



Pacific & Western

Credit Corp.

First Quarter Report January 31, 2009

PACIFIC & WESTERN CREDIT CORP. ANNOUNCES RESULTS FOR ITS FIRST QUARTER ENDED JANUARY 31, 2009

FIRST QUARTER SUMMARY

(three months ended January 31, 2009, compared to three months ended January 31, 2008, unless otherwise noted)

- Loans and leases increased to \$1.1 billion from \$976 million a year ago.
- Net income (loss) for the quarter was (\$2.7 million) or (\$0.20) per share ((\$0.20) diluted) compared to \$536,000 or \$0.03 per share (\$0.03 diluted) for the same period last year.
- Credit quality remains strong with gross impaired loans to total assets of 0.53% compared to 0.52% at the end of the previous quarter.
- Non-interest expenses decreased to \$3.4 million for the quarter from \$3.8 million a year ago.
- Subsequent to the end of the quarter, the Corporation was successful in issuing additional Series C notes, resulting in cash of \$10 million being invested in its subsidiary Pacific & Western Bank of Canada (the "Bank").
- In addition, subsequent to January 31, 2009, the Bank issued a \$10 million subordinated note to a third party, further increasing its capital position.

PRESIDENT'S COMMENTS

Last quarter our spread and earnings continued to be negatively affected by the turbulent market conditions and by the drop in short term interest rates. A rapid decline in short term interest rates tends to temporarily hurt our net interest income as our GIC's re-pricing lags behind our assets' re-pricing. However, subsequent to the quarter end, we were successful in adding another \$20 million to our Bank's regulatory capital. This new capital has allowed us to begin re-investing our short-term securities, which is mainly composed of T-Bills, into high yielding, high quality securities. We currently have approximately \$140 million in securities to re-deploy that we estimate will have approximately a 4% increase in yield over what we have been receiving. The new capital has also allowed us to increase our lending activities, particularly in the area of CMHC mortgages and public sector loans and leases. These two activities are having a very positive affect on our net interest income and earnings.

FINANCIAL HIGHLIGHTS

(unaudited)

for the three months ended

	January 31 2009	October 31 2008	January 31 2008
(\$ thousands, except per share amounts)			
Results of operations (teb)			
Net interest income per financial statements	\$ 388	\$ 1,115	\$ 4,212
Teb adjustment	703	675	832
Net interest income	1,091	1,790	5,044
Spread	0.29%	0.49%	1.36%
Provision for credit losses	110	2,502	8
Net interest income after provision for credit losses	981	(712)	5,036
Impairment writedowns	-	(11,341)	-
Other income (charges)	(670)	129	(86)
Total revenue	311	(11,924)	4,950
Non-interest expenses	3,418	3,280	3,781
Net income (loss)	(2,690)	(15,809)	536
Earnings (loss) per common share:			
Basic	\$ (0.20)	\$ (1.16)	\$ 0.03
Diluted	\$ (0.20)	\$ (1.16)	\$ 0.03
Efficiency ratio	n/m	n/m	\$ 0.76
Return on average common shareholders' equity	-64.68%	-223.39%	3.71%
Return on average total assets	-0.72%	-4.31%	0.14%
Gross impaired loans to total assets	0.53%	0.52%	0.09%
Provision for credit losses as a % of average loans	0.01%	0.24%	0.01%
Number of full time equivalent staff	55	57	60

Balance Sheet Summary

Cash and securities	\$ 325,121	\$ 370,993	\$ 478,175
Total loans	1,115,534	1,110,807	975,558
Average loans	1,113,171	1,029,702	976,643
Total assets	1,472,446	1,512,467	1,490,682
Average assets	1,492,457	1,471,431	1,474,669
Deposits	1,337,265	1,389,455	1,363,050
Notes payable	73,345	70,405	40,732
Shareholders' equity	16,697	24,131	51,712

Capital ratios

(Based on the subsidiary Pacific & Western Bank of Canada)

Total regulatory capital	\$ 94,106	\$ 100,705	\$ 93,630
Risk weighted assets	892,596	907,151	810,767
Assets-to-capital ratio	15.98	15.35	16.26
Tier 1 risk-based capital ratio	8.30%	8.90%	7.85%
Total risk-based capital ratio	10.54%	11.10%	11.55%

n/m - not meaningful

Non-GAAP measures:

Like most banks, Pacific & Western Credit Corp. (the "Corporation") through its wholly-owned subsidiary Pacific & Western Bank of Canada (the "Bank") analyzes revenue on a taxable equivalent basis (teb) to permit uniform measurement and comparison of net interest income. Net interest income includes tax-exempt income on certain securities. Since this income is not taxable, the rate of interest or dividends received is lower than would apply to a loan or taxable security of the same amount. The taxable equivalent basis includes an adjustment that increases interest income and the provision for income taxes by the same amount that adjusts the income on the tax-exempt securities to what income would have been had it been taxed at the statutory rate.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITION

This management's discussion and analysis (MD&A) of operations and financial condition for the first quarter of fiscal 2009 should be read in conjunction with the unaudited interim consolidated financial statements for the period ended January 31, 2009, included herein, and the audited consolidated financial statements and MD&A for the year ended October 31, 2008, which are available on SEDAR at www.sedar.com. Except as discussed below, all other factors discussed and referred to in the MD&A for the year ended October 31, 2008, remain substantially unchanged.

Overview

Net income (loss) for the quarter was (\$2.7 million) or (\$0.20) per share ((\$0.20) diluted) compared to \$536,000 or \$0.03 per share (\$0.03 diluted) for the same period a year ago. The decrease in net income (loss) from the same period last year was due primarily to a decrease in net interest income and a charge of \$703,000 included in other income (charges) relating to a mark-to-market adjustment for an interest rate swap contract that had been entered into for interest risk management purposes. Net interest income (teb) for the quarter was \$1.1 million compared to \$1.8 million for the previous quarter and \$5.0 million for the same period a year ago. The decrease in net interest income from the previous quarter and from a year ago was due primarily to increased cost of funds on deposits and interest on additional notes payable issued last year as well as a compression of spreads in the securities and loan portfolios. Net interest income also declined as a result of higher liquidity levels maintained during the quarter as a contingency against possible market instability at the end of 2008. Despite the compression of spreads, the Corporation has maintained its focus on low risk lending and investing opportunities and does not have any direct exposure to the North American subprime lending market or to asset-backed commercial paper.

