



Q2 2009

FINANCIAL HIGHLIGHTS

(in \$ thousands except for per share amounts)	THREE MONTHS ENDED JUNE 30			SIX MONTHS ENDED JUNE 30		
	2009	2008	% Change	2009	2008	% Change
The Network						
Commissions and other customer income	\$ 23,109	\$ 21,872	5.7 %	\$ 40,631	\$ 38,361	5.9 %
Operating expenses	<u>14,882</u>	<u>13,929</u>	6.8 %	<u>28,813</u>	<u>26,568</u>	8.5 %
Operating income	<u>\$ 8,227</u>	<u>\$ 7,943</u>	3.6 %	<u>\$ 11,818</u>	<u>\$ 11,793</u>	0.2 %
Bank West						
Interest and investment income	6,685	4,610	45.0 %	12,224	9,551	28.0 %
Interest expense - customer deposits	<u>3,778</u>	<u>3,103</u>	21.7 %	<u>7,432</u>	<u>6,499</u>	14.3 %
Net interest and investment income	2,908	1,507	93.0 %	4,792	3,052	57.0 %
Provisions for credit losses	517	129	300.0 %	806	209	286.3 %
Operating expenses	<u>2,625</u>	<u>943</u>	178.3 %	<u>4,724</u>	<u>1,711</u>	176.1 %
Operating (loss) income	<u>\$ (235)</u>	<u>\$ 434</u>	(154.1) %	<u>\$ (738)</u>	<u>\$ 1,132</u>	(165.2) %
Western Life						
Premium and investment income	10,841	7,488	44.8 %	18,791	15,491	21.3 %
Policyholder benefits	5,199	2,782	86.9 %	8,832	6,487	36.1 %
Operating expenses	<u>3,995</u>	<u>3,446</u>	15.9 %	<u>7,373</u>	<u>6,568</u>	12.3 %
Operating income	<u>\$ 1,647</u>	<u>\$ 1,261</u>	30.6 %	<u>\$ 2,586</u>	<u>\$ 2,436</u>	6.2 %
Corporate and all other						
Other revenues	243	401	(39.4) %	612	1,070	(42.8) %
Operating expenses	<u>2,602</u>	<u>1,892</u>	37.5 %	<u>4,752</u>	<u>4,291</u>	10.7 %
Operating loss	<u>\$ (2,360)</u>	<u>\$ (1,491)</u>	58.3 %	<u>\$ (4,140)</u>	<u>\$ (3,221)</u>	28.5 %
Total operating income	<u>\$ 7,280</u>	<u>\$ 8,147</u>	(10.6) %	<u>\$ 9,526</u>	<u>\$ 12,140</u>	(21.5) %
Net income	4,925	5,839	(15.7) %	5,839	8,225	(29.0) %
Preferred dividends	<u>(1,002)</u>	<u>(1,908)</u>	(47.5) %	<u>(2,005)</u>	<u>(1,908)</u>	- %
Earnings available to common shareholders	3,923	3,931	(0.2) %	3,834	6,317	(39.3) %
Earnings per common share						
- basic (\$)	\$ 0.08	\$ 0.08	0.0 %	\$ 0.08	\$ 0.13	(41.1) %
- diluted (\$)	\$ 0.07	\$ 0.08	(12.5) %	\$ 0.07	\$ 0.13	(42.5) %

DEAR FELLOW SHAREHOLDERS

Our company is progressing toward its 2009 objectives. Our profits are up substantially over last quarter, and we see signs of accelerating growth across our businesses. The Network and Western Life both posted record quarters for revenue and operating profit. Both operations are growing top and bottom lines at a rate that exceeds their industry peers.

Bank West has managed its business cautiously through the first half of 2009, and continues to maintain strong credit quality, with non performing loans at a respectable percentage relative to the major Canadian Banks. With the summer funding season in swing, and fall harvest coming, the Bank is now in a position to profitably grow its operations in the third quarter.”

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

Margins rose significantly in the quarter, bringing the six month margin to 29%. Same Store Sales are up 4.4%, and same store customer count growth grew by 1.9% on an annualized basis.

Bank West

The Bank's loan book increased slightly over the quarter, in preparation for expected growth in funding in the summer and fall seasons. Credit quality remained strong, with non performing loans at 1.3% at June 30th.

Western Life

Western Life's industry leading growth continued with premium sales up by 22% in the quarter, the result of substantial cross sales within the Western Financial Group family. Investment income also improved significantly over the first quarter.

Strategic Partnership Portfolio

The Company's partnerships in investment banking, insurance distribution and manufacturing provided positive income for the quarter

On behalf of the Board of Directors,



Scott Tannas
President and Chief Executive Officer
High River, Alberta
August 13, 2009

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 and six months ended June 30, 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 August 13, 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 Western Financial Group (Network) Inc. ("the Network") 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 Office of the Superintendent of Financial Institution Canada ("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 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, the 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, our outlook could change. We will continue to monitor our business and the market changes that could impact our business.

While Property and Casualty ("P&C") insurance rates at the Network in 2008 remained soft, we expect personal insurance premiums to rise over the next twelve months with the exception of auto insurance in Alberta. In Alberta, the Rate Board announced a 5% premium reduction on basic coverage effective November 1, 2009. Business insurance premiums are likely to stabilize and we expect to see a slight hardening of the market although capacity remains high so a dramatic shift like we saw in 2002 is unlikely. 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 especially in homeowner insurance 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 increases in the first six months of 2009. We continue to track same store sales and hope to see increases in premium rates in the second half of the year.

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. We expect inflationary trends that have been present on the expense side of our business, particularly wages, to abate somewhat.

Bank West will be presented with both challenges and opportunities in the future that have not been present 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 half of 2009 with non-performing loans slightly higher at June 30, 2009 at 1.3% compared year end at 1% 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 the Network and our Western communities to further diversify our portfolio. In the first six 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. 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 improved slightly in the second quarter of 2009.

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 the 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 the 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 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 34.12% 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 April of 2009 we acquired certain insurance assets of First Alta Agencies Ltd.

In January 2009 we agreed to increase our investment in Hayhurst Elias Dudek Inc. (“HED”) to 75% from 49% in 2008. This transaction will be effective, and is expected to close in the second half of 2009 and we have estimated the increase in our investment to be approximately \$12.0 million. 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.

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 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 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.

SIX MONTHS ENDED JUNE 30	2009	2008
Same-store Revenue (% change) ⁽¹⁾	+4.4 %	+9.5 %
Products per customer account (PPCA)	2.34	2.24
Same-store Customer Count (year to date annualized, % change) ⁽²⁾	+1.9 %	+4.5 %
Western Life Policy/Certificate Count	28,989	26,992
Bank West Loan Book (\$ millions)	\$ 344.8	\$ 281.2
Return on Common Equity (ROE) (based on rolling four quarters net income)	0.0 %	8.7 %

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.

THREE YEAR SUMMARY

SIX MONTHS ENDED JUNE 30 (in \$ thousands except for per share amounts)	2009		2008		2007
Total revenues	\$	72,258	\$	64,473	\$ 51,204
Net income		5,839		8,225	6,635
Earnings per share - Basic (\$)		0.08		0.13	0.14
Earnings per share - Diluted (\$)		0.07		0.13	0.12
Total assets		710,925		600,042	622,701
Total long-term liabilities		(389,364)		(232,261)	(204,595)
Total cash dividends paid		3,061		2,866	508
Issued common shares		49,371		49,452	44,292

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 Western Financial Group (Network) Inc. ("the 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 the Network and other distribution channels.

