



Western
Financial
Group

Q1 2008

WESTERN FINANCIAL GROUP INC.

FINANCIAL HIGHLIGHTS

(in \$ thousands)	2008	2007	% change
THE NETWORK			
Revenue (\$)	16,489	14,544	13.4%
Operating income (\$)	3,850	4,382	(12.1%)
BANK WEST			
Interest and investment income (\$)	4,942	2,560	93.0%
Net interest income	1,546	979	57.9%
Operating income (loss) (\$)	697	288	142.0%
WESTERN LIFE			
Premium and investment income (\$)	8,004	6,890	16.2%
Operating income (\$)	1,176	833	41.2%
CORPORATE AND ALL OTHER			
Revenue (\$)	667	565	18.1%
Operating loss (\$)	(1,730)	(1,615)	(7.1%)
CONSOLIDATED			
Revenue (\$)	30,102	24,559	22.6%
Net Income (\$)	2,386	2,545	(6.2%)
Earnings per share			
- basic (\$)	\$0.05	\$0.06	(16.7%)
- diluted (\$)	\$0.04	\$0.05	(20.0%)

DEAR FELLOW SHAREHOLDERS

We have an encouraging start to 2008, the Bank and Western Life are strong contributors and the Network saw a 13% revenue increase. Net income is down over Q1 2007 because of additional Network expenses that will normalize over the year. We're on track to achieve our key 2008 objectives.

2008 OBJECTIVES

Same Store Revenue	7%-10% growth
Bank Assets	10% growth
EPS	8%-12% growth

The Network showed solid growth in same store sales, up from 7.6% to 8.5% year over year. Products per customer held steady at 2.2%, while commissions and other customer revenue rose 13.4%.

Bank West grew its loan book by 84.3% due to the acquisition of Ubiquity Bank as well as through organic growth. The Bank is on budget with operating income growth of 142.0% to \$697,000 for the first quarter of 2008 compared to the same quarter in 2007.

Western Life continues to post good numbers after a strong 2007. Premium and investment income rose 16.2%, policyholder benefits increased 8.7%, and while operating expenses rose 17.9%, overall operating income rose 41.2%.

The Company's equity partners of Jennings Capital, HED, Falkins Insurance and Harvard Western had first quarter results in line with expectations.

On behalf of the Board of Directors,



Scott Tannas, President and Chief Executive Officer
High River, Alberta
May 7, 2008

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, 2008 and the management's discussion and analysis and audited consolidated financial statements and related notes for the year ended December 31, 2007.

This management's discussion and analysis is dated May 7, 2008 and provides comments regarding our objectives, strategies, financial results, risk management and business outlook. Forward-looking 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. Such factors may include, but are not limited to: changing financial and economic conditions in Canada, particularly in Western Canada; regulatory developments; competition industry trends and availability of capital resources; 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.

The financial statements are expressed in Canadian dollars and have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). We use the term "operating income" to refer to earnings, including investment income, before interest expense, deposits, taxes, depreciation and amortization of intangible and capital assets, excluding gain (loss) from the sale of long-term assets and income from long-term investments. Although operating income and operating margin, each of which are discussed herein, do not have standardized meanings prescribed by GAAP, these measures are determined by reference to our financial statements. We discuss these measures as we feel that they are some of the key indicators of the performance of our business. Operating income is used to measure corporate performance before the costs of capital and amortization of capital and intangible assets. As we continue to make acquisitions, our amortization of intangibles will continue to increase along with interest costs on funds borrowed to finance the acquisitions. In order to evaluate our longer-term sustainable performance, our management believes that operating income provides a relevant measure of our actual performance.

Business of Western Financial Group

We are a leader in providing insurance, financial services and banking services to more than 400,000 individuals and businesses in Western Canada through our WFG Agency Network (the "Network"), affiliated insurance brokers, Western Life Assurance Company ("Western Life") and Bank West.

Our primary business is the ownership and operation of WFG Agency Network, which serves over 80 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 auto 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 Assurance Company 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 A chartered bank, offers deposit and loan services, including 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 27.5% equity interest.

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ACQUISITIONS AND INVESTMENTS

In January of 2008 we acquired all of the outstanding shares of an insurance brokerage in Lethbridge, Alberta and 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"), the largest independent insurance broker/administrator in Manitoba. 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.

In May 2007, we entered into an agreement with Prospera Credit Union pursuant to which we agreed to acquire all of the issued and outstanding shares of Ubiquity Bank of Canada. Ubiquity Bank is a Canadian online virtual bank that offers access to account or banking information 24 hours a day delivering financial services through non-traditional forms of banking including phone, internet, ATM, and fax. Ubiquity was founded in April 2004 and is based in Abbotsford, British Columbia. On October 1, 2007 the acquisition was completed and Bank West and Ubiquity Bank were amalgamated with the operations of the two banks consolidated under the Bank West brand.

During 2007 the Company acquired all of the outstanding shares of the following insurance brokerage businesses: the Sawchuk Group with three offices in Dawson Creek, B.C., four offices in Fort St. John, B.C., and one office in Fort Nelson, B.C. The Sawchuk Group consists of Pomeroy Insurance Services Ltd., J.W. Baker Insurance Agencies Inc., Northland Insurance Services Ltd., and Geer and Spice Insurance Agencies Ltd. Additional acquisitions in British Columbia (B.C.) include Sawchuk Financial Services Inc., in Dawson Creek, B.C., McDonald Bychkowski and Holland Ltd. and 411248 B.C. Ltd., in Vernon, B.C., and Blonde and Blonde Ltd., in Kelowna, B.C. The Company acquired Nielsen and Wolfe Agencies Ltd. in Morin, Alberta, 601369 Alberta Ltd. in Lac La Biche, Alberta, 601369 Alberta Ltd., Younger and Holmes Limited, 999416 Alberta Ltd., 999400 Alberta Ltd., and Fimac Insurance Ltd. in Peace River, Alberta, Oncescu Agencies Ltd. in Assiniboia, Saskatchewan and Early Insurance Ltd. in Thompson, Manitoba. The Company also acquired the remaining 75% outstanding shares of Northcountry Insurance Agencies Ltd. serving seven communities in B.C., and certain assets of Butler Byers Insurance Ltd.