At January 31, 2009, total assets were \$1.47 billion compared to \$1.49 billion a year ago and \$1.51 billion at the end of the previous quarter. Lending assets were \$1.1 billion at the end of the quarter compared to \$976 million a year ago and \$1.1 billion at the end of the previous quarter. Credit quality remains strong with the ratio of provision for credit losses as a percentage of average loans for the quarter of 0.01% compared to 0.01% a year ago and gross impaired loans as a percentage of loans of 0.53% at the end of the quarter compared to 0.52% at the end of the previous quarter.

Total Revenue (teb)

Total revenue (teb), which is comprised of net interest income after the provision for credit losses and other income (charges), was \$311,000 for the quarter compared to \$5.0 million a year ago. The decrease in total revenue from a year ago was due primarily to a decrease in net interest income and a charge of \$703,000 included in other income (charges) recorded in the current quarter relating to a mark-to-market adjustment for an interest rate swap contract that had been entered into for interest risk management purposes.

Net Interest Income

Net interest income (teb) was \$1.1 million for the quarter compared to \$5.0 million a year ago. Net interest margin or spread (teb), which is net interest income as a percentage of average assets, was 0.29% for the quarter compared to 1.36% a year ago and 0.49% for the previous quarter. The decrease in spread from a year ago was due primarily to several factors including an increase in our cost of funds on deposits and the interest on additional notes payable issued last year and the Corporation maintaining higher liquidity levels during the quarter as a contingency against possible market instability at the end of 2008.

Non-Interest Expenses

Non-interest expenses for the quarter were \$3.4 million compared to \$3.8 million a year ago with the primary decrease being in salaries and benefits as a result of a reduction in staff and a reduction in employee benefits including lower amounts for stock-based compensation. While there were some increases in volume related general and administrative expenses in the quarter, these were offset by reductions in discretionary spending.

Income Taxes

The Corporation's statutory federal and provincial income tax rate is approximately 32% compared to 34% last year with the difference due to rate reductions which were substantively enacted in the previous year. However, the Corporation's effective rate was impacted by non-taxable dividend income earned on preferred shares in our securities portfolio and the tax benefit on losses in the parent company not being recorded for accounting purposes. These items resulted in an effective tax rate of 0.29% and an income tax recovery of \$1.1 million being recorded in the quarter.

At January 31, 2009, the Corporation had a future income tax asset of approximately \$13.9 million which is primarily a result of income tax losses from the current and previous periods in the Bank, the benefit of which was recorded at the time. The income tax loss carryforwards in the Bank are scheduled to expire beginning in 2027 if unutilized. A significant portion of the future tax asset relates to declines in the market value of preferred shares, being primarily those of Canadian banks and insurance companies. The ultimate realization of the future income tax asset cannot be determined with certainty however management is of the opinion that it is more likely than not that the Corporation will be able to realize the future income tax asset in future years. The realization of the future income tax asset is dependent upon the Bank being able to generate taxable income sufficient to offset these income tax losses. The ability to generate sufficient taxable income may be dependent upon the Bank increasing regulatory capital to facilitate growth in its lending portfolio, or on converting non-taxable income sources to taxable income sources during the carry-forward period. It is also dependent upon the market value of the preferred shares recovering in value as they are carried at market value for income tax purposes with mark to market adjustments being added to or deducted from taxable income.

Balance Sheet

Total assets at January 31, 2009, were \$1.47 billion compared to \$1.49 billion a year ago with lending assets increasing to \$1.1 billion from \$976 million a year ago offset by decreases in cash and securities.

Cash and Securities

Cash and securities, which are held for liquidity management purposes and to earn investment income, totalled \$325 million compared to \$478 million a year ago. Securities consist of Government of Canada treasury bills and bonds and corporate debt and preferred shares. Included in corporate debt is an investment in a collateral debt obligation (CDO) with an amortized cost of \$5.5 million and a fair value based on external valuation models of \$571,000. During 2008, the Corporation reclassified the CDO from the available-for-sale category to held-to-maturity. This reclassification was based on the view that carrying the investment at amortized cost was more appropriate given the lack of verifiable inputs for the valuation model being used to determine fair value and the Corporation's intention to hold the investment to maturity. This CDO was arranged by a major Canadian bank and is secured by corporate credits. The Corporation does not own any asset-backed commercial paper and therefore is not exposed to any direct losses from this type of security as a result of market instabilities.

At January 31, 2009, the net unrealized loss in our securities portfolio was \$27.7 million compared to a net unrealized loss of \$15.5 million a year ago. These amounts are recorded after income taxes in Accumulated Other Comprehensive Income (Loss). The increase in the net unrealized loss from the previous year is related primarily to a decrease in the market value of the Corporation's investments in the preferred shares of major Canadian banks and insurance companies.

Recent market conditions have resulted in a significant decline in the market value of equity securities held by the Corporation for investment purposes. These securities, consisting primarily of major Canadian banks and insurance companies' preferred shares, are subject to market fluctuations and at January 31, 2009, traded at a value approximately \$27.3 million below their amortized cost. The Corporation intends to hold these securities until a recovery in value is achieved. The preferred shares have provisions that will allow the issuer to redeem at various dates commencing over the years 2010 to 2013; however, there is no promise or legal requirement for the issuers to redeem these shares on those dates. Recovery of the market value declines is dependent upon future market conditions and the ultimate future redemption of the shares by the issuers.

