial Group Inc.

WESTERN FINANCIAL GROUP INC.
CONSOLIDATED BALANCE SHEETS (unaudited)
(in thousands, except for per share amounts)

	2009	2008	2007	2006	2005	2004
	Q1	Annual	Annual	Annual	Annual	Annual
ASSETS						
Cash and cash equivalents	\$ 41,166	\$ 28,563	\$ 36,033	\$ 9,085	\$ 10,416	\$ 12,290
Marketable securities – held-for-trading	51,526	53,091	46,886	85,243	67,077	10,568
Marketable securities – available-for-sale	15,326	103,808	51,104	-	-	-
Accounts receivable	21,221	23,999	26,680	23,510	23,076	22,167
Prepaid expenses	6,365	8,039	5,960	8,054	6,182	3,424
Income taxes receivable	2	800	2,191	388	-	-
Future income taxes	345	539	584	1,271	1,411	-
Other assets	-	-	1,489	2,235	2,451	4,911
Equity investments	40,646	38,040	26,100	23,501	8,251	-
Mortgages and loans	339,449	272,135	288,202	149,051	90,841	43,371
Capital assets	16,329	15,325	12,141	8,844	9,333	8,901
Intangible assets	34,854	27,996	27,166	14,175	10,497	7,081
Goodwill	117,629	105,285	98,165	59,565	50,164	44,394
	\$ 684,858	\$ 677,620	\$ 622,701	\$ 384,922	\$ 279,699	\$ 157,107
LIABILITIES						
Accounts payable and accrued liabilities	\$ 52,889	\$ 50,378	\$ 55,685	\$ 35,944	\$ 25,099	\$ 20,978
Actuarial liabilities	37,380	38,256	38,042	34,754	33,507	-
Provision for unpaid and unreported claims	9,409	8,510	8,653	6,637	6,065	-
Deferred gain on investments	-	-	-	1,295	861	-
Income taxes payable	-	-	-	-	285	646
Interest rate swap	680	-	-	-	-	-
Customer deposits	327,655	333,130	283,299	147,118	100,441	49,571
Long term debt	49,644	38,151	33,389	25,164	37,707	38,263
Obligation under capital leases	-	-	-	-	-	39
Future income taxes	4,940	5,480	5,274	2,790	3,015	629
	\$ 482,597	\$ 473,905	\$ 424,342	\$ 253,702	\$ 206,980	\$ 110,087
SHAREHOLDERS' EQUITY						
Share capital	\$ 173,438	\$ 173,438	\$ 168,693	\$ 110,607	\$ 59,676	\$ 40,398
Other paid in capital	-	-	51	152	206	206
Contributed surplus	2,012	1,975	1,849	1,923	1,776	204
Retained earnings	27,981	28,598	28,015	18,538	11,061	6,212
Accumulated other comprehensive loss	(1,170)	(296)	(249)	-	-	-
Total Shareholders' Equity	202,261	203,715	198,359	131,220	72,719	47,020
	\$ 684,858	\$ 677,620	\$ 622,701	\$ 384,922	\$ 279,699	\$ 157,107

