



# Western Financial Group

## For Immediate Release

### WESTERN FINANCIAL GROUP REPORTS FIRST QUARTER 2009 RESULTS

High River, Alberta – May 14, 2009, (TSX – WES) - Western Financial Group (“the Company”) announced today its operating and financial results for the three months ended March 31, 2009. Revenue from the Network’s property and casualty operations increased from \$16.5 million to \$17.5 million, Western Life increased net premium revenue to \$8.5 million from \$7.2 million year over year, and Bank West increased interest and investment income to \$5.5 million from \$4.9 million. Overall operating income declined from \$4.0 million to \$2.2 million for the first quarter as a result of non-recurring restructuring costs, increased loan provisions and increased salary and wage costs over the same period in 2008.

“We are pleased with our first quarter results given the challenging environment,” said Scott Tannas, President and CEO. “Our operations remain strong through these turbulent times, and given the very different economic conditions we saw in the same period last year, it is gratifying that we are keeping up the pace on our revenue side that we set a year ago for the first quarter of 2009. Expenses are up, which we budgeted for, after restructuring our overall compensation for our employees last year. Bank West has had a reversal in the first quarter, falling from a small operating profit to a small loss but we expect to see that overcome in the second and third quarters as much of their additional increase in expenses relate to taking over expenses at AgriFinance, without the benefit of its revenue which is derived in large part from the summer and fall months,” he said.

“Given the trends of the first quarter, and some early indications from the current quarter underway, we remain optimistic that our stated 2009 Objectives can be achieved.”

<b>2009 OBJECTIVES</b>	
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

<b>FINANCIAL HIGHLIGHTS</b>				
THREE MONTHS ENDED MARCH 31				
(in \$ thousands except for per share amounts)	2009	2008	% Change	
<b>The Network</b>				
Commissions and other customer revenue	\$ 17,522	\$ 16,489	6.3	%
Operating expenses	<u>13,932</u>	<u>12,639</u>	10.2	%
Operating income	<u>\$ 3,590</u>	<u>\$ 3,850</u>	(6.7)	%
<b>Bank West</b>				
Interest and investment income	5,537	4,942	12.0	%
Interest expense-customer deposits	<u>3,654</u>	<u>3,396</u>	7.6	%
Net interest and investment income	1,882	1,546	21.8	%
Provisions for credit losses	289	80	261.1	%
Operating expenses	<u>2,096</u>	<u>769</u>	172.6	%
Operating (loss) income	<u>\$ (502)</u>	<u>\$ 697</u>	(172.0)	%
<b>Western Life</b>				
Premium and investment income	7,950	8,004	(0.7)	%
Policyholder benefits	3,633	3,705	(1.9)	%
Operating expenses	<u>3,377</u>	<u>3,123</u>	8.1	%
Operating income	<u>\$ 940</u>	<u>\$ 1,176</u>	(20.0)	%
<b>Corporate and all other</b>				
Other revenues	372	667	(44.2)	%
Operating expenses	<u>2,154</u>	<u>2,397</u>	(10.1)	%
Operating (loss) income	<u>\$ (1,782)</u>	<u>\$ (1,730)</u>	3.0	%
<b>Total operating income</b>	<u>\$ 2,246</u>	<u>\$ 3,993</u>	(43.8)	%
<b>Net income</b>	914	2,386	(61.7)	%
<b>Preferred dividends</b>	<u>(1,003)</u>	-	-	%
<b>Earnings available to common shareholders</b>	(89)	2,386	(103.7)	%
<b>Earnings per common share</b>				
- basic (\$)	\$ 0.00	\$ 0.05	(100.0)	%
- diluted (\$)	\$ 0.00	\$ 0.04	(100.0)	%

### **The Network**

The Network increased revenues by 6.3% to \$17.5 million, while expenses also increased by 10.2% from \$12.6 million to \$13.9 million year over year for the first quarter. Same store revenue increased 5.2%, products per customer account (PPCA) increased to 2.33 and same store customer count increased 1.2%.

### **Bank West**

Bank West saw a 21.8% increase in its net interest and investment income from \$1.5 million to \$1.9 million. Provisions for credit losses rose from \$80,000 to \$289,000 as a result of market conditions, and operating expenses increased from \$769,000 to \$2.1 million. The increases were due to expenses related to the AgriFinance purchase coupled with seasonality in their revenue which traditionally is small in the first quarter and strong in the second and third quarters. One time restructuring charges, including severance and technology investment costs toward the completion of the Wealthview management platform, also contributed to the differences.

### **Western Life**

Western Life achieved a strong start to the year, with net premium revenue at \$8.5 million from \$7.2 million. Our investment portfolio continued to reflect the impact of the current economic conditions decreasing total revenue by \$800,000.

### **Strategic Partnership Portfolio**

The Company's equity partners at Falkins Insurance and Harvard Western Ventures had positive starts to the year. Jennings Capital has successfully weathered the storm in the investment banking business and is in the process of returning to positive numbers which it anticipates in the second quarter.