Mortgages and Loans

Lending assets grew to \$1.1 billion at the end of the quarter from \$976 million a year ago. This growth was primarily in insured residential mortgages, public sector loans and corporate mortgages. New lending in the quarter totalled \$193 million compared to \$45.9 million for the same period a year ago. Loan repayments for the current quarter totalled \$188 million, including the sale of insured mortgage pools which were sold for capital management purposes.

Other Assets

Other assets totalled \$31.8 million at the end of the quarter compared to \$36.9 million a year ago. Included in other assets is the Corporation's investment in DA which is accounted for as an available-for-sale asset and carried at market value. At January 31, 2009, the investment in DA had a carrying value of \$2.6 million compared to \$13.1 million a year ago with the decrease due primarily to an impairment charge of \$11.3 million recorded against the investment in the previous quarter. This charge was primarily as a result of the length of time the shares of DA had been trading below the Corporation's amortized cost as well as the significance of the decline in value below the Corporation's amortized cost.

Deposits and Financing

Deposits are used as a primary source of financing growth in assets and are raised entirely through a well established and well diversified deposit broker network across Canada. Deposits at the end of the quarter were \$1.34 billion compared to \$1.36 billion a year ago and consist primarily of guaranteed investment certificates. Of these amounts, \$31.4 million was in the form of demand deposits at the end of the quarter compared to \$8.7 million a year ago with the remaining deposits having fixed terms.

A second source of financing growth in assets and a source of liquidity, is the use of margin lines and securities sold under repurchase agreements. From time to time, the Corporation uses these sources of financing when the cost of borrowing is less than the interest rates that would have to be paid on new deposits. At the end of the quarter, there were no amounts outstanding related to margin lines or securities sold under repurchase agreements.

Notes Payable

Notes payable, net of issue costs, at January 31, 2009 totalled \$73.3 million compared to \$70.4 million at the end of the previous quarter and \$40.7 million a year ago with the increase due to new notes being issued. Net proceeds from the issue of additional notes payable were used primarily to increase the level of regulatory capital in the Bank and for working capital purposes in the parent company. At January 31, 2009 notes payable consist of Series C Notes totalling \$49.6 million which mature in 2018, Series A Notes totalling \$11.5 million which mature in 2010 and short term notes totalling \$13.5 million which mature in 2009. Notes payable bear interest at rates ranging from 7.0% to 9.25% per annum.

In February 2009, the Corporation issued additional Series C notes totalling \$14 million for net proceeds of approximately \$12 million. These proceeds were used primarily to inject additional regulatory capital of \$10 million in the Bank and for working capital purposes in the parent company. In addition, the Bank issued a \$10 million subordinated note to a third party bearing interest at 11% and maturing in 2019.

At January 31, 2009, with the increase in the notes issued by Pacific & Western Credit Corp. during the year, a difference of approximately \$53.3 million currently exists between subordinated notes of the Bank owned by Pacific & Western Credit Corp. and the notes payable it has issued. This has also resulted in a deficiency in cash flows and net interest income in Pacific & Western Credit Corp. on a non-consolidated basis. Management plans to reduce this difference by the parent company issuing non-interest bearing equity with the proceeds being invested in a combination of equity and interest earning subordinated debt of the Bank.

Credit Quality

Gross impaired loans at the end of the quarter totalled \$7.8 million or 0.53% of total assets compared to \$7.8 million or 0.52% of total assets at the end of the previous quarter and \$1.4 million or 0.09% of total assets a year ago. The increase in impaired loans was due mainly to a borrower whose loans, which are secured primarily by a hospital facility, were impaired at the end of the current quarter. We expect these loans to be settled with no loss being incurred. The provision for credit losses as a percentage of average loans for the quarter was 0.01% compared to 0.01% for the same period last year.

Shareholders' Equity

At the end of the quarter, shareholders' equity was \$16.7 million compared to \$51.7 million a year ago with the decrease due primarily to the change in Accumulated Other Comprehensive Income (Loss), the net loss incurred in the past year and common shares repurchased and cancelled under the Normal Course Issuer Bid. Common shares outstanding at the end of the quarter totalled 13,642,452 compared to 13,604,652 a year ago with the change due to the exercise of common share options offset by shares repurchased for cancellation. Outstanding common share options totalled 900,034 at the end of the quarter compared to 1,298,577 a year ago. Our book value per common share at the end of the quarter was \$0.96 compared to \$3.54 a year ago.

In July 2008, the Corporation announced that it had filed a Notice of Intention to make a Normal Course Issuer Bid, pursuant to which the Corporation may purchase for cancellation up to 500,000 of its common shares. The Bid commenced on July 22, 2008 and will terminate on July 21, 2009. The price that the Corporation pays for any common shares is the market price at the time of purchase. To January 31, 2009, the Corporation has repurchased for cancellation under this bid 7,300 common shares for a total cost of \$36,500. It is anticipated that the Corporation will not make any further purchases pursuant to this bid.

Updated Share Information

At March 4, 2009, there was no change in the number of common shares outstanding since January 31, 2009. At the same date, there were 897,868 stock options outstanding with the change since January 31, 2009 due to stock options which were cancelled.

Capital Management

Total regulatory capital in the Corporation's principal subsidiary, the Bank, totalled \$94.1 million at the end of the quarter compared to \$100.7 million at the end of the previous quarter and \$93.6 million a year ago. The decrease in total regulatory capital from the previous quarter was due primarily to decreases in the market value of preferred shares of Canadian banks and insurance companies which the Bank holds in its securities portfolio. Regulatory capital includes the after tax effect of unrealized gains and losses of available-for-sale equity securities owned by the Bank.