SIX MONTHS ENDED JUNE 30		
(in \$ thousands except for per share amounts)	2009	2008
The Network		
Commissions and other customer revenue	\$ 40,631	\$ 38,361
Operating expenses	<u>28,813</u>	<u>26,568</u>
Operating income ⁽¹⁾	<u>\$ 11,818</u>	<u>\$ 11,793</u>
Bank West		
Interest and investment income	12,224	9,551
Interest expense-customer deposits	<u>7,432</u>	<u>6,499</u>
Net interest and investment income	4,792	3,052
Provisions for credit losses	806	209
Operating expenses	<u>4,724</u>	<u>1,711</u>
Operating (loss) income ⁽¹⁾	<u>\$ (738)</u>	<u>\$ 1,132</u>
Western Life		
Premium and investment income	18,791	15,492
Policyholder benefits	8,832	6,487
Operating expenses	<u>7,373</u>	<u>6,569</u>
Operating income ⁽¹⁾	<u>\$ 2,586</u>	<u>\$ 2,436</u>
Corporate and all other		
Other revenues	612	1,069
Operating expenses	<u>4,752</u>	<u>4,290</u>
Operating (loss) income ⁽¹⁾	<u>\$ (4,140)</u>	<u>\$ (3,221)</u>
Total operating income ⁽¹⁾	<u>\$ 9,526</u>	<u>\$ 12,140</u>
Net income	5,839	8,225
Preferred dividends	<u>(2,005)</u>	<u>-</u>
Earnings available to common shareholders	3,834	8,225
Earnings (loss) per share		
- basic ⁽²⁾	\$ 0.08	\$ 0.13

Notes:

- (1) We use "operating income" to refer to earnings, before interest expense, income from equity 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 \$0.08 basic earnings per share compared to earnings per share of \$0.13 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.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2009 COMPARED TO JUNE 30, 2008

REVENUE

THREE MONTHS ENDED JUNE 30		
Revenue (in \$ thousands)	2009	2008
The Network	\$ 23,109	\$ 21,872
Bank West	6,685	4,610
Western Life	10,841	7,488
Corporate and all other	243	401
	\$ 40,878	\$ 34,371

Total revenue increased by \$6.5 million, or 18.9%, to \$40.9 million compared to \$34.4 million in 2008. We saw an increase at the Network from acquisitions and an increase in the number of products sold to our customers. Bank West had an increase in revenue from both the loan and credit card portfolio's of Agrifinance, and Western Life benefited from an increase in both first year and renewal premiums.

THREE MONTHS ENDED JUNE 30		
Revenue (in \$ thousands)	2009	2008
The Network		
Property & Casualty Commission	\$ 17,829	\$ 16,209
Government auto	3,432	3,789
Contingent income	940	1,584
Other	907	290
	\$ 23,109	\$ 21,872
Premiums	\$ 96,133	\$ 93,125

The Network's revenue increased by \$1.6 million to \$17.8 million in 2009 compared to \$16.2 million in 2008. This was primarily due to acquisitions contributing \$1.4 million in the quarter.

THREE MONTHS ENDED JUNE 30		
Revenue (in \$ thousands)	2009	2008
Bank West		
Interest income	\$ 5,451	\$ 4,513
Investment income	-	-
Other income	1,234	97
	\$ 6,685	\$ 4,610

Bank West's gross interest revenue increased by \$900,000 to \$5.4 million in 2009 compared to \$4.5 million in 2008 and other income increased by \$1.1 million, both from the loan and credit card portfolios of Agrifinance.

THREE MONTHS ENDED JUNE 30		
Revenue (in \$ thousands)	2009	2008
Western Life Assurance		
Premium income	\$ 9,700	\$ 7,740
Investment income (loss)	1,141	(252)
	\$ 10,841	\$ 7,488

Western Life contributed \$10.8 million in total revenue. We had \$9.7 million in net premium revenue as compared to \$7.7 million in 2008 a 25.3% growth year over year. Direct sales from the Network of \$900,000 in the second quarter of 2009 a 112.2% increase from the first quarter, 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 second quarter of 2009 this added premiums of \$1.9 million. This will continue to grow as we add renewals for a full year's cycle along with new business.

THREE MONTHS ENDED JUNE 30		
Revenue (in \$ thousands)	2009	2008
Corporate and all other		
Commission and other customer revenue	\$ 175	\$ 234
Interest and investment income	-	-
Dividend income	68	167
	\$ 243	\$ 401

Revenue from our corporate and all other segment decreased \$160,000 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.

OPERATING EXPENSES

THREE MONTHS ENDED JUNE 30		
Operating Expenses (in \$ thousands)	2009	2008
The Network	\$ 14,882	\$ 13,929
Bank West	2,625	943
Western Life	3,995	3,446
Corporate and all other	2,602	1,892
	\$ 24,104	\$ 20,210

Total operating expenses increased by \$3.9 million, or 19.3%, to \$24.1 million in 2009 compared to \$20.2 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 claims at Western Life.

Operating expenses in the Network increased \$1.0 million, or 6.8%, to \$14.9 million in 2009 compared to \$13.9 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 \$800,000 in the second quarter of 2009.

Bank West's operating expenses increased by \$1.7 million to \$2.6 million in 2009 from \$900,000 in 2008. Operating costs with the acquisition of AgriFinancial accounted for \$1.2 million of the increase in the second quarter along with professional fees of \$335,000. We do not expect to see additional increases in professional fees in the second half of the year.

Western Life expenses increased by \$500,000 or 15.9% primarily in claims paid.

Corporate and all other segment expenses increased \$700,000 to \$2.6 million in 2009 compared to \$1.9 million in 2008. We saw a decrease in expenses in the first quarter of \$200,000 with the increase in advertising and branding impacting the second quarter by \$300,000, legal costs of \$160,000, data lines of 90,000 and salaries of \$150,000. We have increased our advertising and branding as part of our strategic plan year over year but we do not expect to see an increase at this level in the second half of the year with the timing of our advertising expenses.

RESULTS OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 2009 COMPARED TO JUNE 30, 2008

REVENUE

SIX MONTHS ENDED JUNE 30		
Revenue (in \$ thousands)	2009	2008
The Network	\$ 40,631	\$ 38,361
Bank West	12,224	9,551
Western Life	18,791	15,491
Corporate and all other	612	1,070
	\$ 72,258	\$ 64,473

Total revenue increased by \$7.8 million, or 12.1%, to \$72.3 million compared to \$64.5 million in 2008. This was primarily a result of the acquisitions at the Network, an increase of 17.9% in net premium income at Western Life contributing \$18.1 million to our revenue, and the increase in the gross interest and investment income at Bank West.

We have seen a slower 2009 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 4.4% compared to 9.5% in 2008. Our policy count continued to grow, we maintained our retention ratios, our margins remained consistent with the second 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 the second half of 2009. With Western Life we continue to see growth in premium sales in the first six months consistent with 2008 and have seen a slight increase in our investment income with our equity and bond portfolio.