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 financial 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 P&C 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 our **loan book**. Corporately we are looking at our **return on equity** and the increase we are able to achieve over the next few years. The table below shows our key business drivers.

As at March 31	2008	2007
Same-store Revenue (% change) (1)	+8.5	+7.6
Products per customer account (PPCA)	2.19	2.22
Same-store Customer Count (year-to-date annualized, % change) (2)	+3.4%	+3.7%
Western Life Policy/Certificate Count	26,231	23,194
Bank West Loan Book (\$ millions)	\$283.6	\$154.6
Return on Common Equity (ROE)	8.9%	9.4%

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

(In \$ thousands except for per share amounts)

Three months ended March 31	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total revenues	\$30,102	\$24,559	\$17,792
Net Income	\$2,386	2,545	\$1,145
Earnings per share-Basic (\$)	\$0.05	\$0.06	\$0.04
Earnings per share-Diluted (\$)	\$0.04	\$0.05	\$0.04
Issued common shares	47,766	44,174	30,774

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 and mortgages 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.

(In \$ thousands except for per share amounts)

Three months ended March 31

	<u>2008</u>	<u>2007</u>
The Network		
Commissions and other customer revenue	\$16,489	\$14,544
Operating expenses	<u>12,639</u>	<u>10,162</u>
Operating income ⁽¹⁾	<u>\$3,850</u>	<u>\$4,382</u>
Bank West		
Interest and investment income	\$4,942	\$2,560
Interest expense-customer deposits	<u>3,396</u>	<u>1,581</u>
Net interest and investment income	1,546	979
Provisions for credit losses	80	57
Operating expenses	<u>769</u>	<u>634</u>
Operating income ⁽¹⁾	<u>\$697</u>	<u>\$288</u>
Western Life		
Premium and investment income	\$8,004	\$6,890
Policyholder benefits	3,705	3,409
Operating expenses	<u>3,123</u>	<u>2,648</u>
Operating income ⁽¹⁾	<u>\$1,176</u>	<u>\$833</u>
Corporate and all other		
Other revenues	\$667	\$565
Operating expenses	<u>2,397</u>	<u>2,180</u>
Operating loss ⁽¹⁾	<u>\$(1,730)</u>	<u>\$(1,615)</u>
Total operating income ⁽¹⁾	<u>\$3,993</u>	<u>\$3,888</u>

Notes:

- (1) We use "operating income (loss)" to refer to earnings, before interest expense, taxes, depreciation and amortization of intangible and capital assets. Operating income (loss) is a non-GAAP measure that 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.

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Results of Operations

Three months ended March 31, 2008 compared with three months ended March 31, 2007

Revenue (in \$ thousands)	2008	2007
The Network	\$16,489	\$14,544
Bank West	4,942	2,560
Western Life	8,004	6,890
Corporate and all other	667	565
	\$30,102	\$24,559

Total revenue increased by \$5.5 million, or 22.6%, to \$30.1 million compared to \$24.6 million in 2007. This was primarily a result of the acquisitions at The Network, and an increase of 16.0% in net premium income at Western Life contributing \$8.0 million to our revenue. The Bank West loan portfolio increased to \$283.6 million at March 31, 2008 compared to \$154.6 million at March 31, 2007, which increased gross interest income by \$2.4 million in revenue.

Revenue (in \$ thousands)	2008	2007
The Network		
P&C commissions	\$ 11,489	\$ 10,036
Government auto	2,983	3,082
Contingent income	1,697	1,144
Other	320	282
	\$ 16,489	\$ 14,544
<hr/>		
Premiums	\$70,752	\$60,452

The Network's revenue increased by \$1.9 million to \$16.5 million in 2008 compared to \$14.5 million in 2007. This was primarily due to acquisitions contributing \$700,000 and the growth in same-store revenue of 8.5%, representing an additional contribution of approximately \$900,000. Government auto decreased in the first quarter by \$175,000 due to the timing of revenue recognition with a large acquisition in 2007 in British Columbia. We will see this normalized over the four quarters in 2008. In addition, we are expecting an overall increase in total government auto. Finally we saw an increase in contingent profit of \$550,000 from receiving higher than expected income from 2007 and entering into enhanced contingent profit agreements in 2008.

Revenue (in \$ thousands)	2008	2007
Bank West		
Interest income	\$4,907	\$2,520
Other income	35	40
	\$ 4,942	\$ 2,560

Bank West's gross interest revenue increased by \$2.4 million to \$4.9 million in 2008 compared to \$2.6 million in 2007 from organic growth and the acquisition of Ubiquity Bank. Bank West had an increase in premium financing interest of \$90,000 from the monthly financing of insurance policies for the Network, an increase in mortgages and personal loan interest of \$2.1 million and an increase in investment and leasing interest of \$230,000. Customer deposits increased by \$135.5 million to \$277.2 million in 2008 from \$141.7 million as at March 31, 2007 which drove interest and commission expense higher by \$1.9 million. As a result, Bank West's net interest and other revenue after provisions for loan losses increased by \$500,000 to \$1.4 million in 2008 compared to \$900,000 in 2007. Mortgages and other loans before provisions for loan losses increased 83.4% to \$283.6 million in 2008 from \$154.6 million as at March 31, 2007.

Revenue (in \$ thousands)	2008	2007
Western Life		
Premium income	\$ 7,172	\$ 6,260
Investment income	832	630
	\$ 8,004	\$ 6,890

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Western Life contributed \$8.0 million in total revenue with \$7.2 million in net premium revenue as compared to \$6.3 million in 2007 and \$800,000 in investment income compared to \$630,000 in 2007. Specific product offerings covering creditor and group lines led the positive growth in net first year and renewal premiums. Additionally, direct sales from the Network of \$800,000 compared to \$500,000 in 2007, demonstrated the continued support and integration between Western Life and the Network.