The Bank's total risk-based capital ratio, which is the ratio of regulatory capital to risk-weighted assets, was 10.54% at January 31, 2009 compared to 11.10% at the end of the previous quarter and 11.55% a year ago. The Bank's Tier 1 risk-based capital ratio, which is the ratio of Tier 1 capital to risk-weighted assets, was 8.30% at January 31, 2009 compared to 8.90% at the end of the previous quarter and 7.85% a year ago. The Bank's assets-to-capital ratio was 15.98 at the end of the quarter year compared to 15.35 at the end of the previous quarter and 16.26 a year ago. See note 8 to the interim consolidated financial statements for more information regarding capital management.

Subsequent to January 31, 2009, the Corporation issued additional Series C notes totalling \$14 million for net proceeds of approximately \$12 million. These proceeds were used primarily to inject additional regulatory capital totalling \$10 million in the Bank increasing its capital position. In addition, subsequent to January 31, 2009, the Bank issued a \$10 million subordinated note to a third party further increasing its capital position.

For a period of time during the three months ended January 31, 2009, the Bank estimated that it had, on a temporary basis, exceeded by a minor amount, the assets-to-capital multiple established by OSFI. This exception took place primarily as a result of a decrease in the market value of preferred shares held in the Bank's securities portfolio and which are primarily those of major Canadian banks and insurance companies. This decrease took place as a result of market volatility versus any credit impairment in the issuers of the securities. In January 2009, the Bank's adherence to this requirement was re-established.

Summary of Quarterly Results

(thousands of dollars except per share amounts)	2009				2008			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Results of operations:								
Total interest income								
per financial statements	\$ 18,401	\$ 17,702	\$ 16,022	\$ 18,105	\$ 20,377	\$ 18,795	\$ 16,978	\$ 17,538
Teb adjustment	703	675	679	659	844	715	559	492
Total interest income	19,104	18,377	16,701	18,764	21,221	19,510	17,537	18,030
Yield on assets (%)	5.08%	5.01%	4.79%	5.39%	5.71%	5.77%	5.37%	5.42%
Interest expense	18,013	16,587	15,078	15,820	16,165	15,018	13,757	13,495
Cost of funds (%)	4.79%	4.52%	4.33%	4.54%	4.35%	4.44%	4.21%	4.06%
Net interest income	1,091	1,790	1,623	2,944	5,056	4,492	3,780	4,535
Net interest margin (%)	0.29%	0.49%	0.46%	0.85%	1.36%	1.33%	1.16%	1.36%
Provision for credit losses	110	2,502	242	64	8	198	142	72
Impairment writedowns	-	(11,341)	(3,703)	-	-	-	-	-
Other income (charges)	(670)	129	139	130	(86)	114	260	294
Total revenue	311	(11,924)	(2,183)	3,010	4,962	4,408	3,898	4,757
Non-interest expenses	3,418	3,280	3,523	3,441	3,781	3,049	3,643	3,548
Income (loss) before income taxes	(3,107)	(15,204)	(5,706)	(431)	1,181	1,359	255	1,209
Income tax provision (recovery)	(417)	605	(1,491)	170	645	721	128	865
Net income (loss)	(2,690)	(15,809)	(4,215)	(601)	536	638	127	344
Earnings (loss) per share								
-basic	\$ (0.20)	\$ (1.16)	\$ (0.31)	\$ (0.05)	\$ 0.03	\$ 0.04	\$ 0.01	\$ 0.02
-diluted	\$ (0.20)	\$ (1.16)	\$ (0.31)	\$ (0.05)	\$ 0.03	\$ 0.04	\$ -	\$ 0.02

Net interest income (teb) and spread (teb) decreased to \$1.1 million and 0.29% respectively in the current quarter from previous quarters as a result of a compression of spreads due primarily to increases in the costs of funds on deposits and higher levels of liquid assets held as a contingency against potential market disruptions. While these liquid assets were of

low risk, they also were earning very low or negative spreads. Additional factors contributing to the decrease in net interest income and spread over the past year is additional interest relating to notes issued during 2008.

The provision for credit losses in the fourth quarter increased to \$2.5 million as a result of enhancements made to credit models relating primarily to the personal loan portfolio based on recent events in the market place. Other income (charges) in the current quarter included a charge of \$703,000 relating to a mark-to-market adjustment on an interest rate swap contract entered into for interest rate risk management purposes.

Non-interest expenses in the current quarter increased from the previous quarter primarily due to reversals in the fourth quarter of accruals for staff incentive awards.

The provision (recovery) for income taxes increased in the fourth quarter primarily due to a valuation allowance of \$2.7 million being recorded against the future income tax asset in the parent company Pacific & Western Credit Corp.

Significant Accounting Policies

Significant accounting policies are detailed on pages 56 to 60 of the Corporation's 2008 Annual Report.

Future Change in Accounting Policies

The CICA has announced that public companies will be required to converge Canadian Generally Accepted Accounting Principles with International Financial Reporting Standards (IFRS). For the Corporation, this will take with its fiscal period commencing November 1, 2011. The Corporation has commenced a review of the new standards however the impact of IFRS convergence on the Corporation's consolidated financial statements is not yet determinable.

Risk Management

The risk management policies and procedures of the Corporation are provided in its annual MD&A for the year ended October 31, 2008, and are found on pages 38 to 41 of the Corporation's 2008 Annual Report.

Controls and Procedures

During the most recent interim period, there have been no changes in the Corporation's policies and procedures and other processes that comprise its internal control over financial reporting, that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Dated: March 4, 2009

Forward-Looking Statements

The statements in this management's discussion and analysis that relate to the future are forward-looking statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, many of which are out of our control. Risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. Readers are cautioned not to place undue reliance on these forward-looking statements as a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, the strength of the Canadian economy in general and the strength of the local economies within Canada in which we conduct operations; the effects of changes in monetary and fiscal policy, including changes in interest rate policies of the Bank of Canada; the effects of competition in the markets in which we operate; inflation; capital market fluctuations; the timely development and introduction of new products in receptive markets; the impact of changes in the laws and regulations regulating financial services; changes in tax laws; technological changes; unexpected judicial or regulatory proceedings; unexpected changes in consumer spending and savings habits; and our anticipation of and success in managing the risks implicated by the foregoing. For a detailed discussion of certain key factors that may affect our future results, please see page 42 of our 2008 Annual Report.

