

Financial Information Package



Q2 2008

2008 Q2 Financial Information Package – Western Financial Group Inc.

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

| | 2008 | | 2007 | | 2006 | | 2005 | | 2004 | |
|--|----------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|
| | 6 Month | | Annual | | Annual | | Annual | | Annual | |
| ASSETS | | | | | | | | | | |
| Cash and cash equivalents | \$ | 24,612 | \$ | 36,033 | \$ | 9,085 | \$ | 10,416 | \$ | 12,290 |
| Marketable securities – held-for-trading | | 52,836 | | 46,886 | | 85,243 | | 67,077 | | 10,568 |
| Marketable securities – available-for-sale | | 27,495 | | 51,104 | | - | | - | | - |
| Accounts receivable | | 27,863 | | 26,680 | | 23,510 | | 23,076 | | 22,167 |
| Prepaid expenses | | 6,070 | | 5,960 | | 8,054 | | 6,182 | | 3,424 |
| Income taxes receivable | | - | | 2,191 | | 388 | | - | | - |
| Future income taxes | | 401 | | 584 | | 1,271 | | 1,411 | | - |
| Other assets | | 1,262 | | 1,489 | | 2,235 | | 2,451 | | 4,911 |
| Equity investments | | 38,092 | | 26,100 | | 23,501 | | 8,251 | | - |
| Mortgages and loans | | 279,257 | | 288,202 | | 149,051 | | 90,841 | | 43,371 |
| Capital assets | | 15,065 | | 12,141 | | 8,844 | | 9,333 | | 8,901 |
| Intangible assets | | 27,200 | | 27,166 | | 14,175 | | 10,497 | | 7,081 |
| Goodwill | | 99,889 | | 98,165 | | 59,565 | | 50,164 | | 44,394 |
| | \$ | 600,042 | \$ | 622,701 | \$ | 384,922 | \$ | 279,699 | \$ | 157,107 |
| LIABILITIES | | | | | | | | | | |
| Accounts payable and accrued liabilities | \$ | 48,345 | \$ | 55,685 | \$ | 35,944 | \$ | 25,099 | \$ | 20,978 |
| Actuarial liabilities | | 37,254 | | 38,042 | | 34,754 | | 33,507 | | - |
| Provision for unpaid and unreported claims | | 9,077 | | 8,653 | | 6,637 | | 6,065 | | - |
| Deferred gain on investments | | - | | - | | 1,295 | | 861 | | - |
| Income taxes payable | | 27 | | - | | - | | 285 | | 646 |
| Customer deposits | | 255,638 | | 283,299 | | 147,118 | | 100,441 | | 49,571 |
| Long term debt | | 36,685 | | 33,389 | | 25,164 | | 37,707 | | 38,263 |
| Future income taxes | | 5,260 | | 5,274 | | 2,790 | | 3,015 | | 629 |
| | \$ | 392,286 | \$ | 424,342 | \$ | 253,702 | \$ | 206,980 | \$ | 110,087 |
| SHAREHOLDERS' EQUITY | | | | | | | | | | |
| Share capital | | 173,733 | | 168,693 | | 110,607 | | 59,676 | | 40,398 |
| Other paid in capital | | - | | 51 | | 152 | | 206 | | 206 |
| Contributed surplus | | 1,896 | | 1,849 | | 1,923 | | 1,776 | | 204 |
| Retained earnings | | 33,361 | | 28,015 | | 18,538 | | 11,061 | | 6,212 |
| Accumulated other comprehensive loss | | (1,234) | | (249) | | - | | - | | - |
| Total Shareholders' Equity | | 207,756 | | 198,359 | | 131,220 | | 72,719 | | 47,020 |
| | \$ | 600,042 | \$ | 622,701 | \$ | 384,922 | \$ | 279,699 | \$ | 157,107 |

2008 Q2 Financial Information Package – Western Financial Group Inc.

WESTERN FINANCIAL GROUP INC.