Revenue (in \$ thousands)	2008	2007
Corporate and all other		
Commission and other customer revenue	\$ 297	\$ 404
Interest and investment income	164	134
Dividend income	206	27
	\$ 667	\$ 565

Revenue from our corporate and all other segment increased \$100,000 seeing a slight increase in dividend income. Revenue in corporate and all other is derived mainly from our travel operations along with dividend and investment income at corporate.

Operating Expenses (in \$ thousands)	2008	2007
The Network	\$12,639	\$10,162
Bank West	769	634
Western Life	3,123	2,648
Corporate and all other	2,397	2,180
	\$18,928	\$15,624

Total operating expenses increased by \$3.3 million, or 21.1%, to \$18.9 million in 2008 compared to \$15.6 million in 2007.

Operating expenses in the Network increased \$2.4 million, or 24.5%, to \$12.6 million in 2008 compared to \$10.2 million in 2007. 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 \$500,000 in the first three months of 2008. We saw an increase in salaries and wages before acquisitions of \$1.4 million. Approximately \$1.0 million comes from the additional staff required to manage the sales activity in the Network branch offices. We had job vacancies last year in the first quarter that we filled throughout the year that reduced our expected expenses in the first quarter of 2007. This increase equates to an average of one new staff member per branch. We saw an increase of approximately \$400,000 in our head office staffing. Again at head office we were not fully staffed in the first quarter of 2007. We are now staffed to support the growth of our network, and staffed to manage our extensive audit and compliance requirements. As a percentage of revenue, salaries and wages including producer commissions increased to 55% compared to 51% in 2007. We expect salaries and wages as a percentage of revenue to generally run at approximately 50.0%. We spent an additional \$300,000 in advertising and promotion. This is from the growth of the Network and the ongoing branding of Western Financial Group in our communities. Finally we saw an increase of \$175,000 in rent expense as we identified and relocated branch offices when required. We have historically experienced an average of 22% of total revenue realized in the first quarter of the year. As quarterly revenues increase our expenses should normalize throughout the year.

Bank West's operating expenses increased by \$135,000 or 21.3%. With this, \$30,000 of the increase came from salaries and wages as we added additional staff to support the growth with the acquisition of Ubiquity Bank in the last quarter of 2007. The balance was due to general office expense increases, professional and directors' fees, and acquisitions and maintenances fees again associated with the acquisitions.

Western Life operating expenses increased by \$475,000 or 17.9%. Western Life continues to demonstrate efficient control of expenses and slightly lower loss ratios at 49.6%. Commission expenses account for \$400,000 of the increase but are in direct correlation to the increase in net premium income.

Corporate and all other segment expenses increased \$217,000, to \$2.4 million in 2008 compared to \$2.2 million in 2007. We had professional and audit fee accruals to account for the expected increase in 2008 of \$100,000 over 2007, salaries and wages of \$175,000 due to severance packages, with a decrease in commission expense associated with the sale of one of our building assets in 2007.

Income from long-term investments

Income from long-term investments saw a slight decrease with investment income at \$613,000 in 2008 compared to \$762,000 in 2007. Our investments include Jennings Capital Inc., Harvard Western Ventures Inc., Falkins Insurance Group Limited, Hayhurst Elias

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Dudek Inc., and Archibald Clarke & Defieux Insurance Services Inc.

Interest and financing costs on long-term debt

Interest and financing costs increased to \$583,000 from \$526,000. This is a result of a decrease of \$100,000 in interest expense from the conversion of \$10.0 million of subordinated convertible redeemable debentures and the increase in our Senior Credit Facility impacting our interest expense by approximately \$120,000.

Amortization of intangible assets

Amortization of intangible assets increased \$148,000, to \$352,000 in 2008 (2007-\$204,000) as a result of the increase in the amount of intangible assets from \$23.5 million in 2007 to \$27.2 million in 2008. The change in intangible assets is a result of acquisitions completed in 2007 and 2008.

Net income

	2008	2007	Increase/decrease
Operating income	\$3,993	\$3,888	\$105
Income from long-term investments	613	762	(149)
Interest and financing costs on long-term debt	(583)	(526)	57
Amortization of intangible assets	(352)	(204)	148
Amortization of capital assets	(515)	(380)	135
Income before income taxes	3,156	3,540	(384)
Income taxes	(770)	(995)	(225)
Net income for the period	\$2,386	\$2,545	(\$159)

Liquidity and Capital Resources

Total shareholders' equity as at March 31, 2008 was \$199.8 million compared to \$198.4 million at December 31, 2007. This change is from the increase of \$1.9 million in retained earnings and an increase in our accumulated other comprehensive loss on the unrealized net loss on available for sale financial instruments of \$500,000.

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 \$40.0 million negotiated with a Canadian chartered bank. As at March 31, 2008, \$26.8 million of this facility had been utilized. Pursuant to the terms of this credit facility, we make monthly loan payments of \$263,000 plus interest. Repayment of the credit facility is dependent upon annual renewal. In the event the Bank of Montreal 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 2003, we entered into an interest rate swap agreement exchanging \$8.0 million of floating rate debt for a fixed rate of 6.225%. This debt requires interest payments only. The swap agreement expires May 2008. At March 31, 2008 we were in compliance with the financial covenants of our senior credit facility.

At March 31, 2008, we also had a total of \$5.0 million in subordinated convertible redeemable debentures due 2009. The Company anticipates that these will be fully converted in 2008.

At March 31, 2008, 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 the Company after March 2010.