The foregoing list of important factors is not exhaustive. When relying on forward-looking statements to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. The forward-looking information contained in the management's discussion and analysis is presented to assist our shareholders in understanding our financial position and may not be appropriate for any other purposes. Except as required by securities law, we do not undertake to update any forward-looking statement that is contained in this management's discussion and analysis or made from time to time by the Corporation or on its behalf.

PACIFIC & WESTERN CREDIT CORP.

Consolidated Balance Sheet

(thousands of dollars)

	January 31 2009	October 31 2008	January 2008
	(unaudited)		(unaudited)
Assets			
Cash resources	\$ 199,324	\$ 207,831	\$ 185,463
Securities	125,797	163,162	292,712
Mortgages and loans	1,115,534	1,110,807	975,558
Other assets	31,791	30,667	36,949
	<u>\$ 1,472,446</u>	<u>\$ 1,512,467</u>	<u>\$ 1,490,682</u>
Liabilities and Shareholders' Equity			
Deposits	\$ 1,337,265	\$ 1,389,455	\$ 1,363,050
Notes payable	73,345	70,405	40,732
Other liabilities	45,139	28,476	35,188
	<u>1,455,749</u>	<u>1,488,336</u>	<u>1,438,970</u>
Shareholders' equity			
Share capital	39,425	39,387	39,077
Retained earnings	866	3,796	24,404
Accumulated other comprehensive income (loss)	(23,594)	(19,052)	(11,769)
	<u>16,697</u>	<u>24,131</u>	<u>51,712</u>
	<u>\$ 1,472,446</u>	<u>\$ 1,512,467</u>	<u>\$ 1,490,682</u>

PACIFIC & WESTERN CREDIT CORP.

Consolidated Statement of Operations

(thousands of dollars)

	<i>for the three months ended</i>	
	January 31	January 31
	2009	2008
	(unaudited)	(unaudited)
Interest income		
Interest income on loans	\$ 15,118	\$ 13,958
Interest and income from securities	2,706	5,492
Loan fee income	577	927
	<u>18,401</u>	<u>20,377</u>
Interest expense		
Deposits and other	16,333	15,282
Notes payable	1,680	883
	<u>18,013</u>	<u>16,165</u>
Net interest income	388	4,212
Provision for credit losses	110	8
Net interest income after provision for credit losses	278	4,204
Other income (charges)	(670)	(86)
	<u>(392)</u>	<u>4,118</u>
Non-interest expenses		
Salaries and benefits	1,656	2,146
General and administrative	1,231	1,153
Premises and equipment	531	482
	<u>3,418</u>	<u>3,781</u>
Income (loss) before income taxes	(3,810)	337
Income tax (recovery) provision	(1,120)	(199)
Net income (loss)	\$ (2,690)	\$ 536
Basic earnings (loss) per share	<u>\$ (0.20)</u>	<u>\$ 0.03</u>
Diluted earnings (loss) per share	<u>\$ (0.20)</u>	<u>\$ 0.03</u>
Weighted average number of common shares	<u>13,642,000</u>	<u>13,649,000</u>

PACIFIC & WESTERN CREDIT CORP.**Consolidated Statement of Comprehensive Income (Loss)**

(thousands of dollars)

	<i>for the three months ended</i>	
	January 31	January 31
	2009	2008
	(unaudited)	(unaudited)
Total net income (loss)	\$ (2,690)	\$ 536
Other comprehensive income (loss), net of tax:		
Net unrealized losses on assets held as		
available-for-sale (1)	(4,874)	(5,158)
Amount transferred to net income (loss) for hedges (2)	-	53
Amount transferred to net income (loss) for		
available-for-sale assets (3)	332	(123)
Total other comprehensive income (loss)	(4,542)	(5,228)
Total comprehensive income (loss)	<u>\$ (7,232)</u>	<u>\$ (4,692)</u>

(1) Net of income tax benefit (expense) for the three months of \$1622 (2008-\$1,924)

(2) Net of income tax benefit (expense) for the three months of \$nil (2008-(\$30))

(3) Net of income tax benefit (expense) for the three months of (\$138) (2008-\$63)

PACIFIC & WESTERN CREDIT CORP.**Consolidated Statement of Changes in Shareholders' Equity**

(thousands of dollars)

	<i>for the three months ended</i>	
	January 31	January 31
	2009	2008
	(unaudited)	(unaudited)
Common shares		
Balance, beginning of period	\$ 35,663	\$ 35,743
Shares issued	-	6
Shares repurchased	-	(217)
Balance, end of period	<u>\$ 35,663</u>	<u>\$ 35,532</u>
Class A preferred shares		
Balance, beginning and end of period	<u>\$ 3,545</u>	<u>\$ 3,545</u>
Contributed surplus		
Balance, beginning of period	\$ 179	\$ 182
Fair value of stock option transactions (note 5)	38	263
Repurchase of shares	-	(445)
Balance, end of period	<u>\$ 217</u>	<u>\$ -</u>
Retained earnings		
Balance, beginning of period	\$ 3,796	\$ 24,125
Net income (loss)	(2,690)	536
Dividends on preferred shares	(240)	(240)
Repurchase of shares	-	(17)
Balance, end of period	<u>\$ 866</u>	<u>\$ 24,404</u>
Accumulated other comprehensive income (loss), net of taxes		
Balance, beginning of period	\$ (19,052)	\$ (6,541)
Other comprehensive income (loss)	(4,542)	(5,228)
Balance, end of period	<u>\$ (23,594)</u>	<u>\$ (11,769)</u>
Total shareholders' equity	<u><u>\$ 16,697</u></u>	<u><u>\$ 51,712</u></u>

PACIFIC & WESTERN CREDIT CORP.