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS (unaudited)

(in thousands, except for per share amounts)

| | 2008 | | | | | 2007 | | | | |
|--|----------------|----------|----------|----------------|---------------|----------------|---------------|----------------|----------------|---------------|
| | 6 Month | Q4 | Q3 | Q2 | Q1 | Annual | Q4 | Q3 | Q2 | Q1 |
| REVENUE | | | | | | | | | | |
| Commission and other customer income | \$ 38,927 | \$ - | \$ - | \$ 22,129 | \$ 16,798 | \$ 67,826 | \$ 17,616 | \$ 17,278 | \$ 17,973 | \$ 14,959 |
| Premium income | 14,878 | - | - | 7,717 | 7,161 | 27,282 | 7,281 | 7,370 | 6,383 | 6,248 |
| Interest income on customer loans | 9,551 | - | - | 4,610 | 4,941 | 13,805 | 5,173 | 3,312 | 2,760 | 2,560 |
| Investment income | | | | | | | | | | |
| Change in fair value of held-for-trading assets | (158) | - | - | (615) | 457 | 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 | (4) | - | - | (25) | 21 | (78) | (89) | 173 | (162) | - |
| Other net investment income | 1,279 | - | - | 555 | 724 | 4,130 | 1,092 | 1,059 | 1,142 | 837 |
| | 64,473 | - | - | 34,371 | 30,102 | 114,126 | 33,368 | 29,554 | 26,645 | 24,559 |
| EXPENSES | | | | | | | | | | |
| Operating expenses | 39,138 | - | - | 20,210 | 18,928 | 70,558 | 19,760 | 18,258 | 16,916 | 15,624 |
| Policyholder benefits | 6,487 | - | - | 2,782 | 3,705 | 13,934 | 4,766 | 4,312 | 1,447 | 3,409 |
| Interest expense – customer deposits | 6,499 | - | - | 3,103 | 3,396 | 9,209 | 3,530 | 2,272 | 1,826 | 1,581 |
| Provision for credit losses | 209 | - | - | 129 | 80 | 793 | 91 | 375 | 270 | 57 |
| Income before the following | 12,140 | - | - | 8,147 | 3,993 | 19,632 | 5,221 | 4,337 | 6,186 | 3,888 |
| Income (Loss) from long-term investments | 1,458 | - | - | 845 | 613 | 2,172 | 322 | 256 | 832 | 762 |
| Gain (Loss) on sale of intangible assets | 598 | - | - | 598 | - | (400) | (400) | - | - | - |
| Interest and financing costs on long-term debt | (1,136) | - | - | (553) | (583) | (2,788) | (829) | (532) | (901) | (526) |
| Amortization of intangible assets | (630) | - | - | (278) | (352) | (934) | (309) | (215) | (206) | (204) |
| Amortization of capital assets | (1,356) | - | - | (841) | (515) | (1,743) | (589) | (401) | (373) | (380) |
| Income before income taxes | 11,074 | - | - | 7,918 | 3,156 | 15,939 | 3,416 | 3,445 | 5,538 | 3,540 |
| Income taxes | (2,849) | - | - | (2,079) | (770) | (3,726) | (182) | (1,101) | (1,448) | (995) |
| NET INCOME FOR THE PERIOD | 8,225 | - | - | 5,839 | 2,386 | 12,213 | 3,234 | 2,344 | 4,090 | 2,545 |
| Retained earnings, beginning of period as previously reported | 28,015 | \$ - | \$ - | \$ 29,923 | \$ 28,015 | \$ 18,538 | 26,414 | \$ 24,529 | \$ 21,383 | \$ 18,538 |
| Cumulative effect of adopting new accounting policies | - | - | - | - | - | 300 | - | - | - | 300 |
| Retained earnings, beginning of period as restated | 28,015 | - | - | 29,923 | 28,015 | 18,838 | 26,414 | - | 21,383 | 18,838 |
| Preferred share dividends | (1,908) | - | - | (1,908) | - | (1,656) | (1,155) | - | (501) | - |
| Common share dividends | (971) | - | - | (493) | (478) | (1,380) | (478) | (459) | (443) | - |
| Retained earnings, end of period | 33,361 | - | - | 33,361 | 29,923 | 28,015 | 28,015 | 26,414 | 24,529 | 21,383 |
| Earnings per share | | | | | | | | | | |
| Basic | \$ 0.13 | \$ - | \$ - | \$ 0.08 | \$ 0.05 | \$ 0.24 | \$ 0.05 | \$ 0.05 | \$ 0.08 | \$ 0.06 |
| Diluted | \$ 0.13 | \$ - | \$ - | \$ 0.08 | \$ 0.04 | \$ 0.22 | \$ 0.06 | \$ 0.04 | \$ 0.07 | \$ 0.05 |