SIX MONTHS ENDED JUNE 30		
Revenue (in \$ thousands)	2009	2008
The Network		
Property & Casualty Commission	\$ 30,884	\$ 27,698
Government auto	7,414	6,724
Contingent income	2,106	3,281
Other	227	658
	\$ 40,631	\$ 38,361
Premiums	\$ 187,185	\$ 171,400

The Network's revenue increased by \$2.3 million to \$40.6 million in 2009 compared to \$38.4 million in 2008. This was primarily due to acquisitions contributing \$2.2 million and the growth in same-store revenue of 4.4%, representing an additional contribution of approximately \$1.1 million. We recorded a decrease in our contingent income estimate of \$1.2 million year over year based on the results 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.

SIX MONTHS ENDED JUNE 30		
Revenue (in \$ thousands)	2009	2008
Bank West		
Interest income	\$ 10,373	\$ 9,419
Investment income	3	-
Other income	1,848	132
	\$ 12,224	\$ 9,551

Bank West's gross interest revenue increased by \$1.0 million to \$10.4 million in 2009 compared to \$9.4 million in 2008 and other income increased by \$1.7 million, both from the loan and credit card portfolio's of Agrifinance.

Bank West's loan portfolio before provisions increased 22.6% to \$344.8 million in 2009 from \$281.2 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 Agrifinance loan portfolio subsequent to closing of the acquisition. Customer deposits increased by \$74.1million to \$329.7 million in 2009 from \$255.6 million in 2008. These factors also had a negative impact on net interest revenue and net income in the early part of 2009. The business of AgriFinance loan portfolio is cyclical and has seen an impact due to the late seeding season due to weather conditions. Sales will pick up as the harvest prospects improve. At this time volumes are up slightly year over year. Our Agricard business is behind year over year but again this will improve with a good harvest and favorable fall weather conditions. With the acquisition we have changed the mix of our loan portfolio decreasing our residential mortgages and deploying capital to the agricultural loans leases and credit card portfolios. This has increased our margins to 2.8% annualized compared to 2.2% in June of 2008.

As a result, Bank West's net interest and other revenue after provisions for loan losses saw a 22.2% increase to \$4.0 million in 2009 compared to \$3.3 million in 2008. We saw provisions for loan losses in 2009 of \$806,000 compared to \$209,000 in 2008. Our non-performing loans increased slightly to 1.3% compared to 1.1% of our total loan portfolio in the first quarter of 2009. We have not had a significant change in arrears levels between the first quarter and the second quarter.

SIX MONTHS ENDED JUNE 30		
Revenue (in \$ thousands)	2009	2008
Western Life Assurance		
Premium income	\$ 18,169	\$ 14,912
Investment income	622	579
	\$ 18,791	\$ 15,491

Western Life contributed \$18.8 million in total revenue after losses from our equity and bond portfolio. We had \$18.2 million in net premium revenue as compared to \$14.9 million in 2008 a 21.8% growth year over year

Direct sales from the Network of \$1.7 million 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 six months of 2009 this added premiums of \$3.6 million. This will continue to grow as we add renewals for a full year's cycle along with new business. New sales from group creditor dropped in 2009 which seems to run parallel with the change in the economy year over year.

SIX MONTHS ENDED JUNE 30		
Revenue (in \$ thousands)	2009	2008
Corporate and all other		
Commission and other customer revenue	\$ 458	\$ 532
Interest and investment income	-	-
Dividend income	154	538
	\$ 612	\$ 1,070

Revenue from our corporate and all other segment decreased \$460,000 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.

OPERATING EXPENSES

SIX MONTHS ENDED JUNE 30		
Operating Expenses (in \$ thousands)	2009	2008
The Network	\$ 28,813	\$ 26,568
Bank West	4,724	1,711
Western Life	7,373	6,568
Corporate and all other	4,752	4,291
	\$ 45,662	\$ 39,138

Total operating expenses increased by \$6.5 million, or 16.7%, to \$45.6 million in 2009 compared to \$39.1 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 \$2.2 million, or 8.5%, to \$28.8 million in 2009 compared to \$26.6 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 \$1.5 million in 2009. We saw an increase in salaries and wages before acquisitions of \$1.2 million 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 52% compared to 49% in the first half of 2008. We expect salaries and wages as a percentage of revenue to generally run at approximately 50.0% on an annualized basis.

Bank West's operating expenses increased by \$3.0 million to \$4.7 million in 2009 from \$1.7 million 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 \$2.0 million. In addition, with the implementation of our new banking platform and running parallel systems we increased our computer expense by \$375,000 which is not expected to continue in the second half of 2009 at the same rate. Professional fees increased \$335,000 in the first half of 2009 which is also expected occur in the second half of 2009.

Western Life expenses increased by \$800,000 or 12.3%. Western Life continues to demonstrate efficient control of expenses. Loss ratios decreased slightly to 45.3% compared to 46.4% compared to the same period in 2008. 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 \$600,000 of the increase of which \$900,000 was maintained in the Western group of companies meaning externally paid commissions decreased \$300,000. Total policyholder benefits, comprising of provisions for actuarial liabilities, claims incurred and surrenders, increased \$1.9 million but based on premium volume increases year over year we saw a decrease in our loss ratios.

Corporate and all other segment expenses increased \$500,000 to \$4.8 million in 2009 compared to \$4.3 million in 2008. The increase was primarily due to advertising expenses with our West magazine and media of approximately \$300,00 and technology of \$100,000. We expect our advertising costs to taper off in the second half of 2009.

INCOME FROM EQUITY INVESTMENTS

Income from equity investments decreased year over year by \$600,000. 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 half of 2009. We also saw a slight decrease in income with our investment in Jennings Capital Inc.

INCOME TAXES

We have a decrease in income taxes of \$2.2 million primarily due to recording of a tax asset with the acquisition of Ubiquity. Subsequent to the acquisition of AgriFinancial in 2009, we now have a reasonable expectation that we will fully use the tax losses that we purchased with Ubiquity.

EARNINGS PER SHARE

In 2009 we had \$0.08 basic earnings per share compared to earnings per share of \$0.13 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.

LIQUIDITY AND CAPITAL RESOURCES

Total shareholders' equity at June 30, 2009 was \$207.4 million compared to \$203.7 at December 31, 2008. We had an increase in our accumulated other comprehensive losses of \$600,000 for the unrealized losses on our available-for-sale financial instruments, and an increase in retained earnings of \$2.8 million.

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 June 30, 2009, \$47.0 million of this facility had been utilized. Pursuant to the terms of this credit facility, we make monthly loan payments of \$587,000 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 with a notional value of \$30.0 million, 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 June 30, 2009 we were in compliance with the financial and non-financial covenants of our senior credit facility.

We have \$7.0 million repayable on our senior credit facility in the next twelve months that we expect to pay from our operating cash.

At June 30, 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.

In April 2009 we issued \$16.7 million in convertible unsecured subordinated redeemable debentures with interest payable semi-annually at 12% per annum. The debentures will not be redeemable on or before April 21, 2012 and mature June 30, 2014.

At June 30 2009, we had cash of \$48.6 million as compared to \$28.6 million at December 31, 2008. Operations contributed \$8.2 million as compared to \$13.8 million in 2008. Net income contributed \$5.8 million, accounts receivable increased \$5.3 million and accounts payable increased \$2.7 million. We funded the acquisition of insurance brokerages at the Network for \$6.8 million, and we funded the acquisition of AgriFinancial for \$20.2 million. We

increased our capital assets by \$1.8 million primarily in leasehold improvements and technology. The advances on long-term debt, net of repayments was \$9.8 which was used for acquisitions and we received \$16.5 million net of financing costs with the issue of our convertible unsecured subordinated debentures. The combined change in investments, mortgages and customer deposits increased cash by \$21.5 million which will be deployed to fund undrawn loan commitments at June 30, 2009. We paid total cash dividends of \$3.1 million on common and preferred shares. This resulted in an increase in cash for the first six months of \$20.0 million.

