



For Immediate Release

**WESTERN FINANCIAL GROUP ANNOUNCES Q2 RESULTS  
NET INCOME INCREASED BY 37% AND EARNINGS PER SHARE UP BY 13%**

High River, Alberta – August 12, 2010, (TSX – WES) - Western Financial Group (“the Company”) announced today its operating and financial results for the three and six months ended June 30, 2010.

**Financial Highlights**

(unaudited) (in \$ thousands except for per share amounts)	Three Months ended June 30			Six Months ended June 30		
	2010	2009	% Change	2010	2009	% Change
<b>The Network</b>						
Commissions and other customer revenue	\$ 31,249	\$ 23,109	35.2%	\$ 53,668	\$ 40,631	32.1%
Operating expenses	20,373	14,882	36.9%	38,834	28,813	34.8%
Operating income	\$ 10,876	\$ 8,227	32.2%	\$ 14,834	\$ 11,818	25.5%
<b>Bank West</b>						
Interest and investment income	\$ 6,961	\$ 6,685	4.1%	\$ 13,571	\$ 12,224	11.0%
Interest expense - customer deposits	3,176	3,778	-15.9%	6,153	7,432	-17.2%
Net interest and investment income	3,785	2,907	30.2%	7,418	4,792	54.8%
Provisions for credit losses	748	517	44.7%	924	806	14.6%
Operating expenses	2,447	2,625	-6.8%	4,764	4,724	0.8%
Operating income (loss)	\$ 590	\$ (235)	350.9%	\$ 1,730	\$ (738)	334.5%
<b>Western Life</b>						
Premium and investment income	\$ 13,608	\$ 10,841	25.5%	\$ 24,411	\$ 18,791	29.9%
Policyholder benefits	6,910	5,199	32.9%	12,637	8,832	43.1%
Operating expenses	4,766	3,995	19.3%	8,643	7,373	17.2%
Operating income	\$ 1,932	\$ 1,647	17.3%	\$ 3,131	\$ 2,586	21.1%
<b>Western Financial Insurance</b>						
Premium and investment income	\$ 9,189	\$ -	-	\$ 18,221	\$ -	-
Policyholder benefits	4,790	-	-	8,732	-	-
Operating expenses	3,278	-	-	6,328	-	-
Operating income	\$ 1,121	\$ -	-	\$ 3,161	\$ -	-
<b>Corporate and all other</b>						
Other revenues	\$ 295	\$ 243	21.3%	\$ 709	\$ 612	15.8%
Operating expenses	3,173	2,602	21.9%	5,647	4,752	18.8%
Operating loss	\$ (2,878)	\$ (2,359)	22.0%	\$ (4,938)	\$ (4,140)	19.3%
<b>Total operating income</b>	<b>\$ 11,641</b>	<b>\$ 7,280</b>	<b>59.9%</b>	<b>\$ 17,918</b>	<b>\$ 9,526</b>	<b>88.1%</b>
<b>Net Income</b>	<b>\$ 5,742</b>	<b>\$ 4,925</b>	<b>16.6%</b>	<b>\$ 8,013</b>	<b>\$ 5,839</b>	<b>37.2%</b>
<b>Preferred dividends</b>	<b>(1,797)</b>	<b>(1,002)</b>	<b>79.3%</b>	<b>(3,629)</b>	<b>(2,005)</b>	<b>81.0%</b>
<b>Earnings (loss) available to common shareholders</b>	<b>\$ 3,945</b>	<b>\$ 3,923</b>	<b>0.6%</b>	<b>\$ 4,384</b>	<b>\$ 3,834</b>	<b>14.3%</b>
<b>Earnings per share</b>						
- basic (\$)	0.08	\$ 0.08		0.09	\$ 0.08	
- diluted (\$)	0.08	\$ 0.07		0.09	\$ 0.07	



2010 KEY OBJECTIVES	
Network Same Store Sales	4%-7% growth
Network Operating Margin	28%
Bank West Specific Provisions	75 bps or less
Western Financial Insurance Loss Ratio	55% or less
Western Life Loss Ratio	45% or less
Overall 2010 Net Income	\$18.5 to \$20 million

Western Financial Group today announced its second quarter 2010 financial numbers which show net income increased by 37%, with Earnings Per Share up by 13% over the same period in 2009. All Business Units showed positive results year over year, with Bank West reporting its second profitable quarter in a row and record profits for the year to date.

"We are pleased with the Company's performance for all our business units in what appears to be a moderate economy in western Canada," said Scott Tannas, President and CEO. "We are making good progress towards achieving our year-end financial objectives. The Bank is now contributing to our overall profitability, and with our recent financing behind us, we are well positioned with a strong balance sheet to take advantage of opportunities in the second half of this year", he said.

#### **The Network**

The Network combined margin for the quarter was 28%, with Group Insurance Solutions' margin at 19% and the retail division at 30%. Retail same store sales are at 4.7%, and same store customer count grew by 2.2% on a YTD, annualized basis.

#### **Bank West**

The Bank's loan book increased slightly over the quarter, to \$378.9 million. Our specific charges for loan losses stand at 27 basis points at 6 months, which on an annualized basis is tracking toward a significant improvement over 2009. The gross non performing loan ratio also continues to improve over prior quarters, standing now at 1.36%

#### **Western Life**

Western Life's growth continued with premium income up by 11% year over year, gaining momentum over Q1. Their loss ratio abated significantly in the quarter bringing their year to date ratio to 45%. Cross sales within the Western Financial Group, continue to increase and are now at record levels.

