



Pacific & Western

Credit Corp.

Third Quarter Report July 31, 2009

PACIFIC & WESTERN CREDIT CORP. ANNOUNCES RESULTS FOR ITS THIRD QUARTER ENDED JULY 31, 2009

THIRD QUARTER SUMMARY

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

- At July 31, 2009, total regulatory capital of the Bank increased by 14% to \$127.8 million from \$111.8 million a year ago and from \$121.8 million at the end of the previous quarter.
- Mortgages and loans increased to \$996 million from \$949 million a year ago.
- Net income (loss) for the quarter was (\$3.0 million) or (\$0.22) per share ((\$0.22) diluted) compared to (\$4.2 million) or (\$0.31) per share ((\$0.31) diluted) for the same period last year. For the nine months ended July 31, 2009, net income (loss) was (\$7.8 million) or (\$0.59) per share ((\$0.59) diluted) compared to (\$4.3 million) or (\$0.33) per share ((\$0.33) diluted) for the same period a year ago.
- Net income (loss) and net interest income continue to be impacted by a compression of spreads resulting from declines in interest rates and challenging economic conditions.
- On August 31, 2009, the Corporation issued \$33.2 million of new Class "B" Preferred Shares as a result of conversions of Class "A" Preferred Shares, Series A Notes and Series C Notes.

PRESIDENT'S COMMENTS

This quarter our Bank continued to benefit from a recovery in value of its preferred share portfolio, increasing its total regulatory capital from \$121.8 million at the end of the previous quarter to \$127.8 million. This gave rise to a significant increase in our Bank's total risk-based capital ratio from 12.81% to 13.42%. PWC's shareholders' equity also benefited, increasing by 28%. With the increase in regulatory capital, our Bank is well positioned to take advantage of the numerous lending opportunities that exist in its target markets. Our net interest income and spread continues to be negatively impacted by the rapid decline in interest rates associated with our assets that has not yet been equaled by a decline in the interest rates associated with our deposits. However, over the next 45 days we will have completed the rollover of approximately \$800 million in GICs that began maturing this summer. The interest rates on these new deposits are approximately 2.5% less than what we had been paying. We will begin to realize the benefit of this rollover in the fourth quarter, and the full benefit will be realized in the first quarter of 2010. At the end of August, we issued \$33.2 million of our new Class "B" Preferred Shares. This took place through conversions from our Series C Notes, Series A Notes and Class "A" Preferred Shares. We plan to continue issuing these new Class "B" Preferred Shares from time to time to further to build our regulatory capital in order to fuel growth and diversity in our lending portfolio.

FINANCIAL HIGHLIGHTS

(unaudited)

	for the three months ended		for the nine months ended	
	July 31 2009	July 31 2008	July 31 2009	July 31 2008

(\$ thousands, except per share amounts)

Results of operations (teb)

Net interest income (loss) per financial statements	\$ (401)	\$ 944	\$ 765	\$ 7,441
Teb adjustment	621	679	2,067	2,184
Net interest income	220	1,623	2,832	9,625
Spread	0.05%	0.46%	0.24%	0.89%
Provision for credit losses	148	242	266	314
Net interest income after provision for credit losses	72	1,381	2,566	9,311
Other income (charges)	507	(3,564)	(438)	(3,520)
Total revenue	579	(2,183)	2,128	5,791
Non-interest expenses	3,816	3,523	10,562	10,745
Net income (loss)	(2,969)	(4,215)	(7,838)	(4,280)
Earnings (loss) per common share:				
Basic	\$ (0.22)	\$ (0.31)	\$ (0.59)	\$ (0.33)
Diluted	\$ (0.22)	\$ (0.31)	\$ (0.59)	\$ (0.33)
Efficiency ratio	n/m	n/m	n/m	\$ 1.76
Return on average common shareholders' equity	-79.92%	-42.21%	-56.52%	-13.22%
Return on average total assets	-0.73%	-1.21%	-0.67%	-0.39%
Gross impaired loans to total assets	0.70%	0.55%	0.70%	0.55%
Provision for credit losses as a % of average loans	0.01%	0.02%	0.03%	0.03%
Number of full time equivalent staff	54	58	54	58

Balance Sheet Summary

Cash and securities	\$ 598,132	\$ 446,908	\$ 598,132	\$ 446,908
Total loans	995,802	948,596	995,802	948,596
Average loans	1,020,179	969,155	1,053,305	963,162
Total assets	1,624,114	1,430,395	1,624,114	1,430,395
Average assets	1,603,718	1,382,332	1,568,291	1,444,526
Deposits	1,462,488	1,173,732	1,462,488	1,173,732
Notes payable	107,903	68,850	107,903	68,850
Shareholders' equity	20,891	39,946	20,891	39,946