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. The maximum potential amount of future payments under these commitments at June 30, 2009 is \$8.6 million which has increased with the acquisition of Agrifinance (December 31, 2008 - \$3.2 million). We don't expect to see the full amount of our commitments drawn. All commitments have a term of ninety days.

Under the terms of the investment agreement with Hayhurst Elias Dudek Inc., the Company has agreed to increase its investment to 75% from 49%. This transaction will be effective, and is expected to close in the second half of 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.

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.

- Dividend income on preferred shares of \$nil (June 30, 2008 - \$160,000; December 31, 2008 - \$188) and income from equity investments of \$35,000 (June 30, 2008 - income of \$230,000; December 31, 2008 - loss of \$920,000) were recorded with respect to the Company's investment in Jennings Capital Inc.
- Premiums of \$29,000 (June 30, 2008 - \$25,000; December 31, 2008 - \$98,000) were received from Jennings Capital Inc.
- During the second quarter ended June 30, 2009, short term loans and advances of \$nil (second quarter ended June 30, 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 \$594,000 (June 30, 2008 - \$15,000; December 31, 2008 - \$225,000) were paid to Hayhurst Elias Dudek Inc., an investee over which the Company exercises significant influence.
- Premiums of \$3.6 million (June 30, 2008 - \$91,000; December 31, 2008 - \$1.3 million) were received from Hayhurst Elias Dudek Inc., an investee over which the Company exercises significant influence.

OUTSTANDING SHARE DATA

At June 30, 2009 the balance of issued common shares was 49,371,183, for a total value of \$117.1 million compared to \$117.0 at December 31, 2008. At the date of this report the balance of issued common shares was 49,405,210 due to the conversion of 1,225 Series 2 preferred shares into 34,028 common shares.

We have a rolling stock option plan under which we may grant options to directors, officers, shareholders and consultants to a maximum of 4% of the issued and outstanding common shares on a non-diluted basis at any time. There were 650,000 options outstanding at June 30, 2009.

At June 30, 2009, we had the following preferred equity securities outstanding: 142,827 first preferred Series 2 shares outstanding with a principal value of \$14.3 million and convertible into a maximum of 3,964,417 common shares and at August 13, 2009 we had 141,602 first preferred Series 2 shares outstanding with a principal value of \$14.2 million and convertible into a maximum of 3,933,389 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.

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 June 30, 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 June 30, 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 June 30, 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.

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

	June 30, 2009	March 31, 2009	December 31, 2008
Tier 1 Capital			
Retained earnings (losses)	\$ (1,881)	\$ (2,278)	\$ (1,603)
Capital stock	42,112	42,112	26,112
Less goodwill	(10,819)	(14,980)	(3,172)
Total	29,412	24,854	21,337
Tier 2 Capital			
Subordinated debentures	12,000	12,000	10,753
Total Regulatory Capital	\$ 41,412	\$ 36,854	\$ 32,090
Regulatory Capital to Risk-Weighted Assets			
Tier 1 Capital	8.3%	8.2%	9.9%
Tier 2 Capital	4.0%	3.9%	5.0%
Total Regulatory Capital Adequacy Ratio	12.4%	12.1%	14.9%
Assets to Regulatory Capital Multiple	10.4	10.6	11.7

Throughout 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 half 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.

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 June 30, 2009 is summarized in the following table.

Cash and cash equivalents	\$	48,627
Interest rate swap		67
Marketable securities - held-for-trading		55,350
Marketable securities - available-for-sale		16,448
Accounts receivable		29,931
Mortgages and loans		341,453
<hr/>		
Total balance sheet maximum credit exposure	\$	491,877
<hr/>		
Bank West credit commitments	\$	8,605
<hr/>		

The credit quality of the Company's financial assets at June 30, 2009 is described in the following tables.

	Held-for-trading		Available-for-sale	
Marketable securities:				
Bonds - AAA rating	\$	2,924	\$	300
Bonds - AA rating		3,922		20
Bonds - A rating		1,607		616
Equity pooled funds		-		5,297
Term deposits		-		51
Preferred shares - P-1 rating		-		3,241
Canadian government securities		46,897		6,923
<hr/>				
	\$	55,350	\$	16,448
<hr/>				

	Residential and Commercial Mortgages		Personal Loans	Business and Commercial Loans		Total		
Mortgages and loans								
Neither past due nor impaired	\$	67,025	\$	156,017	\$	114,045	\$	337,087
Past due but not impaired								
Past due less than 90 days		1,437		1,500		790		3,727
Past due 90 to 179 days		-		-		121		121
Impaired		1,794		836		1,824		4,454
Gross carrying value		70,256		158,353		116,780		345,389
General provision		10		1,039		2,102		3,151
Specific provision		-		449		336		785
Net carrying value	\$	70,246	\$	156,865	\$	114,342	\$	341,453
Change in allowance for credit losses								
December 31, 2008 balance	\$	75	\$	1,304	\$	676	\$	2,055
Change related to acquisition		-		-		1,683		1,683
Provision for losses		(65)		497		374		806
Write-offs, net of recoveries		-		(313)		(295)		(608)
June 30, 2009 balance	\$	10	\$	1,488	\$	2,438	\$	3,936

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

At June 30, 2009 gross impaired loans were \$3,164 (\$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 \$13,339 at June 30, 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.

	June 30, 2009					March 31, 2009		December 31, 2008	
	Mortgages	Other loans	Leases	Total	Composition Percentage	Total	Composition Percentage	Total	Composition Percentage
Alberta	\$ 42,271	\$ 140,940	\$ 13,911	\$ 197,122	57.7%	\$ 196,772	58.0%	\$ 189,492	69.6%
British Columbia	24,648	24,527	2,281	51,456	15.1%	56,352	16.6%	58,451	21.5%
Eastern Canada	1,276	7,823	14,549	23,648	6.9%	23,428	6.9%	16,501	6.1%
Saskatchewan	1,095	36,669	19,418	57,182	16.7%	50,875	15.0%	6,332	2.3%
Manitoba	966	10,772	3,864	15,602	4.6%	15,301	4.5%	2,801	1.0%
Territories	-	207	-	207	0.1%	354	0.1%	438	0.2%
International	-	172	-	172	0.1%	171	0.1%	175	0.1%
	70,256	221,110	54,023	345,389	101.2%	343,253	101.1%	274,190	100.8%
Allowance for credit losses	(10)	(3,257)	(669)	(3,936)	-1.2%	(3,804)	-1.1%	(2,055)	-0.8%
	\$ 70,246	\$ 217,853	\$ 53,354	\$ 341,453	100.0%	\$ 339,449	100.0%	\$ 272,135	100.0%

Composition Percentage	June 30, 2009	March 31, 2009	December 31, 2008
June 30, 2009	20.6%	63.8%	15.6%
March 31, 2009	24.8%	60.0%	15.1%
December 31, 2008	32.6%	59.3%	8.2%

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 June 30, 2009 by risk rating.

Credit Rating Reinsurance Recoverable	
A- (Excellent)	\$ 871
A+ (Superior)	81
	<hr/>
	\$ 952

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 June 30, 2009.