Consolidated Statement of Cash Flows

(thousands of dollars)

<i>for the three months ended</i>	
January 31	January 31
2009	2008
(unaudited)	(unaudited)

Cash provided by (used in):

Operations:

Net income (loss)	\$ (2,690)	\$ 536
Items not involving cash:		
Provision for credit losses	110	8
Stock-based compensation (note 5)	38	263
Future income tax provision (recovery)	(1,120)	(199)
Gain on sale of available-for-sale securities	(171)	(499)
Change in derivative financial instruments	703	197
Change in other assets and liabilities	(1,908)	(2,816)
	<u>(5,038)</u>	<u>(2,510)</u>

Investing:

Purchase of securities	(254,651)	(339,970)
Proceeds from sale and maturity of securities	286,898	371,802
Mortgages and loans	13,774	8,256
	<u>46,021</u>	<u>40,088</u>

Financing:

Deposits	(52,190)	80,294
Notes payable	2,940	5,000
Short term financings	-	(49,917)
Proceeds of common shares issued	-	6
Shares repurchased	-	(679)
Dividends paid	(240)	(240)
	<u>(49,490)</u>	<u>34,464</u>

Increase (decrease) in cash resources	(8,507)	72,042
Cash resources, beginning of period	<u>207,831</u>	<u>113,421</u>
Cash resources, end of period	<u>\$ 199,324</u>	<u>\$ 185,463</u>

Supplementary cash flow information:

Interest paid during the period	\$ 12,571	\$ 10,933
Income taxes paid during the period	\$ -	\$ 68

PACIFIC & WESTERN CREDIT CORP.

Notes to the interim consolidated financial statements (unaudited) For the three months ended January 31, 2009

1. Basis of presentation

The interim consolidated financial statements of Pacific & Western Credit Corp. (the Corporation) should be read in conjunction with the Corporation's consolidated financial statements for the year ended October 31, 2008, which are available on SEDAR at www.sedar.com. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles using the same accounting policies and methods as were used for the Corporation's financial statements for the year ended October 31, 2008.

The risk management policies and procedures of the Corporation relating to credit, liquidity, and market risk are included on pages 38 - 41 in the 2008 annual report and are an integral part of the Interim Consolidated Financial Statements.

2. Securities

The Corporation's cash and securities are comprised of cash, federal government treasury bills, federal and provincial government bonds, government insured mortgage-backed securities, corporate bonds and corporate preferred shares. The Corporation does not have any direct exposure to asset-backed commercial paper in its treasury portfolio.

Included in cash and securities at January 31, 2009 is an investment in a collateral debt obligation (CDO) which has an amortized cost of \$5.5 million (2008 - \$10 million) and a fair value of \$571,000 (2008 - \$6.0 million). Fair value was determined by the use of external valuation models which incorporate observable market parameters. These include observable interest rates, credit spreads and loss expectations. The fair value amount determined based on the above may not ultimately reflect what the Corporation would receive if it were to sell the CDO in the market. The CDO is secured by corporate credits and does not have any direct residential sub-prime exposure.

3. Allowance for credit losses

	<i>for the three months ended</i>			<i>for the three months ended</i>		
	January 31, 2009			January 31, 2008		
(thousands of dollars)	General allowance	Specific allowance	Total allowance	General allowance	Specific allowance	Total allowance
Balance, beginning of the period	\$ 5,212	\$ 830	\$ 6,042	\$ 2,733	\$ 473	\$ 3,206
Provision for credit losses	(45)	155	110	-	8	8
Recoveries (write-offs)	-	-	-	-	-	-
Balance, end of period	\$ 5,167	\$ 985	\$ 6,152	\$ 2,733	\$ 481	\$ 3,214

Gross impaired loans at January 31, 2009 totalled \$7,787,000 (January 31, 2008 - \$1,363,000). Loans past due but not impaired at January 31, 2009 totalled \$789,000 (January 31, 2008 - \$6,400,000). Loans are secured primarily by collateral mortgages against real estate with respect to real estate lending and specific charges against equipment being financed for other lending activities.

4. Notes payable

At January 31, 2009 notes payable consist of Series C Notes totalling \$49.6 million which mature in 2018, Series A Notes totalling \$11.5 million which mature in 2010 and short term notes totalling \$13.5 million which mature in 2009. Notes payable bear interest at rates ranging from 7.0% to 9.25% per annum.

5. Shareholders' equity

a. Share capital and contributed surplus:

	Common shares outstanding	Employee Stock Options	
		Number	Weighted- average exercise price
Outstanding, October 31, 2008	13,642,452	1,077,110	\$ 9.02
Granted	-	-	-
Exercised	-	-	-
Expired	-	(177,076)	10.21
Repurchased	-	-	-
Outstanding, end of period	13,642,452	900,034	\$ 8.79

In addition, at January 31, 2009, there were 1,142,556 (2008-1,142,556) preferred shares outstanding.

During the three months ended January 31, 2009, the Corporation recognized \$38,000 (2008-\$263,000) of salaries and benefits expense relating to the estimated fair value of stock options granted. No options were granted during the current period, however, the fair value of options granted during the prior period was estimated using the Black-Scholes option pricing model based on the following weighted-average assumptions: (i) risk-free interest rate of 4.03%, (ii) expected option life of 5 years, (iii) expected volatility of 30%, and (iv) expected forfeiture rate of 5%. The weighted average fair value of options granted was estimated at \$ 2.66 per share.