At March 31, 2008 we had cash of \$30.7 million as compared to \$36.0 million at December 31, 2007. Operations contributed \$2.4 million (2007-\$3.5 million) and non-cash working capital increased by \$11.5 million (2007-\$12.8 million) primarily from the increase

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in our accounts payable of \$8.6 million (2007-\$7.9 million). Cash used in investing activities was \$10.4 million (2007-\$19.2 million). This was used to increase our investment in Hayhurst Elias Dudek Inc. and our acquisition of insurance brokers of \$1.4 million. We made repayment of \$795,000 with our senior credit facility increased our customer deposits supporting our customer loans at Bank West by \$7.1 million, and paid dividends of \$969,000. This resulted in an decrease in cash and cash equivalents for the year of \$5.3 million.

RELATED PARTY TRANSACTIONS

Related parties include directors, officers and their related companies. The prices and terms of transactions with related parties are in accordance with normal business practice and recorded at the exchange amount. Interest of \$ nil (2007 - \$7,000) was paid to Jennings Capital Inc., an affiliated Company in which a director holds an interest, for an investment margin loan. Dividend income on preferred shares of \$155,000 (2007 - \$5,000) and income from equity investments of \$41,000 (2007 - \$463,000) were accrued with respect to our investment in Jennings Capital Inc. Fees for computer service of \$ nil (2007 - \$16,000) were accrued for services provided to Jennings Capital Inc. Dividends on preferred shares in the amount of \$ nil (2007 - \$2,000) were accrued to a company controlled by a director.

SUBSEQUENT EVENTS

Subsequent to March 31, 2008 the Company entered into memorandums of understanding and term sheets with respect to the acquisition of insurance brokerage businesses for an estimated net cost of \$3.5 million.

Outstanding Share Data

At March 31, 2008 the balance of issued common shares was 47,766,740 for a total value of \$112.2 million. We issued 13,889 common shares with the conversion of our preferred shares series two. At the date of this report the balance of issued common shares was 47,766,740.

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 320,500 options outstanding at March 31, 2008.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures as at the financial year ended December 31, 2006. 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, 2008 to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would be made known to them by others within those entities.

INTERNAL CONTROL OVER FINANCIAL REPORTING

As at the financial year ended December 31, 2006, the Chief Executive Officer and Chief Financial Officer evaluated the design of the Company's internal control over financial reporting. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design of internal control over financial reporting was effective as at March 31, 2008 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

There have been no changes in the Company's internal control over financial reporting that occurred during the most recent interim period ended March 31, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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CHANGES IN ACCOUNTING POLICIES

CAPITAL DISCLOSURES, AND FINANCIAL INSTRUMENTS DISCLOSURES AND PRESENTATION

Commencing January 1, 2008, the Company adopted new accounting standards required by the Canadian Institute of Chartered Accountants (CICA) relating to Capital Disclosures - CICA Handbook section 1535, Financial Instruments Disclosures – CICA Handbook section 3862, and Financial Instruments Presentation - CICA Handbook section 3863 as well as other amendments to the CICA Handbook sections and accounting guidelines resulting from the issuance of these sections. The Company has adopted these standards prospectively.

Under CICA Handbook section 1535, the Company is required to disclose its objectives, policies and processes for managing capital; information about what it regards as capital; whether it has complied with any capital requirements, and the consequences of not complying with these capital requirements. CICA Handbook Sections 3862 and 3863 replace section 3861 – Financial Instruments Disclosure and Presentation. Section 3863 carries forward unchanged the related presentation requirements of Section 3861 while Section 3862 requires enhanced financial instrument disclosures focusing on disclosures related to the nature and extent of risks arising from financial instruments and how the entity manages those risks.

FUTURE ACCOUNTING CHANGES

The CICA Accounting Standards Board (AcSB) confirmed in February 2008 that International Financial Reporting Standards (IFRS) will replace Canadian Generally Accepted Accounting Principles (GAAP) effective January 1, 2011 for Canadian profit oriented publicly accountable entities. The Company will be required to adopt IFRS for fiscal periods commencing January 1, 2011, and is currently assessing the potential impact of this change and developing a plan accordingly.

CAPITAL MANAGEMENT

The Company's capital management framework is designed to maintain adequate levels of capital in order to build long-term shareholder value, meet regulatory capital requirements of our subsidiary companies, maintain leverage targets determined by the Board of Directors, and support internal capital needs assessments including funding of future business acquisitions. Capital funds are managed in accordance with policies and plans that are regularly reviewed and approved by the Board of Directors taking into account forecasted needs and markets. Capital is primarily comprised of common share capital, preferred share capital, contributed surplus, other paid in capital, and retained earnings. Regulatory capital includes the addition of subordinated debentures if certain thresholds are met.

Effective November 1, 2007 the Office of the Superintendent of Financial Institutions Canada (OSFI) adopted a new capital management framework for Canadian financial institutions impacting wholly owned subsidiary Bank West. The new framework, called Basel II, introduced changes to the risk-weighting of assets and the calculation of regulatory capital. It has resulted in a shift for Bank West into lower risk-weight categories for residential mortgages and loans to small-to-medium sized enterprises and a new capital requirement related to operational risk. Overall, Basel II has not had a significant impact on the Bank's overall required level of regulatory capital when compared to OSFI's previous methodology. The Bank has implemented Basel II requirements for the reporting period ended March 31, 2008.

RISK MANAGEMENT

In the normal course of business, the Company is exposed to a variety of financial risks: credit risk, liquidity risk, and market risk factors including interest rate risk, and other price risk. Refer to the following sections of the 2007 Annual Report of Western Financial Group for further discussion on how the Company is exposed to and manages these risks: Management Discussion and Analysis section - page 42, and Consolidated note 25 to the Financial Statements - pages 68 to 70.

Current Outlook

The softer pricing market that we experienced in 2006 and 2007 will continue into 2008 particularly for commercial insurance. Competition among P&C insurance companies for commercial policies is expected to continue, with rates now at profitable levels. We recognize that rate increases, and consequently our commission increases, will be minimal if any for the next 12 to 24 months. We do not expect significant rate changes beyond the normal rate of inflation in the next 12 months.

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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, Western Life or Jennings Capital. We also anticipate that the life and health insurance industry will remain stable in the medium to long-term, especially in the communities in Western Canada where we operate.

