



# Pacific & Western

Credit Corp.

## Second Quarter Report April 30, 2009

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### PACIFIC & WESTERN CREDIT CORP. ANNOUNCES RESULTS FOR ITS SECOND QUARTER ENDED APRIL 30, 2009

#### SECOND QUARTER SUMMARY

(three months ended April 30, 2009, compared to three months ended April 30, 2008, unless otherwise noted)

- During 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, during the quarter the Bank issued \$20 million in subordinated notes to a third party, further increasing its capital position.
- At April 30, 2009, total regulatory capital of the Bank increased by 35% to \$121.8 million from \$89.9 million a year ago and from \$94.1 million at the end of the previous quarter.
- Loans and leases increased to \$1.0 billion from \$990 million a year ago.
- Credit quality remains strong with a ratio of gross impaired loans to total assets of 0.49% compared to 0.53% at the end of the previous quarter and which is considerably better than that of the industry.
- Net income (loss) for the quarter was (\$2.2 million) or (\$0.16) per share ((\$0.16) diluted) compared to (\$601,000) or (\$0.05) per share (\$0.05 diluted) for the same period last year. For the six months ended April 30, 2009, net income (loss) was (\$4.9 million) or (\$0.37) per share ((\$0.37) diluted) compared to (\$65,000) or (\$0.01) per share ((\$0.01) diluted) for the same period a year ago.
- Total revenue (teb) for the quarter improved to \$1.2 million from \$311,000 for the previous quarter.
- Non-interest expenses were \$3.3 million for the quarter compared to \$3.4 million a year ago. For the six months ended April 30, 2009, non-interest expenses were \$6.7 million compared to \$7.2 million for the same period a year ago.

#### PRESIDENT'S COMMENTS

This quarter we were successful in further increasing our Bank's regulatory capital, so that its capital ratios now compare quite favourably with the industry and it has considerable capacity for growth. The opportunity for growth in our target markets has never been better, competition has significantly reduced primarily on account of foreign banks reducing their activities in Canada or leaving all together. Net interest margins in our target markets are at historic highs. The Bank's liquidity levels are high and are increasing as we continue to purchase high quality corporate debt that is eligible for margining under the Bank of Canada's Standing Liquidity Facility. We plan to continue purchasing corporate debt as long as the risk return relationship remains favourable.

Our net interest income and spread, although showing some improvement this quarter continued to suffer from the rapid decline in interest rates associated with our assets that was not equaled by the decline in interest rates associated with our deposits. The large majority of our deposits are GICs with fixed terms which means there is always a lag between the resetting of our assets' interest rates and our deposits' interest rates. A majority of our deposits will reset during the summer months, which will result in a significant widening of our spread and increase in our net interest income to historical levels. Our Bank is well capitalized, very liquid and ideally positioned to take advantage of the unprecedented opportunities that exist in its target markets.

## FINANCIAL HIGHLIGHTS

(unaudited)

	for the three months ended		for the six months ended	
	April 30 2009	April 30 2008	April 30 2009	April 30 2008

(\$ thousands, except per share amounts)

### Results of operations (teb)

Net interest income per financial statements	\$ 778	\$ 2,285	\$ 1,166	\$ 6,497
Teb adjustment	701	659	1,446	1,504
Net interest income	1,479	2,944	2,612	8,001
Spread	0.40%	0.85%	0.34%	1.15%
Provision for credit losses	8	64	118	72
Net interest income after provision for credit losses	1,471	2,880	2,494	7,929
Other income (charges)	(275)	130	(945)	44
Total revenue	1,196	3,010	1,549	7,973
Non-interest expenses	3,328	3,441	6,746	7,222
Net income (loss)	(2,179)	(601)	(4,869)	(65)
Earnings (loss) per common share:				
Basic	\$ (0.16)	\$ (0.05)	\$ (0.37)	\$ (0.01)
Diluted	\$ (0.16)	\$ (0.05)	\$ (0.37)	\$ (0.01)
Efficiency ratio	n/m	\$ 1.12	n/m	\$ 0.90
Return on average common shareholders' equity	-70.97%	-5.82%	-60.40%	-0.76%
Return on average total assets	-0.58%	-0.17%	-0.63%	-0.01%
Gross impaired loans to total assets	0.49%	0.10%	0.49%	0.10%
Provision for credit losses as a % of average loans	0.00%	0.01%	0.01%	0.01%
Number of full time equivalent staff	54	58	54	58