	Greater than			
	0 to 4 years	5 to 9 years	10 years	Total
Cash and cash equivalents	\$ 48,627	\$ -	\$ -	\$ 48,627
Interest rate swap	-	67	-	67
Marketable securities	32,994	11,672	27,132	71,798
Mortgages and loans	282,826	60,229	-	343,055
Equity investments	-	-	41,305	41,305
Accounts receivable	29,767	164	-	29,931
	<hr/>	<hr/>	<hr/>	<hr/>
	394,214	72,132	68,437	534,783
Customer deposits	321,277	8,293	-	329,570
Actuarial liabilities	2,996	6,147	28,589	37,732
Accounts payable and accrued liabilities	56,263	-	-	56,263
Long-term debt	32,018	31,360	-	63,378
	<hr/>	<hr/>	<hr/>	<hr/>
	412,554	45,800	28,589	486,943
At June 30, 2009	<hr/>	<hr/>	<hr/>	<hr/>
	\$ (18,341)	\$ 26,332	\$ 39,848	\$ 47,840
At December 31, 2008	<hr/>	<hr/>	<hr/>	<hr/>
	\$ (15,558)	\$ 38,658	\$ 36,622	\$ 59,722

Market Risk

During the first quarter, the Company entered into an interest rate swap agreement with a notional amount of \$30.0 million, expiring March 2014, to manage the interest rate risk on \$30.0 million 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 June 30, 2009, the actual interest rate on the underlying debt instrument was 3.75% per annum.

	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	\$ 26,983	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,983
Loans and mortgages	28,472	78,955	55,804	60,421	58,622	60,229	(1,602)	340,902
Other assets	-	-	-	-	-	-	139	139
Total assets	\$ 55,455	\$ 78,955	\$ 55,804	\$ 60,421	\$ 58,622	\$ 60,229	\$ (1,463)	\$ 368,024
Liabilities and Equity								
Current liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,088	\$ 13,088
Deposits	-	128,329	110,615	59,264	25,379	8,327	(2,239)	329,675
Shareholders' equity	-	-	-	-	-	-	40,044	40,044
Total liabilities and equity	\$ -	\$ 128,329	\$ 110,615	\$ 59,264	\$ 25,379	\$ 8,327	\$ 50,893	\$ 382,807
Interest rate sensitive gap	\$ 55,455	\$(49,373)	\$(54,811)	\$ 1,157	\$ 33,243	\$ 51,903	\$(52,356)	\$ (14,783)
Cumulative gap	\$ 55,455	\$ 6,081	\$(48,730)	\$(47,573)	\$(14,330)	\$ 37,573	\$(14,783)	
Cumulative gap as a percentage of total assets	15.07%	1.65%	-13.24%	-12.93%	-3.89%	10.21%	-4.02%	

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.

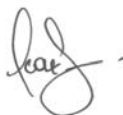
ADDITIONAL INFORMATION

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

CONSOLIDATED BALANCE SHEET
(unaudited)
(in thousands, except for per share amounts)

	As at June 30		As at December 31
	2009		2008
ASSETS			
Cash and cash equivalents	\$ 48,627	\$	28,563
Interest rate swap (Note 14)	67		-
Marketable securities - held-for-trading (Note 14)	55,350		53,091
Marketable securities - available-for-sale (Note 14)	16,448		103,808
Mortgages and loans (Note 6 and 14)	341,453		272,135
Equity investments	41,305		38,040
Accounts receivable	29,931		23,999
Prepaid expenses	7,955		8,039
Future income taxes	668		539
Capital assets	16,348		15,325
Intangible assets	34,684		27,996
Goodwill	118,089		105,285
	\$ 710,925	\$	676,820
LIABILITIES			
Customer deposits	\$ 329,570	\$	333,130
Actuarial liabilities	37,732		38,256
Provision for unpaid and unreported claims	9,860		8,510
Accounts payable and accrued liabilities	56,263		50,378
Income taxes payable (recoverable)	1,077		(800)
Long-term debt (Note 7)	63,378		38,151
Future income taxes	5,666		5,480
Total liabilities	503,546		473,105
SHAREHOLDERS' EQUITY			
Share capital (Note 8)	173,438		173,438
Other paid in capital (Note 7)	268		-
Contributed surplus	1,971		1,975
	175,677		175,413
Accumulated other comprehensive income (loss)	326		(296)
Retained earnings	31,376		28,598
Total shareholders' equity	207,379		203,715
	\$ 710,925	\$	676,820

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



Approved:

 Scott Tannas, Director



 Greg Speirs, Director

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(unaudited)

(in thousands, except for per share amounts)

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
REVENUE				
Commission and other customer income	\$ 24,540	\$ 22,129	\$ 42,981	\$ 38,927
Premium income	9,678	7,717	18,125	14,878
Interest income on customer loans	5,451	4,610	10,373	9,551
Investment income				
Change in fair value of held-for-trading securities	758	(615)	627	(158)
Realized gain (loss) on sales of held-for-trading securities	24	(25)	30	(4)
Realized loss on sales of available-for-sale assets	(3)	-	(731)	-
Other net investment income	430	555	853	1,279
	40,878	34,371	72,258	64,473
EXPENSES				
Operating expenses	24,104	20,210	45,662	39,138
Policyholder benefits	5,199	2,782	8,832	6,487
Interest expense - customer deposits	3,778	3,103	7,432	6,499
Provision for credit losses (Note 14)	517	129	806	209
Income before the following:	7,280	8,147	9,526	12,140
Income from equity investments	1,088	845	835	1,458
Gain on sale of intangible assets	-	598	-	598
Interest and financing costs on long-term debt	(1,041)	(553)	(1,603)	(1,136)
Amortization of intangible assets	(450)	(278)	(862)	(630)
Amortization of capital assets	(736)	(841)	(1,427)	(1,356)
Income before income taxes	6,141	7,918	6,469	11,074
Income taxes	(1,216)	(2,079)	(630)	(2,849)
NET INCOME FOR THE PERIOD	\$ 4,925	\$ 5,839	\$ 5,839	\$ 8,225
Retained earnings, beginning of period	\$ 27,981	29,923	28,598	28,015
Preferred share dividends	(1,002)	(1,908)	(2,005)	(1,908)
Common share dividends	(528)	(493)	(1,056)	(971)
Retained earnings, end of period	\$ 31,376	\$ 33,361	\$ 31,376	\$ 33,361
Earnings per share (Note 9)				
Basic	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.13
Diluted	\$ 0.07	\$ 0.08	\$ 0.07	\$ 0.13

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



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

(unaudited)

(in thousands, except for per share amounts)

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
COMPREHENSIVE INCOME				
Net income for the period	\$ 4,925	\$ 5,839	\$ 5,839	\$ 8,225
Other comprehensive income (loss) from available-for-sale financial instruments and interest rate swap	1,496	(489)	622	(985)
(net of tax of (\$2) - 3 months; 2008 - \$116)				
(net of tax of (\$55) - 6 months; 2008 - \$203)				
Comprehensive income	\$ 6,421	\$ 5,350	\$ 6,461	\$ 7,240