Capital ratios

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

Total regulatory capital	\$ 127,778	\$ 111,838	\$ 127,778	\$ 111,838
Risk weighted assets	951,852	1,021,160	951,852	1,021,160
Assets-to-capital ratio	12.90	13.11	12.90	13.11
Tier 1 risk-based capital ratio	9.06%	8.99%	9.06%	8.99%
Total risk-based capital ratio	13.42%	10.95%	13.42%	10.95%

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 third quarter of fiscal 2009 should be read in conjunction with the unaudited interim consolidated financial statements for the period ended July 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 (\$3.0 million) or (\$0.22) per share ((\$0.22) diluted) compared to (\$4.2 million) or (\$0.31) per share ((\$0.31) diluted) for the same period a year ago. On a year-to-date basis, net income (loss) was (\$7.8 million) or (\$0.59) per share ((\$0.59) diluted) compared to (\$4.3 million) or (\$0.33) per share (\$0.33 diluted) for the same period a year ago. Net income (loss) for the current quarter was impacted primarily by a decrease in net interest income (teb) which was \$220,000 for the quarter compared to \$1.6 million for the same period a year ago. On a year-to-date basis, net interest income (teb) was \$2.8 million compared to \$9.6 million for the same period a year ago. The decrease in net interest income 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. In addition, net interest income was impacted by higher interest charges incurred on interest rate swap agreements used to hedge longer term lending assets. The Corporation believes that interest rates have bottomed out and is seeing market spreads normalizing with deposit costs trending downwards compared to a year ago. These factors combined with our ongoing repricing of existing loans on renewal and interest rates on new lending to reflect current market conditions are positive indications for future profitability. Despite the compression of spreads experienced by the Corporation over the past year, it 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 July 31, 2009, total assets were \$1.6 billion compared to \$1.4 billion a year ago and \$1.6 billion at the end of the previous quarter. Lending assets were \$996 million at the end of the quarter compared to \$949 million a year ago. Credit quality remains strong with a ratio of gross impaired loans as a percentage of assets of 0.70% at the end of the quarter compared to 0.55% a year ago.

Total Revenue (teb)

Total revenue (teb), which is comprised of net interest income after the provision for credit losses and other income (charges), was \$579,000 for the quarter compared to (\$2.2 million) a year ago with the difference being due to a decrease in net interest income for the current quarter partially offset by the impact of an impairment charge of \$3.7 million in the same quarter a year ago. On a year-to-date basis, total revenue (teb) was \$2.1 million compared to \$5.8 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 \$483,000 million included in other income (charges) recorded in the current period relating to 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) was \$220,000 for the quarter compared to \$1.6 million a year ago and on a year-to-date basis was \$2.8 million compared to \$9.6 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, was 0.05% for the quarter compared to 0.46% a year ago. On a year-to-date basis, spread (teb) was 0.24% compared to 0.89% 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 on deposits reset more slowly than on our interest earning assets. An additional factor was increased interest expense in 2009 compared to 2008 as a result of Series C and short term notes payable issued in the past year. As well, net interest income and spread declined as a result of higher levels of liquidity maintained in the Corporation due to the current economic environment. These liquid assets were held primarily in cash or cash equivalents with little or no spread being earned. With a large amount of deposits scheduled to mature during our fourth quarter, most of which had been booked a year ago at higher interest rates due to the liquidity crisis, the Corporation expects to see its interest expense decrease as these deposits are replaced at much lower interest rates.

Non-Interest Expenses

Non-interest expenses for the quarter were \$3.8 million compared to \$3.5 million a year ago and for the nine month period ending July 31, 2009 were \$10.6 million compared to \$10.8 million for the same period a year ago. The increase in non-interest expenses for the quarter compared to a year ago was primarily in general and administrative expenses relating to volume related expenses and higher amounts for capital taxes, consulting and professional fees. For the nine month period, these increases were offset by overall 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 \$889,000 compared to 34% and an income tax recovery of \$2.2 million for the same period last year. For the nine months ended July 31, 2009, the Corporation had an effective tax rate of 25% and an income tax recovery of \$2.7 million compared to an effective tax rate of 40% and an income tax recovery of \$2.9 million for the same period a year ago.

At July 31, 2009, the Corporation had a future income tax asset of approximately \$11.2 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 \$6.6 million a year ago with the increase due to changes in the market value of preferred shares which are deducted for income tax purposes offset by operating losses of the Bank over the past year. The income tax loss carryforwards in the Bank are not scheduled to begin expiring until 2027 if unutilized.