In July 2008, the Corporation announced that it had filed a Notice of Intention to make a Normal Course Issuer Bid, pursuant to which the Corporation may purchase for cancellation up to 500,000 of its common shares. The bid commenced on July 22, 2008 and will terminate on July 21, 2009. The price that the Corporation pays for any common shares will be the market price at the time of acquisition. To January 31, 2009 the Corporation has repurchased for cancellation 7,300 common shares under this bid for a total cost of \$36,500. It is anticipated that the Corporation will not make any further purchases pursuant to this Bid.

b. Accumulated other comprehensive income (loss):

The balance in accumulated other comprehensive income (loss), net of income taxes, consists of:

	January 31 2009	January 31 2008
Net unrealized losses on assets held as available-for-sale	\$ (23,594)	\$ (11,633)
Deferred losses related to previously closed cash flow hedges	-	(136)
Balance, end of period	\$ (23,594)	\$ (11,769)

Net of income tax benefit of \$9,887 (2008-\$5,557).

6. Derivative instruments

At January 31, 2009, the Corporation had outstanding contracts for asset liability management purposes to swap between floating and fixed interest rates with notional amounts totalling \$322,408,000 (2008 - \$96,750,000). The Corporation only enters into these interest rate contracts for its own account and does not act as an intermediary in this market. These contracts have a current replacement cost of \$nil (2008 - \$390,000), a credit equivalent amount of \$3,404,000 (2008 - \$1,660,000) and a risk-weight of \$681,000 (2008 - \$332,000). At January 31, 2009, these contracts were in an unfavorable position of \$40,746,000 (2008 - \$6,663,000). Under the accounting standard relating to hedges, this amount is included in other liabilities on the consolidated balance sheet.

7. Commitments and contingencies

The amount of credit related commitments represents the maximum amount of additional credit that the Corporation could be obligated to extend. Under certain circumstances, the Corporation may cancel loan commitments at its option. The amount with respect to the letters of credit are not necessarily indicative of credit risk as many of these arrangements are contracted for a limited period of usually less than one year and will expire or terminate without being drawn upon.

Loan commitments	\$ 132,711,000
Letters of credit	31,355,000
	<u>\$ 164,066,000</u>

In the ordinary course of business, the Corporation and its subsidiaries are party to claims or possible claims against it. Management of the Corporation believes that the resolution of any outstanding claims will not be material to the financial position of the Corporation.

8. Capital Management

a. Overview:

The Corporation's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also important and the Corporation recognizes the need to maintain a balance between the higher returns that might be possible with greater leverage and the advantages and security afforded by a sound capital position.

The Corporation's primary subsidiary is Pacific & Western Bank of Canada, (the "Bank") and as a result, the following discussion on capital management is with respect to the capital of the Bank. The Bank operates as a bank under the *Bank Act* (Canada) and is regulated by the Office of the Superintendent of Financial Institutions Canada (OSFI). OSFI sets and monitors capital requirements for the Bank.

Capital is managed in accordance with policies and plans that are regularly reviewed and approved by the Board of Directors and take into account forecasted capital needs and markets. The goal is to maintain adequate regulatory capital to be considered well capitalized, protect consumer deposits and provide capacity for internally generated growth and strategic opportunities that do not otherwise require accessing the public capital markets, all the while providing a satisfactory return for shareholders. The Bank's regulatory capital is comprised of share capital, retained earnings and accumulated other comprehensive income (loss) (Tier 1 capital) and subordinated notes (Tier 2 capital).

The Bank monitors its capital adequacy and related capital ratios on a daily basis and has policies setting internal maximum and minimum amounts for its capital ratios. These capital ratios consist of the assets-to capital multiple and the risk-based capital ratio.

b. Assets-to-Capital Multiple:

The Bank's growth in total assets is limited by a permitted assets-to-capital multiple which is prescribed by OSFI and is defined as the ratio of the total assets of the Bank to its regulatory capital. The Bank's assets-to-capital multiple is calculated as follows:

(thousands of dollars)	January 31 2009	January 31 2008
Total assets (on and off-balance sheet)	\$ 1,504,235	\$ 1,522,647
Capital		
Common shares	\$ 87,365	\$ 47,117
Retained earnings	7,016	25,650
Unrealized loss on available-for-sale equity securities	(20,275)	(9,137)
Subordinated debentures	20,000	30,000
Total regulatory capital	\$ 94,106	\$ 93,630
Assets-to-capital ratio	15.98	16.26

For a period of time during the three months ended January 31, 2009, the Bank estimated that it had, on a temporary basis, exceeded by a minor amount, the assets-to-capital multiple established by OSFI. This exception took place primarily as a result of a decrease in the market value of preferred shares held in the Bank's securities portfolio and which are primarily those of major Canadian banks and insurance companies. This decrease took place as a result of market volatility versus any credit impairment in the issuers of the securities. In January 2009, the Bank's adherence to this requirement was re-established.

c. Risk-Based Capital Ratio:

OSFI requires banks to measure capital adequacy in accordance with guidelines for determining risk-adjusted capital and risk-weighted assets including off-balance sheet credit instruments. Based on the deemed credit risk for each type of asset, a weighting of 0% to 150% is assigned to determine the risk-based capital ratio. OSFI requires banks to maintain a minimum total risk-based capital ratio of 10% and a Tier 1 risk-based capital ratio in excess of 7%.

In June 2004, the Basel Committee on Banking Supervision released its report entitled "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" (Basel II). The new framework is designed to more closely align regulatory capital requirements with underlying risks by introducing changes in the treatment of credit risk. An explicit new capital charge for operational risk was introduced, as well as increased supervisory review of capital adequacy and expansion of the related public disclosure. The new Basel II Framework was effective November 1, 2007 for Canadian banks. The Bank's risk-based capital ratios are presented below using the guidelines under Basel II.

(thousands of dollars)	January 31 2009		January 31 2008	
	Notional/ Drawn Amount	Risk Weighted Balance	Notional/ Drawn Amount	Risk Weighted Balance
Balance sheet assets	\$ 1,472,880	\$ 812,332	\$ 1,488,962	\$ 723,114
Off-balance sheet assets	486,474	43,570	583,499	56,818
Charge for operational risk		36,694		30,835
Total risk-weighted assets		\$ 892,596		\$ 810,767
Regulatory capital		94,106		93,630
Total risk-based capital ratio		10.54%		11.55%
Tier 1 risk-based capital ratio		8.30%		7.85%

9. Subsequent events

Subsequent to January 31, 2009, the Corporation issued \$14 million in Series C Notes for net proceeds of approximately \$12 million. The proceeds were used to provide additional capital totalling \$10 million in the Corporation's bank subsidiary and the remainder for working capital purposes in the parent company.