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)				
Balance, beginning of the period	\$ (1,170)	\$ (745)	(296)	(249)
Unrealized net gain (loss) on available-for-sale financial instruments arising during the period	590	(462)	379	(958)
(net of tax of \$153 - 3 months; 2008 - \$107)				
(net of tax of (\$112) - 6 months; 2008 - \$194)				
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)	(28)	(27)	159	(27)
(net of tax of \$32 - 3 months; 2008 - \$9)				
(net of tax of \$73 - 6 months; 2008 - \$9)				
Change in fair value of interest rate swap (Note 14)	934	-	84	-
(net of tax of (\$187) - 3 months)				
(net of tax of (\$16) - 6 months)				
Other comprehensive income (loss) for the period, net of tax	1,496	(489)	622	(985)
Balance, end of the period	326	\$ (1,234)	\$ 326	\$ (1,234)

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

CONSOLIDATED STATEMENTS OF CASH FLOW
(unaudited)
(in thousands, except for per share amounts)

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
CASH PROVIDED BY (USED IN) OPERATIONS				
Net income for the period	\$ 4,925	\$ 5,839	\$ 5,839	\$ 8,225
Adjustments to determine net cash flows provided by (used in) operations				
Amortization of intangible assets	450	278	862	630
Amortization of capital assets	736	841	1,427	1,356
Provision for credit losses	517	-	806	-
Future income taxes	(229)	105	(1,294)	242
Change in fair value of held-for-trading securities	758	615	627	158
Stock based compensation	(41)	10	(4)	47
Dividends accrued but not paid	516	-	-	-
Other non-cash items, net	(77)	81	(362)	232
Income (loss) from equity investments	1,088	(880)	835	(1,430)
Realized net gain (loss) - held-for-trading and available-for-sale assets	21	25	(701)	4
Change in operating assets and liabilities				
Accounts receivable	(8,579)	(2,744)	(5,263)	(1,040)
Prepaid expenses	(1,590)	(335)	93	(113)
Accounts payable and accrued liabilities	3,242	(16,229)	2,685	(7,611)
Actuarial liabilities	352	(770)	(524)	(788)
Provision for unpaid and unreported claims	451	138	1,350	424
Policy loans	-	27	-	120
Income taxes	1,080	1,793	1,804	2,218
	3,620	(11,206)	8,180	2,674
CASH PROVIDED BY (USED IN) INVESTING				
Investment in marketable securities	(14,985)	(63,315)	(49,319)	(126,106)
Proceeds on sale of marketable securities	9,073	82,183	134,396	142,436
Debt (Note 5)	-	-	(69,852)	-
Net (decrease) increase in mortgages and loans	(2,652)	2,815	9,743	8,616
Purchase of equity investments	(1,747)	-	(4,100)	(10,580)
Proceeds on sale of equity investments	-	720	-	-
Capital asset purchases	(755)	(3,143)	(1,843)	(4,201)
Net increase in goodwill	289	-	-	-
Other assets	-	75	-	232
Cash used in business acquisitions (Note 5)	(265)	(823)	(27,028)	(2,256)
	(11,042)	18,512	(8,003)	8,141
CASH PROVIDED BY (USED IN) FINANCING				
Net increase (decrease) in customer deposits	1,914	(20,619)	(3,560)	(27,661)
Advances of long-term debt	74	10,000	50,000	10,000
Repayments of long-term debt	(1,768)	(986)	(40,202)	(1,781)
Issue of convertible debentures	16,455	-	16,455	-
Deferred finance charges	-	82	-	82
Proceeds from issuance of common shares	-	(10)	-	(10)
Change in other paid in capital	255	-	255	-
Dividends paid - common shares	(528)	(478)	(1,056)	(956)
Dividends paid - preferred shares	(1,519)	(1,419)	(2,005)	(1,910)
	14,883	(13,430)	19,887	(22,236)
Increase (decrease) in cash for the period (Note 10)	7,461	(6,124)	20,064	(11,421)
Cash and cash equivalents, beginning of the period	41,166	30,736	28,563	36,033
Cash and cash equivalents, end of the period	\$ 48,627	\$ 24,612	\$ 48,627	\$ 24,612

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 Western Financial Group (Network) Inc. ("the 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 annual and interim 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 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).

During the second quarter, the Company acquired certain assets of First Alta Agencies Ltd. (effective April 1, 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	413	678
Capital assets	42	565	607
Mortgages and loans	-	79,867	79,867
Intangible assets	1,782	5,770	7,552
Goodwill	5,563	7,241	12,804
Accounts payable and accrued liabilities	(491)	(2,709)	(3,200)
Debt (1)	-	(69,852)	(69,852)
Corporate taxes payable	(73)	-	(73)
Future taxes receivable (payable)	(345)	(1,061)	(1,406)
	7,183	23,956	31,139
Cash and cash equivalents acquired	(390)	(3,721)	(4,111)
Consideration in cash	\$ 6,793	\$ 20,235	\$ 27,028

(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 \$5,563 and \$7,241 has been attributed to the Network and Bank West segments, respectively (Note 16).

NOTE 6 MORTGAGES AND LOANS

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

	June 30, 2009					March 31, 2009		December 31, 2008	
	Mortgages	Other loans	Leases	Total	Composition Percentage	Total	Composition Percentage	Total	Composition Percentage
Alberta	\$ 42,271	\$ 140,940	\$ 13,911	\$ 197,122	57.7%	\$ 196,772	58.0%	\$ 189,492	69.6%
British Columbia	24,648	24,527	2,281	51,456	15.1%	56,352	16.6%	58,451	21.5%
Eastern Canada	1,276	7,823	14,549	23,648	6.9%	23,428	6.9%	16,501	6.1%
Saskatchewan	1,095	36,669	19,418	57,182	16.7%	50,875	15.0%	6,332	2.3%
Manitoba	966	10,772	3,864	15,602	4.6%	15,301	4.5%	2,801	1.0%
Territories	-	207	-	207	0.1%	354	0.1%	438	0.2%
International	-	172	-	172	0.1%	171	0.1%	175	0.1%
	70,256	221,110	54,023	345,389	101.2%	343,253	101.1%	274,190	100.8%
Allowance for credit losses	(10)	(3,257)	(669)	(3,936)	-1.2%	(3,804)	-1.1%	(2,055)	-0.8%
	\$ 70,246	\$ 217,853	\$ 53,354	\$ 341,453	100.0%	\$ 339,449	100.0%	\$ 272,135	100.0%

Composition Percentage

June 30, 2009	20.6%	63.8%	15.6%	100.0%
March 31, 2009	24.8%	60.0%	15.1%	100.0%
December 31, 2008	32.6%	59.3%	8.2%	100.0%

NOTE 7 CONVERTIBLE SUBORDINATED DEBENTURES

During the second quarter the Company completed a convertible debenture financing by way of private placement and as a result issued \$16,710 aggregate principal amount 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.

A portion of the debentures has been recorded as equity to reflect the ability of the holder to convert into common shares. This is reflected in the Other paid up capital account on the balance sheet.