### Balance Sheet Summary

Cash and securities	\$ 507,359	\$ 309,816	\$ 507,359	\$ 309,816
Total loans	1,044,556	989,714	1,044,556	989,714
Average loans	1,080,045	982,636	1,077,682	983,721
Total assets	1,583,321	1,334,269	1,583,321	1,334,269
Average assets	1,527,884	1,412,476	1,547,894	1,396,463
Deposits	1,417,663	1,214,123	1,417,663	1,214,123
Notes payable	103,647	40,805	103,647	40,805
Shareholders' equity	16,271	47,499	16,271	47,499

### Capital ratios

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

Total regulatory capital	\$ 121,845	\$ 89,927	\$ 121,845	\$ 89,927
Risk weighted assets	951,515	833,103	951,515	833,103
Assets-to-capital ratio	13.21	15.21	13.21	15.21
Tier 1 risk-based capital ratio	8.60%	8.39%	8.60%	8.39%
Total risk-based capital ratio	12.81%	10.79%	12.81%	10.79%

### 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 second quarter of fiscal 2009 should be read in conjunction with the unaudited interim consolidated financial statements for the period ended April 30, 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](http://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 (\$2.2 million) or (\$0.16) per share ((\$0.16) diluted) compared to (\$601,000) or (\$0.05) per share (\$0.05 diluted) for the same period a year ago. On a year-to-date basis, net income (loss) was (\$4.9 million) or (\$0.37) per share ((\$0.37) diluted) compared to (\$65,000) or (\$0.01) per share (\$0.01 diluted) for the same period a year ago. Net income (loss) was impacted by a decrease in net interest income which was \$1.5 million for the quarter compared to \$1.1 million for the previous quarter and \$2.9 million for the same period a year ago. On a year-to-date basis, net interest income (teb) was \$2.6 million compared to \$8.0 million for the same period a year ago. The decrease in net interest income from a year ago was due primarily to a compression of spreads caused by a rapid decline in interest rates associated with our interest earning assets that was not equalled by a similar decline in the interest rates on our deposits. 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 April 30, 2009, total assets were \$1.6 billion compared to \$1.3 billion a year ago and \$1.5 billion at the end of the previous quarter. Lending assets were \$1.0 billion at the end of the quarter compared to \$990 million a year ago and \$1.1 billion at the end of the previous quarter. Credit quality remains strong with a ratio of gross impaired loans as a percentage of assets of 0.49% at the end of the quarter compared to 0.53% 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 \$1.2 million for the quarter compared to \$311,000 for the previous quarter and \$3.0 million a year ago. On a year-to-date basis, total revenue (teb) was \$1.6 million compared to \$8.0 million a year ago. The decrease in total revenue from a year ago was due primarily to a decrease in net interest income and charges totalling \$786,000 included in other income (charges) recorded in the current year relating to a mark-to-market adjustments on interest rate swap contracts that had been entered into for interest risk management purposes.

### Net Interest Income

Net interest income (teb) increased to \$1.5 million for the quarter compared to \$1.1 million for the previous quarter and \$2.9 million a year ago. On a year-to-date basis, net interest income (teb) was \$2.6 million compared to \$8.0 million for the same period a year ago. Net interest margin or spread (teb), which is net interest income as a percentage of average assets, increased to 0.40% for the quarter compared to 0.29% for the previous quarter and 0.85% a year ago. On a year-to-date basis, spread (teb) was 0.34% compared to 1.15% for the same period a year ago. As discussed above, the decrease in spread from a year ago was due primarily to a rapid decline in interest rates associated with our interest earning assets that was not equalled by a similar decline in the interest rates on our deposits. The large majority of our deposits are fixed term deposits versus demand deposits and therefore interest rates reset more slowly than on our assets.

## **Non-Interest Expenses**

Non-interest expenses for the quarter were \$3.3 million compared to \$3.4 million a year ago and for the six month period ending April 30, 2009 were \$6.7 million compared to \$7.2 million for the same period a year ago. The decrease in non-interest expenses was primarily in salaries and benefits resulting from reductions in staff and a reduction in the costs of employee benefits, including lower amounts for stock-based compensation. While there were some increases in volume related general and administrative expenses, these were offset by targeted 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 23% and an income tax recovery of \$654,000 for the quarter and an effective tax rate of 27% and an income tax recovery of \$1.8 million for the six months ended April 30, 2009.