#### **Western Financial Insurance**

Western Financial Insurance's premium revenue is up 15% with improved loss ratios year over year of 46% compared to 51%.

#### **Strategic Partnership Portfolio**

The Company's partnerships in investment banking, insurance distribution and manufacturing provided positive income for the quarter, with all units tracking toward our 2010 expectations.

#### **Conference Call**

Western Financial Group will host a conference call to discuss the Company's second quarter financial results on Tuesday, August 17, 2010 at 9:15 am Mountain time (11:15 am Eastern time). To participate in the live conference call, please dial (888) 231-8191 or (647) 427-7450 (Toronto). A replay of the call will be available from August 17th at 12:45 pm Mountain time until August 31<sup>st</sup> at 21:59 PM MT. To access the replay please dial either (800) 642-1687 or (416) 849-0833 and enter pass code 90465222. The conference will also be broadcast live over the internet and archived through the Company's website at [www.westernfinancialgroup.ca](http://www.westernfinancialgroup.ca).

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 wholly owned network of offices, its affiliated insurance brokers, Western Life Assurance Company, Bank West and Western Financial Insurance Company.

The Company's Financial Report for the second quarter of 2010 will be filed on SEDAR on or before August 13, 2010.



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

	Note	As at June 30 2010	As at December 31 2009
<b>ASSETS</b>			
Cash and cash equivalents		\$ 82,867	\$ 58,463
Securities - held-for-trading		65,514	61,373
Securities - available-for-sale	3	36,357	30,901
Mortgages, loans and leases, net of allowance for credit losses	4	374,252	355,621
Interest rate swaps		-	90
Equity investments		12,152	11,591
Capital assets		22,785	21,630
Goodwill	6	160,825	148,205
Intangible assets		65,162	66,719
Accounts receivable		49,590	51,114
Prepaid expenses		8,394	7,231
Future income taxes		1,283	1,102
Other assets		1,890	2,286
<b>Total assets</b>		<b>\$ 881,071</b>	<b>\$ 816,326</b>
<b>LIABILITIES</b>			
Customer deposits		\$ 337,409	\$ 317,953
Actuarial liabilities		42,483	40,032
Provision for unpaid and unreported claims		16,289	13,919
Debt		76,318	79,771
Interest rate swaps		169	-
Due to policyholders		19,384	20,392
Accounts payable and accrued liabilities		98,146	82,700
Income taxes payable		1,327	1,809
Future income taxes		13,376	13,199
<b>Total liabilities</b>		<b>604,901</b>	<b>569,775</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	233,356	206,905
Other paid in capital		268	268
Contributed surplus		2,112	2,041
		<b>235,736</b>	<b>209,214</b>
Accumulated other comprehensive loss	8	(248)	(129)
Retained earnings		40,682	37,466
<b>Total shareholders' equity</b>		<b>276,170</b>	<b>246,551</b>
		<b>\$ 881,071</b>	<b>\$ 816,326</b>

## WESTERN FINANCIAL GROUP INC.

**CONSOLIDATED STATEMENTS OF INCOME**  
(unaudited)  
(in thousands, except for per share amounts)

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
<b>REVENUE</b>				
Commission and other customer income	\$ 32,190	\$ 24,540	\$ 55,561	\$ 42,981
Premium income	19,823	9,678	37,843	18,125
Interest income on customer loans	6,386	5,451	12,560	10,373
Investment income				
Change in fair value of held-for-trading securities	2,240	758	3,272	627
Realized gain (loss) on sales of available-for-sale assets	52	(3)	88	(731)
Realized gain (loss) on sales of held-for-trading securities	(32)	24	7	30
Other net investment income	643	430	1,249	853
	<b>61,302</b>	<b>40,878</b>	<b>110,580</b>	<b>72,258</b>
<b>EXPENSES</b>				
Operating expenses	34,037	24,104	64,216	45,662
Policyholder benefits	11,700	5,199	21,369	8,832
Interest expense - customer deposits	3,176	3,778	6,153	7,432
Provision for credit losses	748	517	924	806
<b>Income before the following:</b>	<b>11,641</b>	<b>7,280</b>	<b>17,918</b>	<b>9,526</b>
Income from equity investments	449	1,088	592	835
Interest and financing costs on debt	(1,595)	(1,041)	(3,005)	(1,603)
Amortization of capital assets	(893)	(736)	(1,692)	(1,427)
Amortization of intangible assets	(779)	(450)	(1,557)	(862)
<b>Income before income taxes</b>	<b>8,823</b>	<b>6,141</b>	<b>12,256</b>	<b>6,469</b>
<b>Income taxes</b>	<b>(3,081)</b>	<b>(1,216)</b>	<b>(4,243)</b>	<b>(630)</b>
<b>NET INCOME FOR THE PERIOD</b>	<b>\$ 5,742</b>	<b>\$ 4,925</b>	<b>\$ 8,013</b>	<b>\$ 5,839</b>
Preferred share dividends	\$ (1,797)	\$ (1,002)	\$ (3,629)	\$ (2,005)
Net income available to common shareholders	\$ 3,945	\$ 3,923	\$ 4,384	\$ 3,834
Average number of common shares	49,507	49,345	49,507	49,345
Average number of diluted common shares	49,548	54,915	49,553	54,920
<b>Earnings per common share</b>				
Basic	\$ 0.08	\$ 0.08	\$ 0.09	\$ 0.08
Diluted	\$ 0.08	\$ 0.07	\$ 0.09	\$ 0.07