NOTE 8 SHARE CAPITAL

Issued Common Shares	Number	Amount
Balance, December 31, 2008	49,333	\$ 117,008
Common shares issued:		
On conversion of preferred shares	38	137
Balance, June 30, 2009	49,371	\$ 117,145
Balance, June 30, 2008	49,452	\$ 117,243
Issued First Preferred Series 1 Shares, recorded as long term debt	Number	Amount
Balance, December 31, 2008	-	\$ -
Balance, June 30, 2009	-	\$ -
Balance, June 30, 2008	-	\$ -

Issued First Preferred Series 2 Shares, recorded as share capital	Number	Amount
Balance, beginning of year	144	\$ 13,677
Converted to common shares	(1)	(137)
Balance, June 30, 2009	143	\$ 13,540
Balance, June 30, 2008	145	\$ 13,757

Issued First Preferred Series 3 Shares, recorded as share capital	Number	Amount
Balance, December 31, 2008	250	\$ 23,790
Balance, June 30, 2009	250	\$ 23,790
Balance, June 30, 2008	250	\$ 23,790

Issued First Preferred Series 4 Shares, recorded as share capital	Number	Amount
Balance, December 31, 2008	200	\$ 18,963
Balance, June 30, 2009	200	\$ 18,963
Balance, June 30, 2008	200	\$ 18,963

TOTAL SHARE CAPITAL	Amount
Common shares	\$ 117,145
Preferred shares	56,293
Balance, June 30, 2009	\$ 173,438
Balance, June 30, 2008	\$ 173,753

During the second quarter, First Preferred Series 2 Shares were converted to common shares. Series 2 shares are convertible to common shares at the option of the holder at any time at a conversion price of \$3.60 per common share.

NOTE 9 EARNINGS PER SHARE

For the three months ended June 30, 2009

	Income	Shares	Per share
Earnings per share from continuing operations			
Net income	\$ 4,925		
Preferred share dividends	(1,002)		
Net income available to common shareholders	3,923		
Basic earnings per share	\$ 3,923	49,345	\$ 0.08
Effect of dilutive securities			
Stock options	-	5	
Diluted earnings per share	\$ 3,923	49,350	\$ 0.07

For the three months ended June 30, 2008

	Income	Shares	Per share
Earnings per share from continuing operations			
Net income	\$ 5,839		
Preferred share dividends	(1,908)		
Net income available to common shareholders	3,931		
Basic earnings per share	\$ 3,931	47,910	\$ 0.08
Effect of dilutive securities			
Stock options	-	61	
Convertible debentures	30	1,539	
Diluted earnings per share	\$ 3,961	49,510	\$ 0.08

For the six months ended June 30, 2009

	Income	Shares	Per share
Earnings per share from continuing operations			
Net income	\$ 5,839		
Preferred share dividends	(2,005)		
Net income available to common shareholders	3,834		
Basic earnings per share	\$ 3,834	49,345	\$ 0.08
Effect of dilutive securities			
Stock options	-	682	
Convertible debentures	284	5,570	
Diluted earnings per share	\$ 4,118	55,597	\$ 0.07

For the six months ended June 30, 2008

	Income	Shares	Per share
Earnings per share from continuing operations			
Net income	\$ 8,225		
Preferred share dividends	(1,908)		
Net income available to common shareholders	6,317		
Basic earnings per share	\$ 6,317	47,910	\$ 0.13
Effect of dilutive securities			
Stock options	-	84	
Convertible debentures	66	1,539	
Diluted earnings per share	\$ 6,383	49,533	\$ 0.13

At June 30, 2009 and June 30, 2008 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.

NOTE 10 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	For the three months ended June 30		For the six months ended June 30	
	2009	2008	2009	2008
Dividends received	\$ 63	\$ 83	\$ 148	\$ 167
Interest paid	\$ 3,975	\$ 4,407	\$ 5,779	\$ 6,336
Income taxes paid (recovered)	\$ 370	\$ (1,113)	\$ 846	\$ (916)

NOTE 11 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. The maximum potential amount of future payments under these commitments at June 30, 2009 is \$8,605 (December 31, 2008 - \$3,235).

In January 2009 we agreed to increase our investment in Hayhurst Elias Dudek Inc. (“HED”) to 75% from 49% in 2008. This transaction will be effective, and is expected to close in the second half of 2009. Management has estimated the increase in the Company’s investment to be approximately \$12,000 and is subject to post closing adjustments and regulatory approval. 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.

NOTE 12 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.

- Dividend income on preferred shares of \$nil (June 30, 2008 - \$160; December 31, 2008 - \$188) and income from equity investments of \$35 (June 30, 2008 – income of \$230; December 31, 2008 – loss of \$920) were recorded with respect to the Company’s investment in Jennings Capital Inc.
- Premiums of \$29 (June 30, 2008 - \$25; December 31, 2008 - \$98) were received from Jennings Capital Inc.
- During the second quarter ended June 30, 2009, short term loans and advances of \$nil (second quarter ended June 30, 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 \$594 (June 30, 2008 - \$15; December 31, 2008 - \$225) were paid to Hayhurst Elias Dudek Inc., an investee over which the Company exercises significant influence.
- Premiums of \$3,567 (June 30, 2008 - \$91; December 31, 2008 - \$1,297) were received from Hayhurst Elias Dudek Inc., an investee over which the Company exercises significant influence.

NOTE 13 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

	June 30, 2009	March 31, 2009	December 31, 2008
Tier 1 Capital			
Retained earnings (losses)	\$ (1,881)	\$ (2,278)	\$ (1,603)
Capital stock	42,112	42,112	26,112
Less goodwill	(10,819)	(14,980)	(3,172)
Total	29,412	24,854	21,337
Tier 2 Capital			
Subordinated debentures	12,000	12,000	10,753
Total Regulatory Capital	\$ 41,412	\$ 36,854	\$ 32,090
Regulatory Capital to Risk-Weighted Assets			
Tier 1 Capital	8.3%	8.2%	9.9%
Tier 2 Capital	4.0%	3.9%	5.0%
Total Regulatory Capital Adequacy Ratio	12.4%	12.1%	14.9%
Assets to Regulatory Capital Multiple	10.4	10.6	11.7

Throughout the first half 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 half of 2009.

NOTE 14 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 June 30, 2009 is summarized in the following table.

Cash and cash equivalents	\$ 48,627
Interest rate swap	67
Marketable securities - held-for-trading	55,350
Marketable securities - available-for-sale	16,448
Accounts receivable	29,931
Mortgages and loans	341,453
Total balance sheet maximum credit exposure	\$ 491,877

The credit quality of the Company’s financial assets at June 30, 2009 is described in the following tables.

Credit Rating Reinsurance Recoverable	
A- (Excellent) \$	871
A+ (Superior)	81
<hr/>	
\$	952

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 June 30, 2009.

	0 to 4 years	5 to 9 years	Greater than 10 years	Total
Cash and cash equivalents	\$ 48,627	\$ -	\$ -	\$ 48,627
Interest rate swap	-	67	-	67
Marketable securities	32,994	11,672	27,132	71,798
Mortgages and loans	282,826	60,229	-	343,055
Equity investments	-	-	41,305	41,305
Accounts receivable	29,767	164	-	29,931
	<hr/>	<hr/>	<hr/>	<hr/>
	394,214	72,132	68,437	534,783
Customer deposits	321,277	8,293	-	329,570
Actuarial liabilities	2,996	6,147	28,589	37,732
Accounts payable and accrued liabilities	56,263	-	-	56,263
Long-term debt	32,018	31,360	-	63,378
	<hr/>	<hr/>	<hr/>	<hr/>
	412,554	45,800	28,589	486,943
At June 30, 2009	<hr/>	<hr/>	<hr/>	<hr/>
	\$ (18,341)	\$ 26,332	\$ 39,848	\$ 47,840
At December 31, 2008	<hr/>	<hr/>	<hr/>	<hr/>
	\$ (15,558)	\$ 38,658	\$ 36,622	\$ 59,722

Market Risk

During the first quarter, the Company entered into an interest rate swap agreement with a notional amount of \$30,000, 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 June 30, 2009, the actual interest rate on the underlying debt instrument was 3.75% per annum. As a result, for the first six months of the year, the Company has recorded \$110 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.