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 SHEETS (unaudited)
AS AT MARCH 31, 2008 AND DECEMBER 31, 2007
(in thousands, except for per share amounts)

	March 2008	December 2007
ASSETS		
Cash and cash equivalents	\$ 30,736	\$ 36,033
Marketable securities – held-for-trading	49,591	46,886
Marketable securities – available-for-sale	50,948	51,104
Accounts receivable	25,085	26,680
Prepaid expenses	5,736	5,960
Income taxes receivable	1,762	2,191
Future income taxes	435	584
Other assets	1,220	1,489
Equity investments	37,942	26,100
Mortgages and loans	282,228	288,202
Capital assets	12,758	12,141
Intangible assets	27,230	27,166
Goodwill	99,299	98,165
	624,970	622,701
LIABILITIES		
Accounts payable and accrued liabilities	64,047	55,685
Actuarial liabilities	38,024	38,042
Provision for unpaid and unreported claims	8,939	8,653
Customer deposits	276,258	283,299
Long-term debt	32,649	33,389
Future income taxes	5,245	5,274
	425,162	424,342
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	168,693	168,693
Other paid in capital	51	51
Contributed surplus	1,886	1,849
	170,630	170,593
Retained earnings	29,923	28,015
Accumulated other comprehensive loss	(745)	(249)
	29,178	27,766
Total Shareholders' Equity	199,808	198,359
	\$ 624,970	\$ 622,701

See the accompanying notes to these interim consolidated financial statements.

WESTERN FINANCIAL GROUP INC.

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS (unaudited)

FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2008 AND 2007
(in thousands, except for per share amounts)

		March 2008		March 2007
REVENUE				
Commission and other customer income	\$	16,798	\$	14,959
Premium income		7,161		6,248
Interest income on customer loans		4,941		2,560
Investment income				
Change in fair value of held-for-trading assets		457		(45)
Realized gain on sales of held-for-trading assets		21		-
Other net investment income		724		837
		30,102		24,559
EXPENSES				
Operating expenses		18,928		15,624
Policyholder benefits		3,705		3,409
Interest expense – customer deposits		3,396		1,581
Provision for credit losses		80		57
		3,993		3,888
Income before the following				
Income from long-term investments		613		762
Interest and financing costs on long-term debt		(583)		(526)
Amortization of intangible assets		(352)		(204)
Amortization of capital assets		(515)		(380)
		3,156		3,540
Income before income taxes				
Income taxes		(770)		(995)
		2,386		2,545
NET INCOME FOR THE PERIOD				
Retained earnings, beginning of period as previously reported	\$	28,015	\$	18,538
Cumulative effect of adopting new accounting policies		-		300
Retained earnings, beginning of period as restated		28,015		18,838
Common share dividends		(478)		-
Retained earnings, end of period		29,923		21,383
Earnings per share (Note 7)				
Basic	\$	0.05	\$	0.06
Diluted	\$	0.04	\$	0.05

See the accompanying notes to these interim consolidated financial statements.

WESTERN FINANCIAL GROUP INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) AND ACCUMULATED OTHER COMPREHENSIVE LOSS (unaudited)

FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2008 AND 2007
(in thousands, except for per share amounts)

	March 2008	March 2007
COMPREHENSIVE INCOME		
Net income for the period	\$ 2,386	\$ 2,545
Net change in unrealized losses in available-for-sale securities, net of tax	(496)	(149)
Comprehensive income	\$ 1,890	\$ 2,396

	2008	2007
ACCUMULATED OTHER COMPREHENSIVE LOSS		
Balance, beginning of year	\$ (249)	\$ -
Impact of fair value measurement of available-for-sale financial instruments at January 1, 2007 (net of tax 2007 of \$168)	-	696
Balance, as a result of accounting policy change	(249)	696
Unrealized net loss on available-for-sale financial instruments arising during the period (net of tax of \$87; 2007-\$79)	(496)	(149)
Other comprehensive loss for the year, net of tax	(496)	(149)
Accumulated Other Comprehensive (Loss) Income Balance, end of period	\$ (745)	\$ 547

See the accompanying notes to these interim consolidated financial statements.

WESTERN FINANCIAL GROUP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2008 AND 2007
(in thousands, except for per share amounts)

	March 2008	March 2007
CASH PROVIDED BY (USED IN) OPERATIONS		
Net income for the period	\$ 2,386	\$ 2,545
Non-cash items		
Amortization of intangible assets	352	204
Amortization of capital assets	515	380
Future income taxes	137	850
Unrealized gains – held-for-trading assets	(457)	45
Non-cash dividends	(155)	(5)
Stock compensation	37	25
Other non-cash expenses	151	149
Income from long term investments	(550)	(744)
Realized net gain – held-for-trading assets	(21)	-
	2,395	3,449
CHANGE IN NON-CASH WORKING CAPITAL		
Accounts receivable	1,859	4,345
Prepaid expenses	222	380
Accounts payable and accrued liabilities	8,618	7,939
Actuarial liabilities	(18)	34
Provision for unpaid and unreported claims	286	693
Policy loans	93	25
Income taxes	425	(571)
	13,880	16,294
CASH PROVIDED BY (USED IN) INVESTING		
Other assets	157	509
Equity investments	(11,300)	1,020
Cash used in business acquisitions (Note 5)	(1,433)	(22,047)
Capital asset purchases	(1,058)	(347)
Intangibles disposal	-	7
Proceeds on sale of marketable securities	60,253	20,064
Investment in marketable securities	(62,791)	(13,212)
Mortgages and loans	5,801	(5,172)
	(10,371)	(19,178)
CASH PROVIDED BY (USED IN) FINANCING		
Repayments of long-term debt	(795)	(605)
Advances of long-term debt	-	20,000
Customer deposits	(7,042)	(5,698)
Net proceeds on issue of share capital	-	248
Dividends paid	(969)	-
	(8,806)	13,945
(Decrease) increase in cash for the period	(5,297)	11,061
Cash and cash equivalents, beginning of period	36,033	9,085
Cash and cash equivalents, end of period	\$ 30,736	\$ 20,146

See the accompanying notes to these interim consolidated financial statements.