As noted above, a significant portion of the future income tax asset relates to income tax losses in the Bank caused primarily by 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 Bank 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. As discussed below, at July 31, 2009, these preferred shares traded at a value approximately \$17.6 million below their amortized cost, increasing from a value of \$25.3 million below their amortized cost at April 30, 2009 reflecting general improvements in market conditions in the financial services industry.

Balance Sheet

Total assets at July 31, 2009, were \$1.6 billion compared to \$1.4 billion a year ago. The increase from a year ago was primarily in cash and securities which increased to \$598 million from \$447 million and in mortgages and loans which grew to \$996 million from \$949 million a year ago.

Cash and Securities

Cash and securities, which are held for liquidity management purposes and to earn investment income, totalled \$598 million compared to \$447 million a year ago with the increase due to higher liquidity levels being maintained as a result of current market conditions and as a contingency against a large amount of deposits maturing in the fourth quarter of fiscal 2009. Securities typically consist of Government of Canada treasury bills and bonds and corporate debt and preferred shares. Over the past quarter, the Corporation has been redeploying some of its holdings of excess cash into highly liquid corporate debt in order to earn increased returns on its securities portfolio while still maintaining strong credit quality. The Corporation expects that the increased holdings of corporate bonds will result in an overall increase in net interest income and spread in the coming months. 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.

Included in corporate debt is an investment in a collateral debt obligation (CDO) with an amortized cost of \$5.9 million and a fair value based on external valuation models of \$744,000. 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, is secured by corporate credits and matures in 2013.

At July 31, 2009, the net unrealized loss in our securities portfolio was \$14.8 million compared to a net unrealized loss of \$20.2 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 year 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 all of the remaining securities we own are publicly traded.

The Corporation's holdings of equity securities, consisting primarily of major Canadian banks and insurance companies' preferred shares, are subject to market fluctuations and at July 31, 2009, traded at a value approximately \$17.6 million below their amortized cost compared to \$25.3 million below amortized cost at the end of the previous quarter and \$15.8 million below amortized cost 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 or 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.

Mortgages and Loans

Mortgages and loans grew to \$996 million at the end of the quarter from \$949 million a year ago with the growth primarily in corporate loans and mortgages. As noted above, the Corporation has maintained its focus on low risk lending and investing opportunities, continuing to provide financing to public sector entities and high quality corporate borrowers. New lending in the quarter totalled \$53 million compared to \$93 million for the same period a year ago and on a year-to-date basis totalled \$350 million compared to \$229 million for the same period a year ago. Loan repayments for the current quarter totalled \$88 million and for the year-to-date totalled \$476 million. The amounts for new lending and loan repayments for the current periods include the purchase and sale of insured mortgage pools which were sold primarily for liquidity and capital management purposes. As a result of the economic conditions over the past year, the Corporation has seen a slowdown in new lending particularly in its residential construction portfolio with fewer housing starts in the geographic areas in which the Corporation operates. However the Corporation is starting to see improvements in the demand for financing from its niche markets and expects to see increases in new lending in the coming months.

Credit Quality

Gross impaired loans at the end of the quarter totalled \$11.3 million or 0.70% of total assets compared to \$7.9 million or 0.55% of total assets a year ago. Impaired loans at July 31, 2009 consist primarily of loans totalling \$3.7 million to individuals who invested in a government mandated immigrant investor fund which were classified as impaired in the third quarter, and property consisting mainly of a healthcare facility foreclosed on settlement of loans. We are currently in discussions with a qualified buyer for the healthcare facility and expect to close this transaction in the coming weeks with no loss being incurred. Our loans continue to be well managed with the provision for credit losses for the quarter totalling \$148,000 and \$266,000 for the year-to-date compared to \$242,000 and \$314,000 for the same periods a year ago.

Other Assets

Other assets totalled \$30.2 million at the end of the quarter compared to \$34.9 million a year ago. Included in other assets is the Corporation's investment in Discovery Air Inc. (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 July 31, 2009, the investment in DA had a carrying value of \$2.4 million compared to \$9.2 million a year ago with the change due to a decrease in the investment's market value.

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 \$1.5 billion compared to \$1.2 billion a year ago and consist primarily of guaranteed investment certificates. Of these amounts, \$41.0 million or approximately 3% of total deposits, was in the form of demand deposits at the end of the quarter compared to \$15.0 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 \$107.9 million at July 31, 2009 compared to \$68.9 million a year ago with the increase due to new notes being issued over the past year. 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 July 31, 2009, excluding share issue costs, notes payable consist of Series C Notes totalling \$76.0 million maturing in 2018, Series A Notes totalling \$11.5 million maturing in 2010 and short term notes totalling \$5.2 million maturing in 2009 and 2010. Notes payable bear interest at rates ranging from 7.0% to 9.25% per annum. In addition, as described below, the Corporation has outstanding subordinated notes payable of the Bank totalling \$21.5 million owing to a third party. These subordinated notes bear interest at 11% and mature in 2019.

