



Pacific & Western

Credit Corp.

First Quarter Report January 31, 2010

PACIFIC & WESTERN CREDIT CORP. ANNOUNCES RESULTS FOR ITS FIRST QUARTER ENDED JANUARY 31, 2010

FIRST QUARTER SUMMARY

(three months ended January 31, 2010, compared to three months ended January 31, 2009, unless otherwise noted)

- Net income (loss) for the quarter ended January 31, 2010 was (\$1.3 million) or (\$0.10) per share ((\$0.10) diluted) compared to (\$2.7 million) or (\$0.20) per share ((\$0.20) diluted) for the same period last year. Prior to deducting dividends which have an interest expense equivalent of \$925,000 relating to the Class B Preferred Shares, net income (loss) for the quarter ended January 31, 2010 was (\$415,000).
- Net interest income (teb) for the quarter ended January 31, 2010 increased to \$3.5 million from \$1.1 million for the same period a year ago.
- Net interest margin or spread (teb) for the quarter ended January 31, 2010 increased to 0.96% from 0.29% for the same period a year ago.
- Credit quality remains strong with gross impaired loans decreasing to \$6.7 million at January 31, 2010 from \$7.8 million a year ago and compared to \$6.4 million at October 31, 2009.
- Regulatory capital in the Corporation's bank subsidiary increased to \$131.4 million at January 31, 2010 from \$94.1 million a year ago.

PRESIDENT'S COMMENTS

This quarter's results reflect the continuing improvement of our financial status and prospects. Net income for our wholly-owned subsidiary, Pacific & Western Bank of Canada (the Bank), increased by \$803,000 from the previous quarter to a profit of \$676,000 this quarter. This gave rise to Pacific & Western Credit Corp.'s (the Corporation) results, improving from a loss of \$2.1 million for the previous quarter to a loss of \$1.3 million this quarter. The results of the Corporation include an interest expense equivalent of \$925,000 relating to dividends on our Class "B" Preferred Shares as well as additional interest expense on our Series A and Series C Notes and other notes payable. The Bank's spread of 150 basis points for the quarter is a significant increase over the 61 basis points achieved for the same quarter last year and a slight decrease from the 171 basis points earned for the previous quarter. This decrease was due to gains realized in our securities portfolio and recognized in the previous quarter's net interest income. We expect the Bank's spread will continue to increase as our lending portfolio rolls over and resets to higher margins and our deposit portfolio continues to reset to the lower interest rates that are in effect today.

Our lending is exceeding targets with total loans increasing to \$945 million from the previous quarter's \$900 million. Subsequent to the first quarter, we successfully completed our first sale of mortgage backed securities to the Canada Mortgage Bond Program resulting in a gain of approximately \$1 million, which will be reflected in our second quarter's results. This was a significant milestone for us in that we have been approved to issue and sell mortgage backed securities and believe that having the ability to create mortgage backed securities and sell them, will be complementary to our well established real estate lending program.

We are looking forward to continuing growth in our lending portfolio and improving margins as we grow in our established niche markets.

FINANCIAL HIGHLIGHTS

(unaudited)