At April 30, 2009, the Corporation had a future income tax asset of approximately \$13.8 million which is primarily a result of income tax losses in the Bank from the current and previous periods, the benefit of which was recorded at the time. This amount compares to \$13.9 million at the end of the previous quarter and \$7.0 million a year ago. 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 market adjustments being added to or deducted from taxable income. As discussed below, at April 30, 2009, these preferred shares traded at a value approximately \$25.3 million below their amortized cost, improving from a value of \$27.3 million below their amortized cost at January 31, 2009.

## **Balance Sheet**

Total assets at April 30, 2009, were \$1.6 billion compared to \$1.5 billion at the end of previous quarter and \$1.3 billion a year ago. The increase from a year ago was in cash and securities which increased to \$507 million from \$310 million and in lending assets which grew to \$1.0 billion from \$990 million a year ago.

## **Cash and Securities**

Cash and securities, which are held for liquidity management purposes and to earn investment income, totalled \$507 million compared to \$310 million a year ago with the increase due to higher liquidity levels being maintained as a result of current market conditions. Securities typically 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 \$5.6 million and a fair value based on external valuation models of \$785,000 compared to a fair value of \$571,000 at the end of the previous quarter. 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 April 30, 2009, the net unrealized loss in our securities portfolio was \$23.9 million compared to a net unrealized loss of \$27.7 million at the end of the previous quarter and \$17.7 million a year ago. These amounts are recorded net of income taxes in Accumulated Other Comprehensive Income (Loss). The decrease in the net unrealized loss from the end of the previous quarter is related primarily to increases in the market value of the Corporation's investments in the preferred shares of major Canadian banks and insurance companies. With the exception of the value of the CDO, the fair values of all securities are based on market values as virtually all of the securities we own are publicly traded.

Market conditions over the past year have resulted in declines in the market value of equity securities held by the Corporation for investment purposes. These equity securities, consisting primarily of major Canadian banks and insurance companies' preferred shares, are subject to market fluctuations and at April 30, 2009, traded at a value approximately \$25.3 million below their amortized cost compared to \$27.3 million at the end of the previous quarter and \$13.7 million a year ago. 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. Further recovery in their market values is dependent upon future market conditions and the ultimate future redemption of the shares by the issuers. Management is of the opinion that it is likely that these preferred shares will be redeemed by the issuers at their redemption dates.

The Corporation is currently redeploying some of its holdings of excess cash into high quality and highly liquid corporate debt in order to earn higher amounts of investment income while still maintaining high credit quality in the securities portfolio.

### *Mortgages and Loans*

Lending assets grew to \$1.0 billion at the end of the quarter from \$990 million a year ago with the growth primarily in public sector loans and commercial mortgages. As noted above, the Corporation has maintained its focus on low risk lending and investing opportunities, continuing to focus on providing financing to public sector entities, high quality corporate borrowers and purchasing insured residential mortgage pools. New lending in the quarter totalled \$101 million compared to \$90 million for the same period a year ago and on a year-to-date basis was \$294 million compared to \$136 million for the same period a year ago. Loan repayments for the current quarter totalled \$195 million and for the year-to-date totalled \$383 million. The repayments included the sale of insured mortgage pools which were sold primarily for liquidity and capital management purposes.

### *Other Assets*

Other assets totalled \$31.4 million at the end of the quarter compared to \$34.7 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 and the future income tax asset referred to previously. At April 30, 2009, the investment in DA had a carrying value of \$2.0 million compared to \$10.7 million a year ago with the change due to a decrease in the investment's market value. During 2008, the Corporation had recorded an impairment charge of \$11.3 million against this investment 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 \$1.42 billion compared to \$1.21 billion a year ago and consist primarily of guaranteed investment certificates. Of these amounts, \$38.5 million or approximately 3% of total deposits was in the form of demand deposits at the end of the quarter compared to \$12.1 million or approximately 1% of total deposits 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, totalled \$103.7 million at April 30, 2009 compared to \$73.3 million at the end of the previous quarter and \$40.8 million a year ago with the increase due to new notes being issued. Net proceeds from the issuance 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 April 30, 2009 notes payable consist of Series C Notes totalling \$64.0 million which mature in 2018, Series A Notes totalling \$11.5 million which mature in 2010 and short term notes totalling \$11.6 million which mature during the remainder of 2009. The Corporation currently has signed subscription agreements for the issuance of additional Series C notes that are sufficient to repay the notes maturing during the remainder of 2009. Notes payable bear interest at rates ranging from 7.0% to 9.25% per annum. In addition, as described below, the Corporation has subordinated notes of the Bank totalling \$20 million owing to a third party. These subordinated notes bear interest at 11% and mature in 2019.