At July 31, 2009, 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. As discussed below, 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 \$20.9 million compared to \$39.9 million a year ago with the decrease due primarily to the net loss incurred over the past year and the change in Accumulated Other Comprehensive Income (Loss). Accumulated Other Comprehensive Income (Loss) at July 31, 2009 was (\$14.3 million) compared to (\$19.0 million) a year ago with the change due primarily to increases 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 13,644,252 a year ago with the change due to shares repurchased for cancellation. Outstanding common share options totalled 869,533 at the end of the quarter compared to 1,079,410 a year ago. Our book value per common share at the end of the quarter was \$1.27 compared to \$2.67 a year ago.

On June 26, 2009, at Special Meetings of the Common Shareholders, Series A Noteholders and Series C Noteholders, a resolution authorizing the creation of Class "B" Preferred Shares, and resolutions authorizing the conversions of the Series A Notes and Series C Notes into Class "B" Preferred Shares, were passed. The conversion of Series A Notes into Series C Notes was also authorized. The right to convert may only be exercised up to and including August 28, 2009, and the effective date of the conversions will be August 31, 2009. All conversions are at the option of the holder.

On July 27, 2009, at a Special Meeting of the Class "A" Preferred Shareholders, a resolution authorizing the conversion of Class "A" Preferred Shares into Class "B" Preferred Shares was passed. The right to convert may only be exercised up to and including August 28, 2009, and the effective date of the conversions will be August 31, 2009. All conversions are at the option of the holder.

There were no Class "B" Preferred Shares issued or outstanding at July 31, 2009.

More information with respect to the amendments described above are available on SEDAR at www.sedar.com.

Updated Share Information

As at September 2, 2009, there was no change in the number of common shares or common share options outstanding since July 31, 2009. At September 2, 2009, as noted below, there were 314,572 Class "A" Preferred Shares outstanding with the change since July 31, 2009 due to conversions into the new Class "B" Preferred Shares. At September 2, 2009, there were 1,326,558 Class "B" Preferred Shares outstanding as a result of conversions of Class "A" Preferred Shares, Series A Notes and Series C Notes.

Subsequent event

On August 31, 2009, the Corporation issued 1,326,558 Class "B" Preferred Shares with a total value of \$33.2 million. The issuance of these Class "B" Preferred Shares was a result of the conversion of Class "A" Preferred Shares, Series A Notes and Series C Notes. After these conversions, the Corporation has 314,572 Class "A" Preferred Shares outstanding, Series A Notes totalling \$2.6 million and Series C Notes totalling \$55.3 million.

Capital Management

Total regulatory capital in the Corporation's principal subsidiary, the Bank, was \$127.8 million at the end of the quarter compared to \$121.8 million at the end of the previous quarter and \$111.8 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 and increases in the market value of preferred shares of Canadian banks and insurance companies which the Bank holds in its securities portfolio, reduced by operating losses over the past year in the Bank. 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 13.42% at the end of the quarter compared to 12.81% at the end of the previous quarter and 10.95% 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 9.06% at the end of the quarter compared to 8.60% at the end of the previous quarter and 8.99% a year ago. The Bank's assets-to-capital ratio was 12.90 at the end of the quarter compared to 13.21 at the end of the previous quarter and 13.11 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 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	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Results of operations:								
Total interest income								
per financial statements	\$ 19,476	\$ 19,338	\$ 18,401	\$ 17,702	\$ 16,022	\$ 18,105	\$ 20,377	\$ 18,795
Teb adjustment	621	701	745	675	679	659	844	715
Total interest income	20,097	20,039	19,146	18,377	16,701	18,764	21,221	19,510
Yield on assets (%)	4.97%	5.38%	5.09%	5.01%	4.79%	5.39%	5.71%	5.77%
Interest expense	19,877	18,560	18,013	16,587	15,078	15,820	16,165	15,018
Cost of funds (%)	4.92%	4.98%	4.79%	4.52%	4.33%	4.54%	4.35%	4.44%
Net interest income	220	1,479	1,133	1,790	1,623	2,944	5,056	4,492
Net interest margin (%)	0.05%	0.40%	0.30%	0.49%	0.46%	0.85%	1.36%	1.33%
Provision for credit losses	148	8	110	2,502	242	64	8	198
Impairment writedowns	-	-	-	(11,341)	(3,703)	-	-	-
Other income (charges)	507	(275)	(670)	129	139	130	(86)	114
Total revenue	579	1,196	353	(11,924)	(2,183)	3,010	4,962	4,408
Non-interest expenses	3,816	3,328	3,418	3,280	3,523	3,441	3,781	3,049
Income (loss) before income taxes	(3,237)	(2,132)	(3,065)	(15,204)	(5,706)	(431)	1,181	1,359
Income tax provision (recovery)	(268)	(47)	(375)	605	(1,491)	170	645	721
Net income (loss)	(2,969)	(2,179)	(2,690)	(15,809)	(4,215)	(601)	536	638
Earnings (loss) per share								
-basic	\$ (0.22)	\$ (0.16)	\$ (0.20)	\$ (1.16)	\$ (0.31)	\$ (0.05)	\$ 0.03	\$ 0.04
-diluted	\$ (0.22)	\$ (0.16)	\$ (0.20)	\$ (1.16)	\$ (0.31)	\$ (0.05)	\$ 0.03	\$ 0.04