WESTERN FINANCIAL GROUP INC.

(In thousands, except for per share amounts)

The interim consolidated financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles and follow the same accounting policies and methods of computation as the consolidated financial statements for the fiscal year ended December 31, 2007, except as described in Note 1 under changes in accounting policies. These interim financial statements do not include all disclosures required in the annual financial statements and should be read in conjunction with the December 31, 2007 annual financial statements.

NOTE 1 CHANGES IN ACCOUNTING POLICIES

CAPITAL DISCLOSURES, AND FINANCIAL INSTRUMENTS DISCLOSURES AND PRESENTATION

Commencing January 1, 2008, the Company adopted new accounting standards required by the Canadian Institute of Chartered Accountants (CICA) relating to Capital Disclosures - CICA Handbook section 1535, Financial Instruments Disclosures – CICA Handbook section 3862, and Financial Instruments Presentation - CICA Handbook section 3863 as well as other amendments to the CICA Handbook sections and accounting guidelines resulting from the issuance of these sections. The Company has adopted these standards prospectively.

Under CICA Handbook section 1535, the Company is required to disclose its objectives, policies and processes for managing capital; information about what it regards as capital; whether it has complied with any capital requirements, and the consequences of not complying with these capital requirements. CICA Handbook Sections 3862 and 3863 replace section 3861 – Financial Instruments Disclosure and Presentation. Section 3863 carries forward unchanged the related presentation requirements of Section 3861 while Section 3862 requires enhanced financial instrument disclosures focusing on disclosures related to the nature and extent of risks arising from financial instruments and how the entity manages those risks.

NOTE 2 FUTURE ACCOUNTING CHANGES

The CICA Accounting Standards Board (AcSB) confirmed in February 2008 that International Financial Reporting Standards (IFRS) will replace Canadian Generally Accepted Accounting Principles (GAAP) effective January 1, 2011 for Canadian profit oriented publicly accountable entities. The Company will be required to adopt IFRS for fiscal periods commencing January 1, 2011, and is currently assessing the potential impact of this change and developing a plan accordingly.

NOTE 3 CAPITAL MANAGEMENT

The Company's capital management framework is designed to maintain adequate levels of capital in order to build long-term shareholder value, meet regulatory capital requirements of our subsidiary companies, maintain leverage targets determined by the Board of Directors, and support internal capital needs including funding of future business acquisitions. Capital funds are managed in accordance with policies and plans that are regularly reviewed and approved by the Board of Directors. Capital is comprised of common share capital, preferred share capital, contributed surplus, other paid in capital, and retained earnings. Regulatory capital includes the addition of subordinated debentures if certain thresholds are met.

Effective November 1, 2007 the Office of the Superintendent of Financial Institutions Canada (OSFI) adopted a new capital management framework for Canadian financial institutions impacting wholly owned subsidiary Bank West. The new framework, called Basel II, introduced changes to the risk-weighting of assets and the calculation of regulatory capital. It has resulted for Bank West in a shift into lower risk-weight categories for residential mortgages and loans to small-to-medium sized enterprises and a new capital requirement related to operational risk. Overall, Basel II has not had a significant impact on the Bank's overall required level of regulatory capital when compared to OSFI's previous methodology. The Bank has implemented Basel II requirements for the reporting period ended March 31, 2008.

WESTERN FINANCIAL GROUP INC.

NOTE 4 RISK MANAGEMENT

OVERVIEW:

In the normal course of business, the Company is exposed to a variety of financial risks: credit risk, liquidity risk, and market risk factors including interest rate risk, and other price risk. Refer to the following sections of the 2007 Annual Report of Western Financial Group for further discussion on how the Company is exposed to and manages these risks: Management Discussion and Analysis section - page 42, and Consolidated note 25 to the Financial Statements - pages 68 to 70.

CREDIT RISK – EXPOSURE:

The Company's maximum exposure to credit risk at March 31, 2008 is summarized in the following table and represents the risk of financial loss from the failure of debtors to make payments of interest and / or principal when due:

	March 31, 2008
Marketable securities – held-for-trading	\$ 49,591
Marketable securities – available-for-sale	50,948
	100,539
Accounts receivable	25,085
Mortgages and loans	282,228
Other assets	1,220
Total balance sheet maximum credit exposure:	\$ 409,072

The Company holds security related to mortgages and loans in the form of real property, mortgage insurance, and liens on equipment and vehicles.

CREDIT RISK – ASSET QUALITY:

The credit quality of the Company's financial assets is described in the following tables:

	March 31, 2008	March 31, 2008
Marketable Securities:	Held-for-trading	Available-for-sale
Bonds - AAA rating	\$ 16,645	\$ 1,534
Bonds - AA rating	21,343	2,387
Bonds - A rating	11,603	656
Corporate notes - A rating	-	6,647
Preferred shares - P-1 rating	-	3,556
Equities	-	11,820
Canadian government securities	-	24,348
	\$ 49,591	\$ 50,948
Accounts Receivable -reinsurance recoverable:	March 31, 2008	
Reinsurance recoverable – A- credit rating	\$ 1,272	

WESTERN FINANCIAL GROUP INC.

NOTE 4 RISK MANAGEMENT (continued)

Mortgages and loans - credit quality:

As at March 31, 2008				
	Residential and Commercial Mortgages	Personal Loans	Business and Commercial Loans	Total
Gross carrying value:				
Neither past due nor impaired	\$ 106,322	\$ 134,112	\$ 40,110	\$ 280,544
Past due but not impaired				
Past due less than 90 days	2,222	981	32	3,235
Past due 90 to 179 days	-	124	2	126
Impaired	-	199	112	311
Balance before allowance	108,544	135,416	40,256	284,216
General provision	161	1,014	285	1,460
Specific provision	-	193	335	528
Net carrying value:	\$ 108,383	\$ 134,209	\$ 39,636	\$ 282,228

Mortgages and loans – changes in allowance for specific credit losses:

Period to March 31, 2008:				
	Residential and Commercial Mortgages	Personal Loans	Business and Commercial Loans	Total
Balance, December 31, 2007	-	\$ 184	\$ 235	\$ 419
Provision for losses (recoveries)	-	55	100	155
Write-offs, net of recoveries	-	(46)	-	(46)
Balance, March 31, 2008	-	\$ 193	\$ 335	\$ 528

None of the past due mortgages and loans were renegotiated during the three month period ended March 31, 2008.