At April 30, 2009, with the increase in the notes issued by Pacific & Western Credit Corp. during the year, a difference of approximately \$67 million currently exists between subordinated notes of the Bank owned by Pacific & Western Credit Corp. and the notes payable it has issued to outside parties. This has 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 equity with the proceeds being invested in a combination of equity and interest earning subordinated debt of the Bank.

### **Shareholders' Equity**

At the end of the quarter, shareholders' equity was \$16.3 million compared to \$47.5 million a year ago with the decrease due primarily to the net loss incurred over the past year, the change in Accumulated Other Comprehensive Income (Loss), and common shares repurchased and cancelled under the Normal Course Issuer Bid. Accumulated Other Comprehensive Income (Loss) at April 30, 2009 was (\$21.9 million) compared to (\$15.5 million) a year ago with the change due primarily to the decrease in the market value of preferred shares owned by the Corporation in his securities portfolio.

Common shares outstanding at the end of the quarter totalled 13,642,452 compared to 13,598,052 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 895,401 at the end of the quarter compared to 1,165,477 a year ago. Our book value per common share at the end of the quarter was \$0.93 compared to \$3.23 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 April 30, 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.

### **Credit Quality**

Gross impaired loans at the end of the quarter totalled \$7.8 million or 0.49% of total assets compared to \$7.8 million or 0.53% of total assets at the end of the previous quarter and \$1.4 million or 0.10% of total assets a year ago. The increase in impaired loans from a year ago was due mainly to the foreclosure in the quarter of property, primarily a hospital facility, which secured a loan that had become impaired.

### **Updated Share Information**

At June 3, 2009, there was no change in the number of common shares outstanding since April 30, 2009. At the same date, there were 821,067 stock options outstanding with the change since April 30, 2009 due to stock options that expired.

### **Capital Management**

Total regulatory capital in the Corporation's principal subsidiary, the Bank, was \$121.8 million at the end of the quarter compared to \$94.1 million at the end of the previous quarter and \$89.9 million a year ago. The increase in total regulatory capital from the previous quarter and from a year ago was due primarily to additional capital invested in the Bank offset by changes 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 12.81% at April 30, 2009 compared to 10.54% at the end of the previous quarter and 10.79% 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 8.60% at April 30, 2009 compared to 8.30% at the end of the previous quarter and 8.39% a year ago. The Bank's assets-to-capital ratio was 13.21 at the end of the quarter year compared to 15.98 at the end of the previous quarter and 15.21 a year ago. See note 8 to the interim consolidated financial statements for more information regarding capital management.

For a period of time during the previous quarter 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 rapid decline in the market value of preferred shares held in the Bank's securities portfolio which are primarily those of major Canadian banks and insurance companies. This decline 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 and has been adhered to since that date.

## Summary of Quarterly Results

(thousands of dollars except per share amounts)