The financial results for each of the last eight quarters are summarized above. Total interest income has increased over the past eight quarters primarily as a result of an increase in total assets over the same period. However yield on assets decreased in the third quarter of 2009 as a result of an increased level of liquid assets being maintained due to the current economic environment. Interest expense has increased over the same period as a result of increased levels of deposits and additional notes payable issued over the past year and higher interest charges incurred on interest rate swap agreements used to hedge longer term lending assets. Net interest margin or spread decreased in the third quarter as a result of the above factors.

Other income (charges) in the previous quarters included charges relating to mark-to-market adjustments on interest rate swap contracts entered into for interest rate risk management purposes. These amounts decreased in the third quarter as a result of changes in interest rates on bankers' acceptances on which the interest on swap agreements is based and a lower amount for mark-to-market interest adjustments relating to an interest rate swap contract which was unwound in the quarter.

Non-interest expenses in the third quarter increased primarily in the general and administrative expenses category with the increase due to volume related expenses and higher amounts for capital taxes, consulting and professional fees. These increases were offset slightly by targeted reductions in discretionary spending.

The provision (recovery) for income taxes increased in the fourth quarter of 2008 due primarily 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 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: September 2, 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)

	July 31 2009	October 31 2008	July 31 2008
	<u>(unaudited)</u>		<u>(unaudited)</u>
Assets			
Cash resources	\$ 215,602	\$ 207,831	\$ 225,237
Securities	382,530	163,162	221,671
Mortgages and loans	995,802	1,110,807	948,596
Other assets	30,180	30,667	34,891
	<u>\$ 1,624,114</u>	<u>\$ 1,512,467</u>	<u>\$ 1,430,395</u>
Liabilities and Shareholders' Equity			
Deposits	\$ 1,462,488	\$ 1,389,455	\$ 1,173,732
Notes payable	107,903	70,405	68,850
Other liabilities	32,832	28,476	147,867
	<u>1,603,223</u>	<u>1,488,336</u>	<u>1,390,449</u>
Shareholders' equity			
Share capital	39,506	39,387	39,331
Retained earnings (deficit)	(4,282)	3,796	19,605
Accumulated other comprehensive income (loss)	(14,333)	(19,052)	(18,990)
	<u>20,891</u>	<u>24,131</u>	<u>39,946</u>
	<u>\$ 1,624,114</u>	<u>\$ 1,512,467</u>	<u>\$ 1,430,395</u>

PACIFIC & WESTERN CREDIT CORP.

Consolidated Statement of Operations (thousands of dollars)

	<i>for the three months ended</i>		<i>for the nine months ended</i>	
	July 31 2009	July 31 2008	July 31 2009	July 31 2008
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest income				
Interest income on loans	\$ 12,168	\$ 12,633	\$ 42,798	\$ 39,908
Interest and income from securities	6,797	2,600	13,132	12,060
Loan fee income	511	789	1,285	2,536
	<u>19,476</u>	<u>16,022</u>	<u>57,215</u>	<u>54,504</u>
Interest expense				
Deposits and other	17,215	13,925	49,988	44,031
Notes payable	2,662	1,153	6,462	3,032
	<u>19,877</u>	<u>15,078</u>	<u>56,450</u>	<u>47,063</u>
Net interest income (loss)	(401)	944	765	7,441
Provision for credit losses	148	242	266	314
Net interest income (loss) after provision for credit losses	(549)	702	499	7,127
Impairment writedown on securities	-	(3,703)	-	(3,703)
Other income (charges)	507	139	(438)	183
	<u>(42)</u>	<u>(2,862)</u>	<u>61</u>	<u>3,607</u>
Non-interest expenses				
Salaries and benefits	1,743	1,934	5,084	6,046
General and administrative	1,583	1,105	3,906	3,247
Premises and equipment	490	484	1,572	1,452
	<u>3,816</u>	<u>3,523</u>	<u>10,562</u>	<u>10,745</u>
Loss before income taxes	(3,858)	(6,385)	(10,501)	(7,138)
Income tax recovery	(889)	(2,170)	(2,663)	(2,858)
Net loss	\$ (2,969)	\$ (4,215)	\$ (7,838)	\$ (4,280)
Basic loss per share	<u>\$ (0.22)</u>	<u>\$ (0.31)</u>	<u>\$ (0.59)</u>	<u>\$ (0.33)</u>
Diluted loss per share	<u>\$ (0.22)</u>	<u>\$ (0.31)</u>	<u>\$ (0.59)</u>	<u>\$ (0.33)</u>
Weighted average number of common shares	<u>13,642,000</u>	<u>13,637,000</u>	<u>13,642,000</u>	<u>13,630,000</u>