During the three month period ended March 31, 2008, loans with a carrying value of \$1,094 were determined to be impaired based on uncertainty as to the full repayment of the outstanding principal balance. There were no loans that exhibited evidence of impairment during this period that the Company did not recognize as impaired because the decline in recoverable amount was considered by management to be temporary in nature.

Temporarily impaired available-for-sale assets:

The available-for-sale assets disclosed in the following table exhibit evidence of impairment which is considered by management to be temporary in nature.

As at March 31, 2008		
	Fair Value	Unrealized Losses
Marketable securities:		
Available-for-sale equities	\$ 11,820	\$ 242
Available-for-sale preferred shares	3,556	624
	15,376	866
Other assets:		
Available-for-sale long term receivable	1,178	164
Total temporarily impaired financial assets	\$ 16,554	\$ 1,030

WESTERN FINANCIAL GROUP INC.

NOTE 4 RISK MANAGEMENT (continued)

LIQUIDITY RISK:

Liquidity risk is the risk that the Company will not be able to fund all cash outflow requirements as they fall due.

The Company manages this risk through management of cash flows as well as its concentration of assets and liabilities. The Bank has an Asset and Liability Committee which meets regularly to ensure proper and prudent liquidity management in accordance with industry and regulatory guidelines and Board policy. The Life Company has an Investment Committee which along with senior management ensures that prudent cash management and investment practices are followed in accordance with Board policy, and statutory requirements.

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 tables present the contractual maturities of the Company's financial liabilities:

Actuarial Liabilities March 31, 2008

Terms to maturity	0 – 4 years	5 – 9 years	Greater than 10 years	Total
Actuarial liabilities	\$ 6,983	\$ 11,155	\$ 34,089	\$ 52,227
Less:				
Reinsurance recoverable	(1,185)	(2,958)	(10,060)	(14,203)
Net actuarial liabilities	\$ 5,798	\$ 8,197	\$ 24,029	\$ 38,024

Customer deposits March 31, 2008

Terms to maturity	1 yr & under	1-2 years	2-3 years	3-4 years	4-5 years	Total
Business deposits	\$ 1,409	\$ 1,563	\$ 1,692	\$ 146	\$ 632	\$ 5,442
Individual deposits	55,230	39,473	74,075	65,459	36,632	270,869
Demand & other deposits	1,555	-	-	-	-	1,555
	58,194	41,036	75,767	65,605	37,264	277,866
Commissions	(329)	(239)	(441)	(382)	(217)	(1,608)
Total customer deposits	\$ 57,865	\$ 40,797	\$ 75,326	\$ 65,223	\$ 37,047	\$ 276,258

Long-term debt March 31, 2008

	Remainder of 2008	2009	2010	2011	2012+	Total
Principal repayments due:	\$ 15,379	\$ 3,180	\$ 4,173	\$ 3,157	\$ 6,760	\$ 32,649

MARKET RISK:

Market Risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest risk, and other price risk. The Company is exposed to interest rate price risk on monetary financial assets and liabilities that have fixed interest rates, and is exposed to interest rate cash flow risk on monetary financial assets and liabilities with floating interest rates that are reset as market rates change.

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

WESTERN FINANCIAL GROUP INC.

NOTE 4 RISK MANAGEMENT (continued)

For Western Life, the values of held-for-trading bonds and actuarial liabilities are affected similarly by changes in interest rates. The estimated impact of a 1% increase in interest rates resulting in decreased market value of held-for-trading bonds, would correspondingly decrease actuarial liabilities, resulting in a nil net impact on net income. Conversely the estimated impact of a 1% decrease in interest rates resulting in increased market value of held-for-trading bonds would result in increased actuarial liabilities resulting in a nil net impact on net income.

The Company is exposed to interest rate risk arising from fluctuations in interest rates on certain of its bank term loans payable. The Company is also exposed to interest rate risk arising from the mismatch, or gap, between the assets and liabilities of Bank West that are scheduled to mature or re-price on particular dates. The Bank uses gap analysis to measure this risk. The gaps which existed at March 31, 2008 based on the maturity date of interest rate sensitive instruments are detailed as follows:

March 31, 2008	1 yr & under	1 – 2 years	2 - 3 years	3 - 4 years	4 - 5 years	Total
Assets:						
Cash & Securities	\$ 33,539	\$ 2,009	\$ 2,033	\$ -	\$ -	\$ 37,581
Loans & mortgages	55,675	34,519	61,032	58,537	71,860	281,623
Other assets	7,680	-	-	-	-	7,680
Total	96,894	36,528	63,065	58,537	71,860	326,884
Liabilities & Equity:						
Current liabilities	12,877	-	-	-	-	12,877
Deposits	56,741	41,361	76,180	65,647	37,266	277,195
Other Liabilities	-	-	-	-	12,000	12,000
Shareholder's Equity	24,812	-	-	-	-	24,812
Total	94,430	41,361	76,180	65,647	49,266	326,884
Interest-rate Sensitive Gap	2,464	(4,833)	(13,115)	(7,110)	22,594	
Cumulative Gap	\$ 2,464	\$ (2,369)	\$ (15,484)	(22,594)	\$ -	\$ -
Cumulative gap as a percentage of total assets	.8%	.8%	5%	7%	-%	-

WESTERN FINANCIAL GROUP INC.

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.