	2009		2008				2007	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
<b>Results of operations:</b>								
Total interest income								
per financial statements	\$ 19,338	\$ 18,401	\$ 17,702	\$ 16,022	\$ 18,105	\$ 20,377	\$ 18,795	\$ 16,978
Teb adjustment	701	703	675	679	659	844	715	559
Total interest income	20,039	19,104	18,377	16,701	18,764	21,221	19,510	17,537
Yield on assets (%)	5.38%	5.08%	5.01%	4.79%	5.39%	5.71%	5.77%	5.37%
Interest expense	18,560	18,013	16,587	15,078	15,820	16,165	15,018	13,757
Cost of funds (%)	4.98%	4.79%	4.52%	4.33%	4.54%	4.35%	4.44%	4.21%
Net interest income	1,479	1,091	1,790	1,623	2,944	5,056	4,492	3,780
Net interest margin (%)	0.40%	0.29%	0.49%	0.46%	0.85%	1.36%	1.33%	1.16%
Provision for credit losses	8	110	2,502	242	64	8	198	142
Impairment writedowns	-	-	(11,341)	(3,703)	-	-	-	-
Other income (charges)	(275)	(670)	129	139	130	(86)	114	260
Total revenue	1,196	311	(11,924)	(2,183)	3,010	4,962	4,408	3,898
Non-interest expenses	3,328	3,418	3,280	3,523	3,441	3,781	3,049	3,643
Income (loss) before income taxes	(2,132)	(3,107)	(15,204)	(5,706)	(431)	1,181	1,359	255
Income tax provision (recovery)	(47)	(417)	605	(1,491)	170	645	721	128
Net income (loss)	(2,179)	(2,690)	(15,809)	(4,215)	(601)	536	638	127
Earnings (loss) per share								
-basic	\$ (0.16)	\$ (0.20)	\$ (1.16)	\$ (0.31)	\$ (0.05)	\$ 0.03	\$ 0.04	\$ 0.01
-diluted	\$ (0.16)	\$ (0.20)	\$ (1.16)	\$ (0.31)	\$ (0.05)	\$ 0.03	\$ 0.04	\$ -

Net interest income (teb) and spread (teb) for the second quarter improved to \$1.5 million and 0.40% respectively from the quarter ended January 31, 2009. This improvement was a result of an increase in total assets which saw cash and securities increase from \$325 million to \$507 million and a redeployment of low yielding securities into higher yielding securities that began during the quarter. Net interest income and spread have been less than the levels of previous quarters however as a result of a compression of spreads as discussed earlier. In addition, net interest income has remained lower than last year due to higher levels of liquid assets held as a contingency against potential market disruptions.

Other income (charges) in the current and previous quarters include charges totalling \$83,000 and \$703,000 respectively relating to mark-to-market adjustments on interest rate swap contracts entered into for interest rate risk management purposes.

Non-interest expenses in the current quarter continue to decrease from previous quarters primarily due to reductions 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, these were offset by targeted reductions in discretionary spending.

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. The provision (recovery) for income taxes in the first and second quarters of 2009 are more reflective of the Corporation's statutory income tax rate of 32%, adjusted by factors including non-taxable dividend income earned on preferred shares in the Bank's securities portfolio and the tax benefit on losses in the parent company not being recorded for accounting purposes.

### 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: June 3, 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)

	<b>April 30 2009</b>	<b>October 31 2008</b>	<b>April 30 2008</b>
	(unaudited)		(unaudited)
<b>Assets</b>			
Cash resources	\$ 231,098	\$ 207,831	\$ 160,847
Securities	276,261	163,162	148,969
Mortgages and loans	1,044,556	1,110,807	989,714
Other assets	31,406	30,667	34,739
	<u>\$ 1,583,321</u>	<u>\$ 1,512,467</u>	<u>\$ 1,334,269</u>
<b>Liabilities and Shareholders' Equity</b>			
Deposits	\$ 1,417,663	\$ 1,389,455	\$ 1,214,123
Notes payable	103,647	70,405	40,805
Other liabilities	45,740	28,476	31,842
	<u>1,567,050</u>	<u>1,488,336</u>	<u>1,286,770</u>
<b>Shareholders' equity</b>			
Share capital	39,451	39,387	39,143
Retained earnings (deficit)	(1,313)	3,796	23,820
Accumulated other comprehensive income (loss)	(21,867)	(19,052)	(15,464)
	<u>16,271</u>	<u>24,131</u>	<u>47,499</u>
	<u>\$ 1,583,321</u>	<u>\$ 1,512,467</u>	<u>\$ 1,334,269</u>