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

(thousands of dollars)

	<i>for the three months ended</i>		<i>for the nine months ended</i>	
	July 31 2009	July 31 2008	July 31 2009	July 31 2008
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net loss	\$ (2,969)	\$ (4,215)	\$ (7,838)	\$ (4,280)
Other comprehensive income (loss), net of tax:				
Net unrealized gains (losses) on assets held as available-for-sale ⁽¹⁾	7,350	(5,474)	4,111	(13,149)
Amount transferred to net loss for hedges ⁽²⁾	-	55	-	164
Amount transferred to net loss for available-for-sale assets ⁽³⁾	184	30	608	(127)
Amount transferred to net loss for impairment writedown on available-for-sale assets ⁽⁴⁾	-	1,863	-	663
Other comprehensive income (loss)	7,534	(3,526)	4,719	(12,449)
Total comprehensive income (loss)	<u>\$ 4,565</u>	<u>\$ (7,741)</u>	<u>\$ (3,119)</u>	<u>\$ (16,729)</u>

(1) Net of income tax benefit (expense) for the three months of (\$2,913) (2008-\$2,313) and nine months of (\$1,679) (2008-\$5,555)

(2) Net of income tax benefit (expense) for the three months of \$nil (2008-(\$27)) and nine months of \$nil (2008-(\$83))

(3) Net of income tax benefit (expense) for the three months of (\$79) (2008-(\$14)) and nine months (\$256) (2008-\$63)

(4) Net of income tax benefit (expense) for the three months of \$nil (2008-(\$876)) and nine months \$nil (2008 - (\$341)).

PACIFIC & WESTERN CREDIT CORP.

Consolidated Statement of Changes in Shareholders' Equity
(thousands of dollars)

	<i>for the three months ended</i>		<i>for the nine months ended</i>	
	July 31 2009	July 31 2008	July 31 2009	July 31 2008
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Common shares				
Balance, beginning of period	\$ 35,663	\$ 35,518	\$ 35,663	\$ 35,743
Shares issued	-	252	-	288
Shares repurchased	-	(66)	-	(327)
Balance, end of period	<u>\$ 35,663</u>	<u>\$ 35,704</u>	<u>\$ 35,663</u>	<u>\$ 35,704</u>
Class A preferred shares				
Balance, beginning and end of period	<u>\$ 3,545</u>	<u>\$ 3,545</u>	<u>\$ 3,545</u>	<u>\$ 3,545</u>
Contributed surplus				
Balance, beginning of period	\$ 243	\$ 80	\$ 179	\$ 182
Fair value of stock option transactions (note 5)	55	97	119	526
Repurchase of shares	-	(95)	-	(626)
Balance, end of period	<u>\$ 298</u>	<u>\$ 82</u>	<u>\$ 298</u>	<u>\$ 82</u>
Retained earnings (deficit)				
Balance, beginning of period	\$ (1,313)	\$ 23,820	\$ 3,796	\$ 24,125
Net loss	(2,969)	(4,215)	(7,838)	(4,280)
Dividends on preferred shares	-	-	(240)	(240)
Balance, end of period	<u>\$ (4,282)</u>	<u>\$ 19,605</u>	<u>\$ (4,282)</u>	<u>\$ 19,605</u>
Accumulated other comprehensive income (loss), net of taxes				
Balance, beginning of period	\$ (21,867)	\$ (15,464)	\$ (19,052)	\$ (6,541)
Other comprehensive income (loss)	7,534	(3,526)	4,719	(12,449)
Balance, end of period	<u>\$ (14,333)</u>	<u>\$ (18,990)</u>	<u>\$ (14,333)</u>	<u>\$ (18,990)</u>
Total shareholders' equity	<u><u>\$ 20,891</u></u>	<u><u>\$ 39,946</u></u>	<u><u>\$ 20,891</u></u>	<u><u>\$ 39,946</u></u>

PACIFIC & WESTERN CREDIT CORP.