2008 Q2 Financial Information Package – Western Financial Group Inc.

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

| | 2006 | | | | | 2005 | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Annual | Q4 | Q3 | Q2 | Q1 | Annual | Q4 | Q3 | Q2 | Q1 |
| REVENUE | | | | | | | | | | |
| Commission and other customer income | \$ 47,983 | \$ 13,081 | \$ 11,831 | \$ 12,891 | \$ 10,180 | \$ 43,206 | \$ 14,558 | \$ 10,174 | \$ 8,225 | \$ 10,249 |
| Premium income | 22,785 | 5,970 | 6,024 | 5,448 | 5,343 | 16,343 | 1,587 | 5,104 | 8,073 | 1,579 |
| Interest income on customer loans | 8,214 | 2,455 | 2,343 | 1,874 | 1,542 | 4,284 | 2,042 | 794 | 1,109 | 339 |
| 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 | 3,661 | 1,298 | 853 | 783 | 727 | 2,808 | 2,808 | - | - | - |
| | 82,643 | 22,804 | 21,051 | 20,996 | 17,792 | 66,641 | 20,995 | 16,072 | 17,407 | 12,167 |
| EXPENSES | | | | | | | | | | |
| Operating expenses | 51,420 | 14,456 | 12,857 | 12,800 | 11,307 | 44,133 | 14,251 | 11,354 | 8,868 | 9,660 |
| Policyholder benefits | 13,595 | 3,481 | 3,506 | 3,088 | 3,520 | 9,564 | 710 | 2,625 | 5,461 | 768 |
| Interest expense – customer deposits | 5,223 | 1,567 | 1,504 | 1,192 | 960 | 2,924 | 2,924 | - | - | - |
| Provision for credit losses | 755 | 131 | 263 | 249 | 112 | 401 | 401 | - | - | - |
| Income before the following | 11,650 | 3,169 | 2,921 | 3,667 | 1,893 | 9,619 | 2,709 | 2,093 | 3,078 | 1,739 |
| Income (Loss) from long-term investments | 2,323 | 433 | 536 | 643 | 711 | 1,357 | 166 | 408 | 408 | 375 |
| Gain (Loss) on sale of intangible assets | 566 | 566 | - | - | - | 630 | - | - | 330 | 300 |
| Interest and financing costs on long-term debt | (2,616) | (532) | (610) | (729) | (745) | (2,653) | (674) | (691) | (648) | (640) |
| Amortization of intangible assets | (439) | (132) | (118) | (95) | (94) | (329) | (120) | (72) | (72) | (65) |
| Amortization of capital assets | (1,506) | (341) | (416) | (428) | (321) | (1,406) | (394) | (335) | (393) | (284) |
| Income before income taxes | 9,978 | 3,163 | 2,313 | 3,058 | 1,444 | 7,218 | 1,687 | 1,403 | 2,703 | 1,425 |
| Income taxes | (1,990) | (185) | (827) | (679) | (299) | (2,369) | (472) | (377) | (1,155) | (365) |
| NET INCOME FOR THE PERIOD | 7,988 | 2,978 | 1,486 | 2,379 | 1,145 | 4,849 | 1,215 | 1,026 | 1,548 | 1,060 |
| Retained earnings, beginning of period as previously reported | \$ 11,061 | 16,071 | \$ 14,585 | \$ 12,206 | \$ 11,061 | \$ 6,212 | 9,846 | 8,820 | 7,272 | \$ 6,212 |
| Cumulative effect of adopting new accounting policies | - | - | - | - | - | - | - | - | - | - |
| Retained earnings, beginning of period as restated | 11,061 | 16,071 | 14,585 | 12,206 | 11,061 | 6,212 | 9,846 | 8,820 | 7,272 | 6,212 |
| Preferred share dividends | (511) | (511) | - | - | - | - | - | - | - | - |
| Common share dividends | - | - | - | - | - | - | - | - | - | - |
| Retained earnings, end of period | 18,538 | 18,538 | 16,071 | 14,585 | 12,206 | 11,061 | 11,061 | 9,846 | 8,820 | 7,272 |
| Earnings per share | | | | | | | | | | |
| Basic | \$ 0.22 | \$ 0.05 | \$ 0.05 | \$ 0.08 | \$ 0.04 | \$ 0.17 | \$ 0.03 | \$ 0.04 | \$ 0.06 | \$ 0.04 |
| Diluted | \$ 0.20 | \$ 0.06 | \$ 0.04 | \$ 0.06 | \$ 0.04 | \$ 0.15 | \$ 0.03 | \$ 0.03 | \$ 0.05 | \$ 0.04 |