# PACIFIC & WESTERN CREDIT CORP.

## Consolidated Statement of Operations (thousands of dollars)

	<i>for the three months ended</i>		<i>for the six months ended</i>	
	<b>April 30 2009</b>	<b>April 30 2008</b>	<b>April 30 2009</b>	<b>April 30 2008</b>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Interest income</b>				
Interest income on loans	\$ 15,512	\$ 13,317	\$ 30,630	\$ 27,275
Interest and income from securities	3,629	3,968	6,335	9,460
Loan fee income	197	820	774	1,747
	<u>19,338</u>	<u>18,105</u>	<u>37,739</u>	<u>38,482</u>
<b>Interest expense</b>				
Deposits and other	16,440	14,824	32,773	30,106
Notes payable	2,120	996	3,800	1,879
	<u>18,560</u>	<u>15,820</u>	<u>36,573</u>	<u>31,985</u>
Net interest income	778	2,285	1,166	6,497
Provision for credit losses	8	64	118	72
Net interest income after provision for credit losses	770	2,221	1,048	6,425
Other income (charges)	(275)	130	(945)	44
	<u>495</u>	<u>2,351</u>	<u>103</u>	<u>6,469</u>
<b>Non-interest expenses</b>				
Salaries and benefits	1,685	1,966	3,341	4,112
General and administrative	1,092	989	2,323	2,142
Premises and equipment	551	486	1,082	968
	<u>3,328</u>	<u>3,441</u>	<u>6,746</u>	<u>7,222</u>
Income (loss) before income taxes	(2,833)	(1,090)	(6,643)	(753)
Income tax (recovery) provision	(654)	(489)	(1,774)	(688)
<b>Net income (loss)</b>	<b>\$ (2,179)</b>	<b>\$ (601)</b>	<b>\$ (4,869)</b>	<b>\$ (65)</b>
Basic earnings (loss) per share	<u>\$ (0.16)</u>	<u>\$ (0.05)</u>	<u>\$ (0.37)</u>	<u>\$ (0.01)</u>
Diluted earnings (loss) per share	<u>\$ (0.16)</u>	<u>\$ (0.05)</u>	<u>\$ (0.37)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares	<u>13,642,000</u>	<u>13,602,000</u>	<u>13,642,000</u>	<u>13,626,000</u>

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

(thousands of dollars)

	<i>for the three months ended</i>		<i>for the six months ended</i>	
	<b>April 30 2009</b>	<b>April 30 2008</b>	<b>April 30 2009</b>	<b>April 30 2008</b>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Total net income (loss)	\$ (2,179)	\$ (601)	\$ (4,869)	\$ (65)
Other comprehensive income (loss), net of tax:				
Net unrealized losses on assets held as available-for-sale <sup>(1)</sup>	1,636	(3,716)	(3,238)	(8,876)
Amount transferred to net income (loss) for hedges <sup>(2)</sup>	-	54	-	109
Amount transferred to net income (loss) for available-for-sale assets <sup>(3)</sup>	91	(33)	423	(156)
Total other comprehensive income (loss)	<u>1,727</u>	<u>(3,695)</u>	<u>(2,815)</u>	<u>(8,923)</u>
Total comprehensive income (loss)	<u>\$ (452)</u>	<u>\$ (4,296)</u>	<u>\$ (7,684)</u>	<u>\$ (8,988)</u>

(1) Net of income tax benefit (expense) for the three months of (\$1,189) (2008-\$1,749) and six months of \$433 (2008-\$4,177)

(2) Net of income tax benefit (expense) for the three months of \$nil (2008-\$28) and six months of \$nil (2008-\$58)

(3) Net of income tax benefit (expense) for the three months of (\$40) (2008-\$14) and six months of (\$178) (2008-\$77)

## PACIFIC & WESTERN CREDIT CORP.

### Consolidated Statement of Changes in Shareholders' Equity

(thousands of dollars)

