

Attention Business/Financial Editors:

Western Financial Group announces first quarter financial results, including Bank West's first profitable quarter and announces redemption of 9% debentures

HIGH RIVER, AB, May 11 /CNW/ - (TSX-WES, WES.DB.A) - Western Financial Group ("the Company") today announced its operating and financial results for the three months ended March 31, 2006. For the quarter, revenue increased 37.4% to \$16.7 million from \$12.2 million compared to the same period in 2005 and net income increased 8%. Earnings per share amounted to \$0.04 per share, the same as in the first quarter of 2005.

"We are off to a good start toward achieving our financial and operational objectives for the year," said Scott Tannas, President and CEO. "We are very pleased with Bank West's loan growth and overall performance in this their first profitable quarter. This milestone is the culmination of three years of hard work. When we started Bank West from scratch in 2003, we were pioneers with no recent examples of how to build a Canadian chartered bank. Today we have a growing, vibrant institution that has a bright future."

"I am also pleased with Western Life's continuing strong performance in both sales and profitability, with a portion of this being driven by early cross selling initiatives from WFG Agency Network."

"The Network posted a solid first quarter, with strong growth in same store customer count driving modest growth in same store sales. After five years of steadily rising insurance prices, we are seeing a flattening of rates. This kind of environment requires us to work harder to grow revenue. Increasing our same store customer count, selling more products per customer, and making prudent acquisitions are the key components of our strategy for the balance of the year."

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Financial Highlights

(in \$ thousands)	Three Months ended March 31,		
	2006	2005	% change

THE NETWORK			
Revenue (\$)	9,959	9,810	1.5
Operating income (\$)	2,604	3,108	(16.2)
BANK WEST			
Interest and investment income	1,640	767	113.8
Net interest and investment income (\$)	470	205	129.3
Operating income (\$)	34	(289)	88.2
WESTERN LIFE			
Premium and investment income	5,811	1,790	224.6
Operating income (\$)	398	408	(2.5)
CORPORATE AND ALL OTHER			
Revenue (\$)	480	362	32.6
Operating income (\$)	(1,143)	(1,488)	23.2
OVERALL			
Revenue (\$)	16,720	12,167	37.4
Net Income (\$)	1,145	1,060	8.0
Earnings per share			
- basic (\$)	0.04	0.04	00.0
- diluted (\$)	0.04	0.04	00.0

Key Business Drivers

as at March 31, 2006	2006	2005
Same-store Revenue (% change)	+3.7	+7.7
Products per customer account (PPCA)	2.15	1.77
Same-store Customer Count (year-to-date annualized, % change)	+3.0	+1.0
Return on Equity (ROE)	6.88%	6.67%
Western Life Policy/Certificate Count	19,141	17,300
Bank West Loan Book (\$ millions)	\$ 102.0	\$ 48.6

WFG Agency Network

The Network posted increases in same store customer count of 3.0% and same store revenue of 3.7%, which was slightly less than planned given flat premium price growth in the first quarter. Products per customer account increased to 2.15 largely due to the introduction of Western Life to customers through the \$1000 life program.

Bank West

Bank West operating income grew from an operating loss of \$289,000 in the first quarter of 2005 to post its first quarter of operating profit of \$34,000 in the same period in 2006. The Bank is ahead of their plan for the year. Net interest and investment income showed a substantial increase of 129.3% over the same period last year. Loan growth continues to accelerate.

Western Life

Premium and investment income were up a substantial 225% over the first quarter of 2005, while operating income was strong but slightly down for the same period, which was expected. Western Life is on plan for the quarter.

Investment Business

Jennings Capital again had a strong first quarter, exceeding their expected contribution to the Company's investment income.

Redemption of 9% Debentures

Western also announced today that it has provided notice that it will redeem all of the approximately \$10.5 million outstanding 9% subordinated convertible redeemable debentures due February 28, 2007 (the "debentures") on June 30, 2006. The debentures will be redeemed in exchange for common shares of the Company at a rate of one common share for each \$2.50 principal amount of debentures, resulting in the issuance of an aggregate of approximately 4.2 million common shares. Holders whose debentures are redeemed will receive accrued and unpaid interest on the debentures up to but excluding June 30, 2006. The redemption is subject to the approval of the Toronto Stock Exchange.

Conference Call

Western Financial Group will host a conference call to discuss the Company's first quarter financial results on May 17, 2006 at 9:00 am Mountain Time (11:00 am Eastern Time). Participants are asked to call either 1-877-888-3855 or 1-416-695-6120 (Toronto). An archived recording of the call will be available until May 24, 2006 by calling 1-888-509-0081 or 416-695-5275 (Toronto). The conference will also be broadcast live over the internet and archived through the Company's website at www.westernfinancialgroup.net.

Western Financial group is one of the leading western-based financial service companies in Western Canada. With offices in towns and small cities across the West, the Company provides more than 250,000 customers with insurance, investment and banking products through WFG Agency Network, Western

Life and Bank West.

The Company's Interim Report for the three months ended March 31, 2006 will be filed on SEDAR on May 11, 2006.

CONSOLIDATED BALANCE SHEETS

(expressed in thousands of dollars, except for per share amounts)

(unaudited)	As at March 2006	As at December 2005

ASSETS		
Cash	\$ 13,099	\$ 10,416
Marketable securities	63,775	67,077
Accounts receivable	17,170	23,076
Prepaid expenses	5,264	5,268
Deferred charges	822	720
Other assets (note 2)	16,887	10,896
Mortgages and loans	102,292	90,841
Capital assets	9,245	9,333
Intangible assets	10,733	10,497
Goodwill	51,936	50,164
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	\$ 291,223	\$ 278,288
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LIABILITIES		
Demand Loans	\$ 6,500	\$ 5,100
Accounts payable and accrued liabilities	31,848	25,099
Actuarial liabilities	33,430	33,507
Provision for unpaid and unreported claims	6,324	6,065
Deferred gain on investments	1,418	861
Income taxes payable	9	285
Customer deposits	98,255	95,341
Long-term debt	37,237	37,707
Future income taxes	1,962	1,604
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	216,983	205,569
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SHAREHOLDERS' EQUITY		
Share capital (note 3)	59,987	59,676
Other paid in capital	206	206
Contributed surplus	1,841	1,776
Retained earnings	12,206	11,061
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	74,240	72,719
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	\$ 291,223	\$ 278,288
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CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

For the three- -month period ended March 31, 2006 and 2005

(expressed in thousands of dollars, except for per share amounts)

(unaudited)	Three months ended	
	March 31	
	2006	2005
Revenue		
Commission and other customer income	10,180	10,249
Premium income	5,343	1,579
Net interest income and investment income	1,197	339

	16,720	12,167
Expenses		
Operating expenses	11,307	9,569
Policyholder benefits	3,520	768

Amortization of start-up and reorganization	-	91

Income before the following	1,893	1,739
Income from equity investments	711	375
Gain on sale of portion of reporting unit	-	300
Interest and financing costs on long term debt	(745)	(640)
Amortization of intangible assets	(94)	(65)
Amortization of capital assets	(321)	(284)

Income before income taxes	1,444	1,425
Income taxes	(299)	(365)

NET INCOME FOR THE PERIOD	1,145	1,060

Retained earnings beginning of period	11,061	6,212

Retained earnings end of period	\$ 12,206	\$ 7,272

Earnings per share (note 4)		
Basic	\$ 0.04	\$ 0.04

Diluted	\$ 0.04	\$ 0.04

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