for the three months ended

	January 31	October 31	January 31
	2010	2009	2009
(\$ thousands, except per share amounts)			
Pacific & Western Credit Corp., (consolidated)			
Results of operations (teb)			
Net interest income per financial statements	\$ 2,803	\$ 4,085	\$ 388
Teb adjustment	651	667	703
Net interest income (teb)	3,454	4,752	1,091
Spread	0.96%	1.24%	0.29%
Provision for credit losses	34	3,183	110
Other income (charges)	29	1,887	(670)
Total revenue	3,449	3,456	311
Non-interest expenses	4,211	4,405	3,418
Net income (loss)	(1,340)	(2,057)	(2,690)
Earnings (loss) per common share:			
Basic	\$ (0.10)	\$ (0.15)	\$ (0.20)
Diluted	\$ (0.10)	\$ (0.15)	\$ (0.20)
Return on average common shareholders' equity	-37.86%	-53.55%	-64.68%
Pacific & Western Bank of Canada			
Results of operations (teb)			
Net interest income (teb)	5,351	6,546	2,256
Spread	1.50%	1.71%	0.61%
Provision for credit losses	26	3,183	110
Other income (charges)	29	1,864	(670)
Total revenue	5,354	5,227	1,476
Non-interest expenses	4,100	4,246	3,390
Net income (loss)	676	(127)	(1,497)
Efficiency ratio	87%	50%	218.0%
Return on average total assets	0.19%	-0.03%	-0.40%
Gross impaired loans to total assets	0.47%	0.45%	0.53%
Provision for credit losses as a % of average loans	0.01%	0.33%	0.01%
Number of full time equivalent staff	55	55	55
Balance Sheet Summary			
Cash and securities	\$ 463,692	\$ 446,497	\$ 324,559
Total loans	945,300	929,831	1,115,534
Average loans	937,566	962,817	1,113,171
Total assets	1,438,762	1,410,659	1,472,880
Subordinated notes payable	39,976	39,946	20,000
Shareholder's equity	86,874	83,652	70,787
Capital ratios			
Total regulatory capital	\$ 131,396	\$ 128,632	\$ 94,106
Risk weighted assets	920,204	929,099	892,596
Assets-to-capital ratio	11.18	11.20	15.98
Tier 1 risk-based capital ratio	9.77%	9.38%	8.30%
Total risk-based capital ratio	14.28%	13.84%	10.54%

Non-GAAP measures:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITION

This management's discussion and analysis (MD&A) of operations and financial condition for the first quarter of fiscal 2010 should be read in conjunction with the unaudited interim consolidated financial statements for the period ended January 31, 2010, included herein, and the audited consolidated financial statements and MD&A for the year ended October 31, 2009, 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, 2009, remain substantially unchanged.

Overview

Net income (loss) for the quarter ending January 31, 2010 was (\$1.3 million) or (\$0.10) per share ((\$0.10) diluted) after deducting interest expense of \$925,000 relating to Class B Preferred Shares. This is in comparison to net income (loss) of (\$2.7 million) or (\$0.20) per share ((\$0.20) diluted) for the same period last year. Net income (loss) for the first quarter of 2010 was negatively impacted by the additional interest expense relating to Class B Preferred Shares issued in 2009 and higher levels of liquidity held during the quarter as a result of current market conditions. Prior to recording the dividends of \$925,000 relating to the Class B Preferred Shares, net income (loss) for the quarter ending January 31, 2010 was (\$415,000). As the Class B Preferred Shares carry certain redemption features and are convertible into common shares of the Corporation, an amount, net of issue costs, representing the fair value of the Corporation's obligation to make future payments of principal and interest, has been classified on the Corporation's Consolidated Balance Sheet as a Preferred Share Liability. As a result, dividend payments related to the Class B Preferred Shares are classified as interest expense in the Consolidated Statement of Operations.

For the quarter ending January 31, 2010, net interest income (teb) was \$3.5 million compared to \$4.8 million for the previous quarter and increasing from \$1.1 million for the same period a year ago. Prior to recording interest expense relating to dividends on the Class B Preferred Shares, net interest income (teb) totalled \$4.4 million. The increase in net interest income for the quarter from a year ago was due primarily to a decrease in the cost of our deposits. Net interest income (teb) decreased from the previous quarter primarily as a result of the additional interest expense relating to Class B Preferred Shares issued in 2009 and higher levels of liquid assets held during the quarter.

At January 31, 2010, total assets were \$1.4 billion compared to \$1.5 billion a year ago and lending assets were \$945 million compared to \$1.1 billion a year ago. Credit quality remains strong with a ratio of gross impaired loans as a percentage of total assets of 0.46% at the end of the quarter compared to 0.53% a year ago.

During the quarter ending January 31, 2010, the Corporation issued 454,500 Class B Preferred Shares pursuant to private placements. The proceeds, which totalled \$10.7 million after issue costs and discounts, will be used for working capital purposes and to increase regulatory capital in the Corporation's bank subsidiary.

For the Bank, net income for the first quarter ending January 31, 2010 increased by \$2.2 million, to \$676,000 from a net loss of (\$1.5 million) for the same period a year ago. Net income improved from a year ago primarily as a result of an increase in net interest income and spread. Net interest income and spread (teb) for the current quarter were \$5.4 million and 1.50% respectively compared to \$2.3 million and 0.61% for the same period a year ago. Net interest income and spread increased from a year ago primarily as a result of decrease in the Bank's cost of deposits as noted below.