	<i>for the three months ended</i>		<i>for the six months ended</i>	
	<b>April 30 2009</b>	<b>April 30 2008</b>	<b>April 30 2009</b>	<b>April 30 2008</b>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Common shares</b>				
Balance, beginning of period	\$ 35,663	\$ 35,532	\$ 35,663	\$ 35,743
Shares issued	-	30	-	36
Shares repurchased	-	(44)	-	(261)
Balance, end of period	<u>\$ 35,663</u>	<u>\$ 35,518</u>	<u>\$ 35,663</u>	<u>\$ 35,518</u>
<b>Class A preferred shares</b>				
Balance, beginning and end of period	<u>\$ 3,545</u>	<u>\$ 3,545</u>	<u>\$ 3,545</u>	<u>\$ 3,545</u>
<b>Contributed surplus</b>				
Balance, beginning of period	\$ 217	\$ -	\$ 179	\$ 182
Fair value of stock option transactions (note 5)	26	166	64	429
Repurchase of shares	-	(86)	-	(531)
Balance, end of period	<u>\$ 243</u>	<u>\$ 80</u>	<u>\$ 243</u>	<u>\$ 80</u>
<b>Retained earnings (deficit)</b>				
Balance, beginning of period	\$ 866	\$ 24,421	\$ 3,796	\$ 24,125
Net income (loss)	(2,179)	(601)	(4,869)	(65)
Dividends on preferred shares	-	-	(240)	(240)
Balance, end of period	<u>\$ (1,313)</u>	<u>\$ 23,820</u>	<u>\$ (1,313)</u>	<u>\$ 23,820</u>
<b>Accumulated other comprehensive income (loss), net of taxes</b>				
Balance, beginning of period	\$ (23,594)	\$ (11,769)	\$ (19,052)	\$ (6,541)
Other comprehensive income (loss)	1,727	(3,695)	(2,815)	(8,923)
Balance, end of period	<u>\$ (21,867)</u>	<u>\$ (15,464)</u>	<u>\$ (21,867)</u>	<u>\$ (15,464)</u>
<b>Total shareholders' equity</b>	<u>\$ 16,271</u>	<u>\$ 47,499</u>	<u>\$ 16,271</u>	<u>\$ 47,499</u>

# PACIFIC & WESTERN CREDIT CORP.

## Consolidated Statement of Cash Flows

(thousands of dollars)

	<i>for the three months ended</i>		<i>for the six months ended</i>	
	<b>April 30</b>	<b>April 30</b>	<b>April 30</b>	<b>April 30</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Cash provided by (used in):</b>				
<b>Operations:</b>				
Net income (loss)	\$ (2,179)	\$ (601)	\$ (4,869)	\$ (65)
Items not involving cash:				
Provision for credit losses	8	64	118	72
Stock-based compensation (note 5)	26	166	64	429
Future income tax provision (recovery)	(654)	(489)	(1,774)	(688)
Gain on sale of available-for-sale securities	(1,032)	(165)	(1,203)	(664)
Change in derivative financial instruments	83	-	786	197
Change in other assets and liabilities	1,839	(6,334)	(68)	(9,150)
	<u>(1,909)</u>	<u>(7,359)</u>	<u>(6,946)</u>	<u>(9,869)</u>
<b>Investing:</b>				
Purchase of securities	(293,853)	(396,413)	(548,505)	(736,383)
Proceeds from sale and maturity of securities	148,496	538,571	435,394	910,373
Mortgages and loans	67,694	(10,405)	81,468	(2,149)
	<u>(77,663)</u>	<u>131,753</u>	<u>(31,643)</u>	<u>171,841</u>
<b>Financing:</b>				
Deposits	80,398	(148,927)	28,208	(68,633)
Notes payable	30,948	-	33,888	5,000
Short term financings	-	-	-	(49,917)
Proceeds of common shares issued	-	30	-	36
Shares repurchased	-	(113)	-	(792)
Dividends paid	-	-	(240)	(240)
	<u>111,346</u>	<u>(149,010)</u>	<u>61,856</u>	<u>(114,546)</u>
Increase (decrease) in cash resources	31,774	(24,616)	23,267	47,426
Cash resources, beginning of period	<u>199,324</u>	<u>185,463</u>	<u>207,831</u>	<u>113,421</u>
Cash resources, end of period	<u>\$ 231,098</u>	<u>\$ 160,847</u>	<u>\$ 231,098</u>	<u>\$ 160,847</u>
<b>Supplementary cash flow information:</b>				
Interest paid during the period	\$ 10,983	\$ 12,151	\$ 23,556	\$ 23,084
Income taxes paid during the period	\$ -	\$ -	\$ -	\$ 68

## PACIFIC & WESTERN CREDIT CORP.

### Notes to the interim consolidated financial statements (unaudited) For the six months ended April 30, 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](http://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 April 30, 2009 is an investment in a collateral debt obligation (CDO) which has an amortized cost of \$5.6 million (2008 - \$10 million) and a fair value of \$785,000 (2008 - \$5.9 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 six months ended</i>			
			April 30, 2009	April 30, 2008			April 30, 2009	April 30, 2008
(thousands of dollars)	General allowance	Specific allowance	Total allowance	Total allowance	General allowance	Specific allowance	Total allowance	Total allowance
Balance, beginning of the period	\$ 5,167	\$ 985	\$ 6,152	\$ 3,214	\$ 5,212	\$ 830	\$ 6,042	\$ 3,206
Provision (recovery) for credit losses	-	8	8	64	(45)	163	118	72
Recoveries	-	-	-	20	-	-	-	20
Balance, end of period	\$ 5,167	\$ 993	\$ 6,160	\$ 3,298	\$ 5,167	\$ 993	\$ 6,160	\$ 3,298