2008 Q2 Financial Information Package – Western Financial Group Inc.

WESTERN FINANCIAL GROUP INC.

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS (unaudited)

(in thousands, except for per share amounts)

| | 2004 | | | | | 2008 | 2007 | 2006 | 2005 | 2004 |
|--|--------------|--------------|------------|------------|------------|--------------|---------------|--------------|--------------|--------------|
| | Annual | Q4 | Q3 | Q2 | Q1 | 6 Month | Annual | Annual | Annual | Annual |
| REVENUE | | | | | | | | | | |
| Commission and other customer income | \$ 41,117 | \$ 11,777 | \$ 10,129 | \$ 10,551 | \$ 8,660 | \$ 38,927 | \$ 67,826 | \$ 47,983 | \$ 43,206 | \$ 41,117 |
| Premium income | - | - | - | - | - | 14,878 | 27,282 | 22,785 | 16,343 | - |
| Interest income on customer loans | 1,127 | 95 | 598 | 168 | 266 | 9,551 | 13,805 | 8,214 | 4,284 | 1,127 |
| Investment income | | | | | | | | | | |
| Change in fair value of held-for-trading assets | - | - | - | - | - | (158) | 752 | - | - | - |
| Realized gain on sales of available-for-trading assets | - | - | - | - | - | - | 409 | - | - | - |
| Realized gain (loss) on sales of held-for-trading assets | - | - | - | - | - | (4) | (78) | - | - | - |
| Other net investment income | - | - | - | - | - | 1,279 | 4,130 | 3,661 | 2,808 | - |
| | 42,244 | 11,872 | 10,727 | 10,719 | 8,926 | 64,473 | 114,126 | 82,643 | 66,641 | 42,244 |
| EXPENSES | | | | | | | | | | |
| Operating expenses | 34,231 | 9,536 | 8,734 | 8,354 | 7,607 | 39,138 | 70,558 | 51,420 | 44,133 | 34,231 |
| Policyholder benefits | - | - | - | - | - | 6,487 | 13,934 | 13,595 | 9,564 | - |
| Interest expense – customer deposits | - | - | - | - | - | 6,499 | 9,209 | 5,223 | 2,924 | - |
| Provision for credit losses | - | - | - | - | - | 209 | 793 | 755 | 401 | - |
| Income before the following | 8,013 | 2,336 | 1,993 | 2,365 | 1,319 | 12,140 | 19,632 | 11,650 | 9,619 | 8,013 |
| Income (Loss) from long-term investments | 653 | 139 | 81 | 4 | 429 | 1,458 | 2,172 | 2,323 | 1,357 | 653 |
| Gain (Loss) on sale of intangible assets | (95) | (95) | - | - | - | 598 | (400) | 566 | 630 | (95) |
| Interest and financing costs on long-term debt | (2,593) | (623) | (637) | (639) | (694) | (1,136) | (2,788) | (2,616) | (2,653) | (2,593) |
| Amortization of intangible assets | (220) | (46) | (76) | (49) | (49) | (630) | (934) | (439) | (329) | (220) |