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

	2009		2008				2007		2006		2005		2004	
	Q1	Annual	Q4	Q3	Q2	Q1	Annual	Annual	Annual	Annual	Annual	Annual	Annual	
REVENUE														
Commission and other customer income	\$ 18,441	\$ 76,651	\$ 17,605	\$ 20,119	\$ 22,129	\$ 16,798	\$ 67,826	\$ 47,983	\$ 43,206	\$ 41,117				
Premium income	8,447	31,240	8,241	8,121	7,717	7,161	27,282	22,785	16,343	-				
Interest income on customer loans	4,922	18,596	4,368	4,677	4,610	4,941	13,805	8,214	4,284	1,127				
Investment income														
Impairment of available-for-sale securities	-	(3,830)	(3,830)	-	-	-	-	-	-	-				
Change in fair value of held-for-trading assets	(131)	(64)	1,552	(1,458)	(615)	457	752	-	-	-				
Realized gain (loss) on sales of available-for-trading assets	(728)	(30)	(30)	-	-	-	409	-	-	-				
Realized gain (loss) on sales of held-for-trading assets	6	(217)	(215)	2	(25)	21	(78)	-	-	-				
Other net investment income	424	2,509	679	551	555	724	4,130	3,661	2,808	-				
	\$ 31,381	\$ 124,855	\$ 28,370	\$ 32,012	\$ 34,371	\$ 30,102	\$ 114,126	\$ 82,643	\$ 66,641	\$ 42,244				
EXPENSES														
Operating expenses	\$ 21,559	\$ 81,707	\$ 21,101	\$ 21,468	\$ 20,210	\$ 18,928	\$ 70,558	\$ 51,420	\$ 44,133	\$ 34,231				
Policyholder benefits	3,633	14,789	5,752	2,550	2,782	3,705	13,934	13,595	9,564	-				
Interest expense – customer deposits	3,654	12,555	2,871	3,185	3,103	3,396	9,209	5,223	2,924	-				
Provision for credit losses	289	936	367	360	129	80	793	755	401	-				
Income before the following	2,246	14,868	(1,722)	4,449	8,147	3,993	19,632	11,650	9,619	8,013				
Income (loss) from equity investments	(253)	2,172	647	67	845	613	2,172	2,323	1,357	653				
Impairment on equity investments	-	(2,053)	(2,053)	-	-	-	-	-	-	-				
Gain (loss) on sale of assets	-	1,263	362	303	598	-	(400)	566	630	(95)				
Interest and financing costs on long-term debt	(562)	(2,137)	(461)	(540)	(553)	(583)	(2,788)	(2,616)	(2,653)	(2,593)				
Amortization of intangible assets	(412)	(1,262)	(316)	(316)	(278)	(352)	(934)	(439)	(329)	(220)				
Amortization of capital assets	(691)	(2,661)	(574)	(731)	(841)	(515)	(1,743)	(1,506)	(1,406)	(1,052)				
Income (loss) before income taxes	328	10,190	(4,116)	3,232	7,918	3,156	15,939	9,978	7,218	4,706				
Income taxes	586	(3,642)	339	(1,132)	(2,079)	(770)	(3,726)	(1,990)	(2,369)	(1,311)				
NET INCOME (LOSS) FOR THE PERIOD	\$ 914	\$ 6,548	\$ (3,777)	\$ 2,100	\$ 5,839	\$ 2,386	\$ 12,213	\$ 7,988	\$ 4,849	\$ 3,395				
Retained earnings, beginning of period as previously reported	28,598	28,015	34,930	33,361	29,923	28,015	18,538	11,061	6,212	3,319				
Cumulative effect of adopting new accounting policies	-	-	-	-	-	-	300	-	-	(393)				
Retained earnings, beginning of period as restated	28,598	28,015	34,930	33,361	29,923	28,015	18,838	11,061	6,212	2,926				
Excess on repurchase of shares	-	-	-	-	-	-	-	-	-	(109)				
Issuer bid	-	(21)	(21)	-	-	-	-	-	-	-				
Preferred share dividends	(1,003)	(3,914)	(2,006)	-	(1,908)	-	(1,656)	(511)	-	-				
Common share dividends	(528)	(2,030)	(528)	(531)	(493)	(478)	(1,380)	-	-	-				
Retained earnings, end of period	\$ 27,981	\$ 28,598	\$ 32,375	\$ 34,930	\$ 33,361	\$ 29,923	\$ 28,015	\$ 18,538	\$ 11,061	\$ 6,212				
Earnings per share														
Basic	\$ 0.00	\$ 0.05	\$ (0.12)	\$ 0.04	\$ 0.08	\$ 0.05	\$ 0.24	\$ 0.22	\$ 0.17	\$ 0.18				
Diluted	\$ 0.00	\$ 0.05	\$ (0.12)	\$ 0.04	\$ 0.08	\$ 0.04	\$ 0.22	\$ 0.20	\$ 0.15	\$ 0.16				

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(in thousands, except for per share amounts)

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

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(in thousands, except for per share amounts)

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

2009 Q1 Financial Information Package – Western Financial Group Inc.

WESTERN FINANCIAL GROUP INC.

COMPARATIVE ANALYSIS BY QUARTER

Outstanding Common shares, convertible preferred shares and convertible debentures

(in thousands)

	2009		2008				2007				2006			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	
Common Shares														
Basic	49,333	49,333	49,458	49,452	47,767	47,753	45,948	44,292	44,175	42,900	35,174	35,174	30,774	
Options	-	48	66	84	97	129	154	199	165	86	74	58	63	
	49,333	49,381	49,524	49,536	47,864	47,882	46,102	44,491	44,340	42,986	35,248	35,232	30,837	
Convertible Preferred Shares														
Series 2	4,005	4,050	4,029	4,029	4,029	4,042	4,042	4,058	4,124	4,124	4,167	4,167	-	
Series 3	3,448	3,448	3,448	3,448	3,448	3,448	3,448	-	-	-	-	-	-	
Series 4	2,899	2,899	2,899	2,899	2,899	2,899	-	-	-	-	-	-	-	
	10,352	10,397	10,376	10,376	10,376	10,389	7,490	4,058	4,124	4,124	4,167	4,167	-	
Convertible Debenture														
\$10 million	-	-	-	-	1,667	1,667	3,333	3,333	3,333	3,333	3,333	3,333	3,333	
\$5 million	-	-	-	-	-	-	-	1,538	1,538	1,538	1,538	1,538	1,538	
\$7 million	-	-	-	-	-	-	-	-	-	-	-	-	4,390	
	-	-	-	-	1,667	1,667	3,333	4,871	4,871	4,871	4,871	4,871	9,261	
Total	59,685	59,778	59,900	59,912	59,907	59,938	56,925	53,420	53,335	51,981	44,286	44,270	40,098	