Gross impaired loans at April 30, 2009 totalled \$7,794,000 (April 30, 2008 - \$1,366,000). Loans past due but not impaired at April 30, 2009 totalled \$851,000 (April 30, 2008 - \$2,755,000). 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 April 30, 2009 notes payable consist of Series C Notes totalling \$64.0 million which mature in 2018, Series A Notes totalling \$11.5 million which mature in 2010 and short term notes totalling \$11.6 million which mature in 2009. Notes payable bear interest at rates ranging from 7.0% to 9.25% per annum. In addition, the Corporation has subordinated notes of the Bank totalling \$20.0 million owing to a third party. These subordinated notes bear interest at 11% and mature in 2019.

#### 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	-	(181,709)	10.15
Repurchased	-	-	-
Outstanding, end of period	13,642,452	895,401	\$ 8.79

In addition, at April 30, 2009, there were 1,142,556 (2008-1,142,556) preferred shares outstanding.

During the six months ended April 30, 2009, the Corporation recognized \$64,000 (2008-\$429,000) 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 April 30, 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:

	<u>April 30 2009</u>	<u>April 30 2008</u>
Net unrealized losses on assets held as available-for-sale	\$ (21,867)	\$ (15,382)
Deferred losses related to previously closed cash flow hedges	-	(82)
Balance, end of period	<u>\$ (21,867)</u>	<u>\$ (15,464)</u>

Net of income tax benefit of \$8,645,000 (2008-\$6,477,000).

**6. Derivative instruments**

At April 30, 2009, the Corporation had outstanding contracts for asset liability management purposes to swap between floating and fixed interest rates with notional amounts totalling \$399,841,000 (2008 - \$124,822,000). 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 \$237,000 (2008 - \$283,000), a credit equivalent amount of \$4,211,000 (2008 - \$1,870,000) and a risk-weight of \$842,000 (2008 - \$374,000). As required under the accounting standard relating to hedges, at April 30, 2009, \$38,838,000 (2008 - \$10,502,000) relating to these contracts was included in other liabilities and the offsetting amount included in the carrying values of the assets to which they relate.

**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	\$ 128,153,000
Letters of credit	28,661,000
	<u>\$ 156,814,000</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)	April 30 2009	April 30 2008
Total assets (on and off-balance sheet)	\$ 1,609,296	\$ 1,368,172
Capital		
Common shares	\$ 95,365	\$ 57,117
Retained earnings	6,082	25,599
Unrealized loss on available-for-sale equity securities	(19,601)	(12,789)
Subordinated debentures	40,000	20,000
Total regulatory capital	\$ 121,846	\$ 89,927
Assets-to-capital ratio	13.21	15.21

For a period of time during the previous quarter 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 and has been adhered to since that date.

**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.

	April 30 2009		April 30 2008	
	Notional/ Drawn Amount	Risk Weighted Balance	Notional/ Drawn Amount	Risk Weighted Balance
(thousands of dollars)				
Balance sheet assets	\$ 1,580,634	\$ 895,965	\$ 1,332,964	\$ 729,959
Off-balance sheet assets	556,655	22,162	619,425	57,984
Charge for operational risk		33,388		45,160
Total risk-weighted assets		\$ 951,515		\$ 833,103
Regulatory capital		121,845		89,927
Total risk-based capital ratio		12.81%		10.79%
Tier 1 risk-based capital ratio		8.60%		8.39%

## 9. 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 22<sup>nd</sup> Street East  
Saskatoon, Saskatchewan S7K 5T6

## **AUDITORS**

KPMG LLP  
600 - 128 4<sup>th</sup> Avenue South  
Saskatoon, Saskatchewan S7K 1M8

## **BANK**

Royal Bank of Canada  
Main Branch, 154 1<sup>st</sup> 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**

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