In January 2008, the Company acquired all of the outstanding shares of an insurance brokerage business in Lethbridge, Alberta.

	2008
Net assets acquired in business acquisition:	
Other assets	\$ 118
Capital assets	74
Intangible assets	416
Goodwill	1,134
Accounts payable and accrued liabilities	(235)
Corporate taxes receivable	8
Future taxes payable	(82)
Cash consideration:	\$ 1,433

None of the total amount assigned to goodwill and intangibles is deductible for tax purposes.
Goodwill included above has been shown in the WFG Agency Network segmented goodwill total (Note 13).

WESTERN FINANCIAL GROUP INC.

NOTE 6

SHARE CAPITAL

Authorized shares

Unlimited number of common, without nominal or par value

Unlimited number of first preferred, issuable in series

Unlimited number of second and third preferred

Issued Common Shares	Number	Amount
Balance, December 31, 2007	47,752	\$ 112,133
Common shares issued:		
On conversion of preferred shares	14	50
Balance, March 31, 2008	47,766	\$ 112,183
Balance, March 31, 2007	44,174	\$ 100,840
Issued Preferred Series 1, recorded as long term debt	Number	Amount
Balance, December 31, 2007	-	\$ -
Redeemed	-	-
Balance, March 31, 2008	-	\$ -
Balance, March 31, 2007	.1	\$ 100
Issued Preferred Series 2, recorded as share capital	Number	Amount
Balance, December 31, 2007	145	\$ 13,807
Converted to Common shares	-	(50)
Balance, March 31, 2008	145	\$ 13,757
Balance, March 31, 2007	148	\$ 14,092
Issued Preferred Series 3, recorded as share capital	Number	Amount
Balance, December 31, 2007	250	\$ 23,790
Balance, March 31, 2008	250	\$ 23,790
Balance, March 31, 2007	-	\$ -
Issued Preferred Series 4, recorded as share capital	Number	Amount
Balance, December 31, 2007	200	\$ 18,963
Balance, March 31, 2008	200	\$ 18,963
Balance, March 31, 2007	-	\$ -
TOTAL SHARE CAPITAL		Amount
Balance, March 31, 2008		\$ 168,693
Balance, March 31, 2007		\$ 114,932

WESTERN FINANCIAL GROUP INC.

NOTE 7 EARNINGS PER SHARE

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

Three Months ended March 31, 2007

	Income	Shares	Per Share
Earnings per share from continuing operations			
Net income	\$ 2,545		
Preferred share dividends	-		
Net income available to common shareholders	\$ 2,545		
Basic earnings per share	\$ 2,545	43,719	\$ 0.06
Effect of dilutive securities			
Stock options	-	165	
Preferred shares	-	4,124	
Convertible debentures	106	4,872	
Diluted earnings per share	\$ 2,651	52,880	\$ 0.05

For the reporting periods ended March 31, 2008 and 2007 there were no anti-dilutive instruments which have been excluded from the above calculations.

NOTE 8 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Three months ended March 31	
	2008	2007
Dividends received	\$ 84	\$ 715
Interest paid	1,929	1,095
Income taxes paid	197	717
Dividends paid	969	-

WESTERN FINANCIAL GROUP INC.

NOTE 9 RELATED PARTY TRANSACTIONS

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

- Interest of \$ nil (2007 - \$ 7) was paid to Jennings Capital Inc., an affiliated Company in which a director holds an interest, for an investment margin loan.
- Dividend income on preferred shares of \$ 155 (2007 - \$ 5) and income from equity investments of \$41 (2007 - \$ 463) were accrued with respect to our investment in Jennings Capital Inc.
- Fees for computer service of \$ nil (2007 - \$ 16) were accrued for services provided to Jennings Capital Inc.
- Dividends on preferred shares in the amount of \$ nil (2007 - \$ 2) were accrued to a company controlled by a director.

NOTE 10 SUBSEQUENT EVENTS

Subsequent to March 31, 2008 the Company entered into memorandums of understanding and term sheets with respect to the acquisition of Insurance brokerage businesses for an estimated net cost of \$ 3.5 million.

NOTE 11 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in 2008.

NOTE 12 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 favor, 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 13 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 segment commenced operations in January 2003 and provides premium financing to customers of the insurance segment as well as loans and mortgages to other customers through Bank West. The life 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 consistent with those followed in the preparation of the consolidated financial statements.

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

WESTERN FINANCIAL GROUP INC.

NOTE 13 **SEGMENTED INFORMATION (continued)**

	Three Months ended	Three Months ended
	March 31, 2008	March 31, 2007
Revenues		
WFG Agency Network	\$ 16,489	\$ 14,544
Western Life Assurance Company	8,004	6,890
Bank West	4,942	2,560
Corporate and all other	667	565
	\$ 30,102	\$ 24,559
Operating income		
WFG Agency Network	\$ 3,850	\$ 4,382
Western Life Assurance Company	1,176	833
Bank West	697	288
Corporate and all other	(1,730)	(1,615)
	\$ 3,993	\$ 3,888
Add (deduct)		
Income from long-term investments	613	762
Interest and financing costs on long-term debt	(583)	(526)
Amortization of intangible assets	(352)	(204)
Amortization of capital assets	(515)	(380)
Income taxes	(770)	(995)
Net income for the period	\$ 2,386	\$ 2,545

	As at March 31, 2008	As at March 31, 2007
Total Assets		
WFG Agency Network	\$ 62,663	\$ 52,580
Western Life Assurance Company	74,553	70,074
Bank West	324,775	176,946
Corporate and all other	162,979	121,513
	\$ 624,970	\$ 421,113
Total Goodwill		
WFG Agency Network	\$ 83,843	\$ 75,390
Western Life Assurance Company	5,161	5,161
Bank West	2,788	-
Corporate and all other	7,507	780
	\$ 99,299	\$ 81,331

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
Robert Marshall, President & CEO

Western Life Assurance Company
Bruce Ratzlaff, President & CEO

www.westernfinancialgroup.net