In addition, subsequent to January 31, 2009, the Bank issued a \$10 million subordinated note to a third party, further increasing its capital position. The subordinated note bears interest at 11% and matures in 2019.

10. Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

CORPORATE INFORMATION

PACIFIC & WESTERN CREDIT CORP. and PACIFIC & WESTERN BANK OF CANADA

DIRECTORS

Douglas W. Gough, B.B.A. (Hons.), M.B.A.
Director, Chairman of the Board - Pacific & Western Credit Corp.
Director, Vice Chairman - Pacific & Western Bank of Canada
President, Kaldo Investments Corporation

**Honourable Thomas A. Hockin, P.C., Hons.B.A. (Business),
M.P.A., Ph.D., ICD.D.**
Director, Chairman of the Board - Pacific & Western
Bank of Canada
Director - Pacific & Western Credit Corp.
Retired, former President & C.E.O., The Investment Funds
Institute of Canada and Canadian Institute of Financial Planning

David A. Bratton, B.A.(Hons.), M.B.A., CHRP, FCMC
Director - Pacific & Western Bank of Canada
and Pacific & Western Credit Corp.
President, Bratton Consulting Inc.

Arnold E. Hillier, B.Comm., C.A.
Director - Pacific & Western Bank of Canada
and Pacific & Western Credit Corp.
Retired, former Chairman, Chief Executive Officer
and Chief Financial Officer, Claude Resources Inc.

William T. Mitchell, FCA
Director – Pacific & Western Bank of Canada
and Pacific & Western Credit Corp.
Retired, former senior partner, PricewaterhouseCoopers LLP

Paul G. Oliver, FCA, ICD.D.
Director – Pacific & Western Bank of Canada
and Pacific & Western Credit Corp.
Retired, former senior partner, PricewaterhouseCoopers LLP

C. Scott Ritchie, Hons.B.A. (Business), LL.B., Q.C.
Director – Pacific & Western Bank of Canada
and Pacific & Western Credit Corp.
Partner, Siskind, Cromarty, Ivey, Dowler LLP,
Barristers and Solicitors

David R. Taylor, B.Sc. (Hons.), M.B.A., F.I.C.B.
Director - Pacific & Western Bank of Canada
and Pacific & Western Credit Corp.
President and Chief Executive Officer, Pacific & Western Bank
of Canada and Pacific & Western Credit Corp.

OFFICERS

David R. Taylor, B.Sc. (Hons.), M.B.A., F.I.C.B.
President & Chief Executive Officer
Pacific & Western Bank of Canada
and Pacific & Western Credit Corp.

John W. Asma, B.A. (Hons.), M.B.A.
Senior Vice President Treasury,
Public & Corporate Finance
Pacific & Western Bank of Canada
and Pacific & Western Credit Corp.

Jonathan F.P. Taylor, B.B.A.
Senior Vice President, Operations
Pacific & Western Bank of Canada
and Pacific & Western Credit Corp.

Barry D. Walter, B.Comm., C.A.
Senior Vice President & Chief Financial Officer
Pacific & Western Bank of Canada
and Pacific & Western Credit Corp.

Brian Conley
Vice President, Western Canada Lending
Pacific & Western Bank of Canada
and Pacific & Western Credit Corp.

Ross P. Duggan
Vice President, Real Estate Lending
Pacific & Western Bank of Canada
and Pacific & Western Credit Corp.

Barbara E.M. Hale, LL.B.
Vice President, Compliance,
General Counsel & Corporate Secretary
Pacific & Western Bank of Canada
and Pacific & Western Credit Corp.

Nick Kristo, B.Comm., M.B.A.
Vice President, Credit & Administration
Pacific & Western Bank of Canada
and Pacific & Western Credit Corp.

Tel G. Matrondola, M.A., Ph.D.
Vice President, Public & Strategic Initiatives
Pacific & Western Bank of Canada
and Pacific & Western Credit Corp.

Neil Beaton, B.A. (Hons.), M.B.A.
Chief Information Officer
Pacific & Western Bank of Canada
and Pacific & Western Credit Corp.

SOLICITORS

MacPherson Leslie & Tyerman LLP
1500 – 410 22nd Street East
Saskatoon, Saskatchewan S7K 5T6

AUDITORS

KPMG LLP
600 - 128 4th Avenue South
Saskatoon, Saskatchewan S7K 1M8

BANK

Royal Bank of Canada
Main Branch, 154 1st Avenue South
Saskatoon, Saskatchewan S7K 1K2

TRANSFER AGENT

Computershare Investor Services Inc.
100 University Avenue
Toronto, Ontario M5J 2Y1

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Trading Symbol: PWC

CORPORATE OFFICES

London Office

Suite 2002, 140 Fullarton Street
London, Ontario N6A 5P2
Telephone: (519) 645-1919
Fax: (519) 645-2060

Saskatoon Office

950 - 410 22nd Street East
Saskatoon, Saskatchewan S7K 5T6
Telephone: (306) 244-1868
Fax: (306) 244-4649

Toronto Office

800-357 Bay Street
Toronto, Ontario M5H 2T7
Telephone: (866) 787-9936
Fax: (416) 848-9938

Calgary Office

441-5th Avenue SW, Suite 250
Calgary, Alberta T2P 2V1
Telephone: (403) 265-5913
Toll-Free: (888) 666-5913
Fax: (403) 265-5826

INVESTOR RELATIONS

Toll Free Telephone: (800) 244-1509
Email: InvestorRelations@pwbank.com
Web site: www.pwbank.com