| Amortization of capital assets | (1,052) | (278) | (306) | (254) | (214) | (1,356) | (1,743) | (1,506) | (1,406) | (1,052) |
| Income before income taxes | 4,706 | 1,433 | 1,055 | 1,427 | 791 | 11,074 | 15,939 | 9,978 | 7,218 | 4,706 |
| Income taxes | (1,311) | (207) | (462) | (438) | (204) | (2,849) | (3,726) | (1,990) | (2,369) | (1,311) |
| NET INCOME FOR THE PERIOD | 3,395 | 1,226 | 593 | 989 | 587 | 8,225 | 12,213 | 7,988 | 4,849 | 3,395 |
| Retained earnings, beginning of period as previously reported | \$ 3,319 | 4,999 | 4,488 | 3,539 | \$ 3,319 | 28,015 | \$ 18,538 | \$ 11,061 | \$ 6,212 | \$ 3,319 |
| Cumulative effect of adopting new accounting policies | (393) | - | (26) | - | (367) | - | 300 | - | - | (393) |
| Retained earnings, beginning of period as restated | 2,926 | 4,999 | 4,462 | 3,539 | 2,952 | 28,015 | 18,838 | 11,061 | 6,212 | 2,926 |
| Excess on repurchase of shares | (109) | (13) | (56) | (40) | - | - | - | - | - | (109) |
| Preferred share dividends | - | - | - | - | - | (1,908) | (1,656) | (511) | - | - |
| Common share dividends | - | - | - | - | - | (971) | (1,380) | - | - | - |
| Retained earnings, end of period | 6,212 | 6,212 | 4,999 | 4,488 | 3,539 | 33,361 | 28,015 | 18,538 | 11,061 | 6,212 |
| Earnings per share | | | | | | | | | | |
| Basic | \$ 0.18 | \$ 0.07 | \$ 0.03 | \$ 0.05 | \$ 0.03 | \$ 0.13 | \$ 0.24 | \$ 0.22 | \$ 0.17 | \$ 0.18 |
| Diluted | \$ 0.16 | \$ 0.05 | \$ 0.03 | \$ 0.05 | \$ 0.03 | \$ 0.13 | \$ 0.22 | \$ 0.20 | \$ 0.15 | \$ 0.16 |

2008 Q2 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)

| | Number of outstanding shares | | | | | | | | | |
|-------------------------------------|------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | Q2 2008 | Q1 2008 | Q4 2007 | Q3 2007 | Q2 2007 | Q1 2007 | Q4 2006 | Q3 2006 | Q2 2006 | Q1 2006 |
| Common Shares | | | | | | | | | | |
| Basic | 49,452 | 47,767 | 47,753 | 45,948 | 44,292 | 44,175 | 42,900 | 35,174 | 35,174 | 30,774 |
| Options | 84 | 97 | 129 | 154 | 199 | 165 | 86 | 74 | 58 | 63 |
| | 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 | 4,029 | 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 | - | - | - | - | - | - |
| Series 4 | 2,899 | 2,899 | 2,899 | - | - | - | - | - | - | - |
| | 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 | 59,912 | 59,907 | 59,938 | 56,925 | 53,420 | 53,335 | 51,981 | 44,286 | 44,270 | 40,098 |