Consolidated Statement of Cash Flows

(thousands of dollars)

	<i>for the three months ended</i>		<i>for the nine months ended</i>	
	July 31 2009	July 31 2008	July 31 2009	July 31 2008
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash provided by (used in):				
Operations:				
Net loss	\$ (2,969)	\$ (4,215)	\$ (7,838)	\$ (4,280)
Items not involving cash:				
Provision for credit losses	148	242	266	334
Stock-based compensation (note 5)	55	97	119	526
Future income tax provision (recovery)	(889)	(2,170)	(2,663)	(2,858)
Gain on sale of available-for-sale securities	(4,119)	(9)	(5,322)	(673)
Impairment writedown on securities	-	3,703	-	3,703
Change in derivative financial instruments	741	-	1,527	197
Change in other assets and liabilities	(1,732)	(10,203)	(1,800)	(19,373)
	<u>(8,765)</u>	<u>(12,555)</u>	<u>(15,711)</u>	<u>(22,424)</u>
Investing:				
Purchase of securities	(307,714)	(513,639)	(856,219)	(1,250,022)
Proceeds from sale and maturity of securities	210,357	438,491	645,751	1,348,864
Mortgages and loans	36,149	42,100	117,617	39,951
	<u>(61,208)</u>	<u>(33,048)</u>	<u>(92,851)</u>	<u>138,793</u>
Financing:				
Deposits	44,825	(40,391)	73,033	(109,024)
Notes payable	9,652	30,553	43,540	35,553
Short term financings	-	119,740	-	69,823
Proceeds of common shares issued	-	252	-	288
Shares repurchased	-	(161)	-	(953)
Dividends paid	-	-	(240)	(240)
	<u>54,477</u>	<u>109,993</u>	<u>116,333</u>	<u>(4,553)</u>
Increase (decrease) in cash resources	(15,496)	64,390	7,771	111,816
Cash resources, beginning of period	<u>231,098</u>	<u>160,847</u>	<u>207,831</u>	<u>113,421</u>
Cash resources, end of period	<u>\$ 215,602</u>	<u>\$ 225,237</u>	<u>\$ 215,602</u>	<u>\$ 225,237</u>
Supplementary cash flow information:				
Interest paid during the period	\$ 19,349	\$ 20,583	\$ 42,921	\$ 43,667
Income taxes paid during the period	\$ -	\$ -	\$ -	\$ 68

PACIFIC & WESTERN CREDIT CORP.

Notes to the interim consolidated financial statements (unaudited)

For the nine months ended July 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 July 31, 2009 is an investment in a collateral debt obligation (CDO). This CDO, which is classified as held-to-maturity, and matures in 2013, has an amortized cost of \$5.9 million (2008 - \$10 million) and a fair value of \$744,000 (2008 - \$5.2 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 nine months ended</i>			
			July 31, 2009	July 31, 2008			July 31, 2009	July 31, 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	\$ 993	\$ 6,160	\$ 3,298	\$ 5,212	\$ 830	\$ 6,042	\$ 3,206
Provision (recovery) for credit losses	100	48	148	242	55	211	266	314
Recoveries	-	-	-	-	-	-	-	20
Balance, end of period	\$ 5,267	\$ 1,041	\$ 6,308	\$ 3,540	\$ 5,267	\$ 1,041	\$ 6,308	\$ 3,540

Gross impaired loans at July 31, 2009 totalled \$11,293,000 (July 31, 2008 - \$7,931,000). Loans past due but not impaired at July 31, 2009 totalled \$849,000 (July 31, 2008 - \$539,000). 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 July 31, 2009 notes payable consist of Series C Notes totalling \$76.0 million which mature in 2018, Series A Notes totalling \$11.5 million which mature in 2010 and short term notes totalling \$5.2 million which mature in 2009 and 2010. 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 \$21.5 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	-	50,000	5.00
Exercised	-	-	-
Expired	-	(257,577)	9.29
Repurchased	-	-	-
Outstanding, end of period	13,642,452	869,533	\$ 8.71

In addition, at July 31, 2009, there were 1,142,556 (2008-1,142,556) Class "A" preferred shares outstanding and no Class "B" preferred shares issued or outstanding.