### **Conference Call**

Western Financial Group will host a conference call to discuss the Company's first quarter financial results on Tuesday, May 19, 2009 at 10:00 am Mountain time (12:00 pm Eastern time). To participate in the live conference call, please dial either (416) 644-3418 or (800) 590-1817. A replay of the call will be available from May 19th at 12:00 pm Mountain time until June 2nd at 11:59 PM MT. To access the replay please dial either (416) 640-1917 or (877) 289-8525 and enter the passcode 21306198 followed by the pound sign. The conference will also be broadcast live over the internet and archived through the Company's website at [www.westernfinancialgroup.net](http://www.westernfinancialgroup.net).

Western Financial Group is a leader in providing insurance, financial services and banking services in over 90 communities, to more than 500,000 individuals and businesses in Western Canada through its WFG Agency Network locations, its affiliated insurance brokers, Western Life Assurance Company and Bank West.

The Company's Financial Report for the first quarter of 2009 will be filed on SEDAR on or before May 15, 2009

Forward-looking statements involve numerous assumptions, risks and uncertainties, including the risk that prediction and other forward-looking statements may not prove to be accurate. We caution the reader not to place undue reliance on these disclosures, as a number of important factors could cause actual results to differ materially from the estimates and comments expressed in them. Such factors may include, but are not limited to: changing financial and economic conditions in Canada, particularly in Western Canada; regulatory developments; competition industry trends and availability of capital resources; and our anticipated success in managing our risks. We caution readers that the foregoing list is not exhaustive. Except 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.

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For further information, please contact:  
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**CONSOLIDATED BALANCE SHEET**  
(unaudited)  
(in thousands, except for per share amounts)

	As at March 31 2009	As at December 31 2008
<b>ASSETS</b>		
Cash and cash equivalents	\$ 41,166	\$ 28,563
Marketable securities - held-for-trading (Note 12)	51,526	53,091
Marketable securities - available-for-sale (Note 12)	15,326	103,808
Mortgages and loans (Note 6 and 12)	339,449	272,135
Equity investments	40,646	38,040
Accounts receivable	21,221	23,999
Prepaid expenses	6,365	8,039
Income taxes recoverable	2	800
Future income taxes	345	539
Capital assets	16,329	15,325
Intangible assets	34,854	27,996
Goodwill	117,629	105,285
	<u>\$ 684,858</u>	<u>\$ 677,620</u>
<b>LIABILITIES</b>		
Customer deposits	\$ 327,655	\$ 333,130
Actuarial liabilities	37,380	38,256
Provision for unpaid and unreported claims	9,409	8,510
Accounts payable and accrued liabilities	52,889	50,378
Interest rate swap (Note 12)	680	-
Long-term debt	49,644	38,151
Future income taxes	4,940	5,480
Total liabilities	<u>482,597</u>	<u>473,905</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	173,438	173,438
Contributed surplus	2,012	1,975
	<u>175,450</u>	<u>175,413</u>
Accumulated other comprehensive loss	(1,170)	(296)
Retained earnings	27,981	28,598
Total shareholders' equity	<u>202,261</u>	<u>203,715</u>
	<u>\$ 684,858</u>	<u>\$ 677,620</u>

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)

**FOR THE THREE MONTHS ENDED MARCH 31**

(in thousands, except for per share amounts)

	<b>2009</b>		<b>2008</b>
<b>REVENUE</b>			
Commission and other customer income	\$ 18,441	\$	16,798
Premium income	8,447		7,161
Interest income on customer loans	4,922		4,941
Investment income			
Change in fair value of held-for-trading securities	(131)		457
Realized gain on sales of held-for-trading securities	6		21
Realized loss on sales of available-for-sale assets	(728)		-
Other net investment income	424		724
	<b>31,381</b>		<b>30,102</b>
<b>EXPENSES</b>			
Operating expenses	21,559		18,928
Policyholder benefits	3,633		3,705
Interest expense - customer deposits	3,654		3,396
Provision for credit losses (Note 12)	289		80
<b>Income before the following:</b>	<b>2,246</b>		<b>3,993</b>
Income from equity investments	(253)		613
Interest and financing costs on long-term debt	(562)		(583)
Amortization of intangible assets	(412)		(352)
Amortization of capital assets	(691)		(515)
<b>Income before income taxes</b>	<b>328</b>		<b>3,156</b>
<b>Income taxes</b>	<b>586</b>		<b>(770)</b>
<b>NET INCOME FOR THE PERIOD</b>	<b>\$ 914</b>	<b>\$</b>	<b>2,386</b>
<b>Retained earnings, beginning of period</b>	<b>\$ 28,598</b>		<b>28,015</b>
Preferred share dividends	(1,003)		-
Common share dividends	(528)		(478)
<b>Retained earnings, end of period</b>	<b>\$ 27,981</b>	<b>\$</b>	<b>29,923</b>
<b>Earnings per share (Note 7)</b>			
Basic	\$ 0.00	\$	0.05
Diluted	\$ 0.00	\$	0.04