	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	\$ 26,983	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,983
Loans and mortgages	28,472	78,955	55,804	60,421	58,622	60,229	(1,602)	340,902
Other assets	-	-	-	-	-	-	139	139
Total assets	\$ 55,455	\$ 78,955	\$ 55,804	\$ 60,421	\$ 58,622	\$ 60,229	\$ (1,463)	\$ 368,024
Liabilities and Equity								
Current liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,088	\$ 13,088
Deposits	-	128,329	110,615	59,264	25,379	8,327	(2,239)	329,675
Shareholders' equity	-	-	-	-	-	-	40,044	40,044
Total liabilities and equity	\$ -	\$ 128,329	\$ 110,615	\$ 59,264	\$ 25,379	\$ 8,327	\$ 50,893	\$ 382,807
Interest rate sensitive gap	\$ 55,455	\$(49,373)	\$(54,811)	\$ 1,157	\$ 33,243	\$ 51,903	\$(52,356)	\$ (14,783)
Cumulative gap	\$ 55,455	\$ 6,081	\$(48,730)	\$(47,573)	\$(14,330)	\$ 37,573	\$(14,783)	
Cumulative gap as a percentage of total assets	15.07%	1.65%	-13.24%	-12.93%	-3.89%	10.21%	-4.02%	

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 \$162 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 are consistent with those in place as at December 31, 2008.

NOTE 15 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 16 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 the 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 the 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.

Management monitors the financial performance of the 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 June 30, 2009	Bank West	Western Life Assurance	Network	Corporate and all other	Total
REVENUE					
Commission and other customer income	\$ 1,234	\$ 22	\$ 23,109	\$ 175	\$ 24,540
Premium income	-	9,678	-	-	9,678
Interest income on customer loans	5,451	-	-	-	5,451
Investment income	-	1,141	-	68	1,209
	6,685	10,841	23,109	243	40,878
EXPENSES					
Operating expenses	2,625	3,995	14,882	2,602	24,104
Policyholder benefits	-	5,199	-	-	5,199
Interest expense - customer deposits	3,778	-	-	-	3,778
Provision for credit losses	517	-	-	-	517
Income (loss) before the following:	(235)	1,647	8,227	(2,359)	7,280
Income from equity investments	-	-	-	1,088	1,088
Interest and financing costs on long-term debt	-	(3)	(3)	(1,035)	(1,041)
Amortization of intangible assets	(191)	-	-	(259)	(450)
Amortization of capital assets	(105)	(19)	(275)	(337)	(736)
Income (loss) before income taxes	\$ (531)	\$ 1,625	\$ 7,949	\$ (2,902)	\$ 6,141

For the three months ended June 30, 2008	Bank West	Western Life Assurance	Network	Corporate and all other	Total
REVENUE					
Commission and other customer income	\$ -	\$ 23	\$ 21,872	\$ 234	\$ 22,129
Premium income	-	7,717	-	-	7,717
Interest income on customer loans	4,610	-	-	-	4,610
Investment income (loss)	-	(252)	-	167	(85)
	4,610	7,488	21,872	401	34,371
EXPENSES					
Operating expenses	943	3,446	13,929	1,892	20,210
Policyholder benefits	-	2,782	-	-	2,782
Interest expense - customer deposits	3,103	-	-	-	3,103
Provision for credit losses	129	-	-	-	129
Income (loss) before the following:	435	1,260	7,943	(1,491)	8,147
Income from equity investments	-	-	-	845	845
Gain (loss) on sale of investments and capital assets	(6)	-	-	604	598
Interest and financing costs on long-term debt	-	-	-	(553)	(553)
Amortization of intangible assets	(85)	-	-	(193)	(278)
Amortization of capital assets	(39)	(137)	(233)	(432)	(841)
Income (loss) before income taxes	\$ 305	\$ 1,123	\$ 7,710	\$ (1,220)	\$ 7,918

For the six months ended June 30, 2009	Bank West	Western Life Assurance	Network	Corporate and all other	Total
REVENUE					
Commission and other customer income	\$ 1,848	\$ 44	\$ 40,631	\$ 458	\$ 42,981
Premium income	-	18,125	-	-	18,125
Interest income on customer loans	10,373	-	-	-	10,373
Investment income	3	622	-	154	779
	12,224	18,791	40,631	612	72,258
EXPENSES					
Operating expenses	4,724	7,373	28,813	4,752	45,662
Policyholder benefits	-	8,832	-	-	8,832
Interest expense - customer deposits	7,432	-	-	-	7,432
Provision for credit losses	806	-	-	-	806
Income (loss) before the following:	(738)	2,586	11,818	(4,140)	9,526
Income from equity investments	-	-	-	835	835
Interest and financing costs on long-term debt	-	(3)	(3)	(1,597)	(1,603)
Amortization of intangible assets	(347)	-	-	(515)	(862)
Amortization of capital assets	(199)	(38)	(538)	(652)	(1,427)
Income before income taxes	\$ (1,284)	\$ 2,545	\$ 11,277	\$ (6,069)	\$ 6,469



	Bank West	Western Life Assurance	Network	Corporate and all other	Total
For the six months ended June 30, 2008					
REVENUE					
Commission and other customer income	\$ -	\$ 34	\$ 38,361	\$ 532	\$ 38,927
Premium income	-	14,878	-	-	14,878
Interest income on customer loans	9,551	-	-	-	9,551
Investment income	-	579	-	538	1,117
	9,551	15,491	38,361	1,070	64,473
EXPENSES					
Operating expenses	1,711	6,568	26,568	4,291	39,138
Policyholder benefits	-	6,487	-	-	6,487
Interest expense - customer deposits	6,499	-	-	-	6,499
Provision for credit losses	209	-	-	-	209
Income before the following:	1,132	2,436	11,793	(3,221)	12,140
Income from equity investments	-	-	-	1,458	1,458
(Loss) gain on sale of investments and capital assets	(6)	-	-	604	598
Interest and financing costs on long-term debt	-	-	-	(1,136)	(1,136)
Amortization of intangible assets	(169)	-	-	(461)	(630)
Amortization of capital assets	(43)	(159)	(447)	(707)	(1,356)
Income before income taxes	\$ 914	\$ 2,277	\$ 11,346	\$ (3,463)	\$ 11,074

	Bank West	Western Life Assurance	Network	Corporate and all other	Total
As at June 30, 2009					
Total assets	\$ 394,994	\$ 74,497	\$ 61,133	\$ 180,301	\$ 710,925
Goodwill	\$ 10,819	\$ -	\$ 94,716	\$ 12,554	\$ 118,089

	Bank West	Western Life Assurance	Network	Corporate and all other	Total
As at December 31, 2008					
Total assets	\$ 377,011	\$ 74,876	\$ 55,628	\$ 169,305	\$ 676,820
Goodwill	\$ 3,136	\$ -	\$ 89,499	\$ 12,650	\$ 105,285

Corporate Information

Corporate Headquarters

Western Financial Group Inc.
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

Western Financial Group (Network) Inc.
Lana J. Wood, President & CEO

Bank West
Bruce Ratzlaff, President & CEO

Western Life Assurance Company
Dominique Gregoire, President & CEO

www.westernfinancialgroup.ca |