During the nine months ended July 31, 2009, the Corporation recognized \$119,000 (2008-\$267,000) of salaries and benefits expense relating to the estimated fair value of stock options granted. The fair value of options granted during the period was estimated using the Black-Scholes option pricing model based on the following weighted-average assumptions: (i) risk-free interest rate of 2.41% (2008-4.03%), (ii) expected option life of 5 years (2008-5 years), (iii) expected volatility of 45% (2008-30%), and (iv) expected forfeiture rate of 5% (2008-5%). The weighted average fair value of options granted was estimated at \$1.26 (2008-\$2.66) per share.

On June 26, 2009, at Special Meetings of the Common Shareholders, Series A Noteholders and Series C Noteholders, a resolution authorizing the creation of Class "B" Preferred Shares, and resolutions authorizing the conversions of the Series A Notes and Series C Notes into Class "B" Preferred Shares, were passed. The conversion of Series A Notes into Series C Notes was also authorized. The right to convert may only be exercised up to and including August 28, 2009, and the effective date of the conversions will be August 31, 2009. All conversions are at the option of the holder.

On July 27, 2009, at a Special Meeting of the Class "A" Preferred Shareholders, a resolution authorizing the conversion of Class "A" Preferred Shares into Class "B" Preferred Shares was passed. The right to convert may only be exercised up to and including August 28, 2009, and the effective date of the conversions will be August 31, 2009. All conversions are at the option of the holder.

b. Accumulated other comprehensive income (loss):

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

	<u>July 31 2009</u>	<u>July 31 2008</u>
Net unrealized losses on assets held as available-for-sale	\$ (14,333)	\$ (18,963)
Deferred losses related to previously closed cash flow hedges	-	(27)
Balance, end of period	<u>\$ (14,333)</u>	<u>\$ (18,990)</u>

Net of income tax benefit of \$5,736,000 (2008 - \$6,802,000).

6. Derivative instruments

At July 31, 2009, the Corporation had outstanding contracts for asset liability management purposes to swap between floating and fixed interest rates with notional amounts totalling \$437,458,000 (2008 - \$174,187,000). 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 \$1,004,000 (2008 - \$193,000), a credit equivalent amount of \$5,268,000 (2008 - \$2,346,000) and a risk-weight of \$1,054,000 (2008 - \$469,000). As required under the accounting standard relating to hedges, at July 31, 2009, \$27,253,000 (2008 - \$12,033,000) 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	\$ 147,265,000
Letters of credit	27,502,000
	<u>\$ 174,767,000</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.

In the ordinary course of business, cash and securities are pledged against liabilities and off-balance sheet items. Details of assets pledged are as follows:

	<u>July 31 2009</u>	<u>July 31 2008</u>
Collateral related to derivative contracts	\$ 28,910	\$ 6,133
Collateral related to letters of credit	2,942	2,896
Obligations related to securities sold under repurchase agreements	-	119,741
	<u>\$ 31,852</u>	<u>\$ 128,770</u>

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 ratios.

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)	July 31 2009	July 31 2008
Total assets (on and off-balance sheet)	\$ 1,648,301	\$ 1,466,342
Capital		
Common shares	\$ 95,365	\$ 86,870
Retained earnings	4,715	20,941
Unrealized loss on available-for-sale equity securities	(13,802)	(15,973)
Subordinated debentures	41,500	20,000
Total regulatory capital	\$ 127,778	\$ 111,838
Assets-to-capital ratio	12.90	13.11

For a period of time during the first 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 Ratios:

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.

	July 31 2009		July 31 2008	
(thousands of dollars)	Notional/ Drawn Amount	Risk Weighted Balance	Notional/ Drawn Amount	Risk Weighted Balance
Balance sheet assets	\$ 1,620,799	\$ 880,695	\$ 1,429,915	\$ 782,056
Off-balance sheet assets	612,225	52,710	664,871	197,238
Charge for operational risk		18,447		41,866
Total risk-weighted assets		\$ 951,852		\$ 1,021,160
Regulatory capital		127,778		111,838
Total risk-based capital ratio		13.42%		10.95%
Tier 1 risk-based capital ratio		9.06%		8.99%

9. Comparative figures

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

10. Subsequent event:

On August 31, 2009, the Corporation issued 1,326,558 Class "B" Preferred Shares with a total value of \$33.2 million. The issuance of these Class "B" Preferred Shares was a result of the conversion of Class "A" Preferred Shares, Series A Notes and Series C Notes. After these conversions, the Corporation has 314,572 Class "A" Preferred Shares outstanding, Series A Notes totalling \$2.6 million and Series C Notes totalling \$55.3 million.

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.

Nick Kristo, B.Comm., M.B.A.

Senior Vice President, Credit & Administration
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.

Shawn Clarke, M.Eng., P.Eng., M.B.A.

Vice President, Corporate Development &
Enterprise Risk Management
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.

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