Total Revenue (teb)

Total revenue (teb), which is comprised of net interest income after the provision for credit losses and other income (charges), was \$3.5 million for the quarter compared to \$311,000 a year ago with the difference being due primarily to an improvement in net interest income for the current quarter.

Net Interest Income

Net interest income (teb) increased to \$3.5 million for the quarter from \$1.1 million a year ago. Prior to recording interest expense relating to the Class B Preferred Shares, net interest income (teb) totalled \$4.4 million. Net interest margin or spread (teb), which is net interest income as a percentage of average assets, improved to 0.96% for the quarter from 0.29% for the same period a year ago. Prior to recording interest expense related to the dividends on the Class B Preferred Shares, net interest margin or spread (teb) was 1.21% for the first quarter of 2010.

The improvement in the current quarter's net interest income and spread from the same period a year ago was due primarily to an increase in interest income from loans and securities and a decrease in the Corporation's cost of deposits. Income from loans includes loan fees which totalled \$1.3 million for the first quarter compared to \$577,000 for the same period a

year ago. The increase in loan fees reflects increasing lending activity and new loan commitments in the first quarter which should result in increased loan fundings in the coming months.

Interest expense on deposits decreased in the current quarter as a result of a large amount of deposits which matured over the past year and were replaced with deposits with lower interest rates. The maturing deposits had been booked during 2008 when interest rates on deposits had risen significantly. The improvement in net interest income and spread for the quarter were partially offset by excess liquidity held during the quarter and increased interest expense on account of the Class B Preferred Shares issued since August 2009. Due to certain redemption features, the Class B Preferred Shares are classified as a preferred share liability and as noted above, dividends related to these preferred shares are recorded as interest expense.

Non-Interest Expenses

Non-interest expenses for the quarter were \$4.2 million compared to \$3.4 million a year ago. The increase in non-interest expenses for the quarter compared to a year ago was in salaries and benefits which increased due to salary adjustments over the past year as well as in general and administrative expenses which increased due to volume related expenses and higher amounts for capital taxes and consulting and professional fees.

Income Taxes

The Corporation's statutory federal and provincial income tax rate is approximately 31% compared to 32% last year with the difference due to a rate change substantively enacted during the first quarter. The Corporation's effective rate is impacted by non-taxable dividend income earned on preferred shares in its securities portfolio and the tax benefit on operating losses in the parent company not being recorded for accounting purposes. These items resulted in an effective tax rate of 5% for the quarter and an income tax recovery of \$73,000 compared to an effective tax rate of 29% and an income tax recovery of \$1.1 million last year.

At January 31, 2010, the Corporation had a future income tax asset of \$10.3 million which is primarily a result of income tax losses from previous periods in the Bank, the benefit of which was recorded at the time. This amount compares to \$11.6 million a year ago with the decrease 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 and the impact of the general provision for credit losses recorded in 2009. The income tax loss carryforwards in the Bank are not scheduled to begin expiring until 2027 if unutilized.

The income tax losses in the Bank giving rise to the future income tax asset were caused primarily by declines in the market value of preferred shares, being primarily those of Canadian banks and insurance companies and operating losses of the Bank. 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 generating income from operations 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. At January 31, 2010, these preferred shares traded at a value approximately \$12.6 million below their amortized cost, improving from a value of \$16.4 million below their amortized cost at October 31, 2009 and a value of \$27.3 million below their amortized cost at January 31, 2009, reflecting improvements in market conditions in the financial services industry and in the global economy.

Balance Sheet

Total assets at January 31, 2010, were \$1.45 billion compared to \$1.47 billion a year ago and \$1.41 billion at the end of the previous quarter. Mortgages and loans were \$945 million at January 31, 2010 compared to \$1.1 billion a year ago and \$930 million at October 31, 2009. The decrease in mortgages and loans from a year ago was due primarily to the sale of insured mortgages during 2009, however the decrease was partially offset by an increase in cash and securities which increased to \$475 million from \$325 million a year ago. The Corporation continues to maintain its focus on low risk lending and investing opportunities and does not have any direct exposure to the subprime lending market or to asset-backed commercial paper.

Cash and Securities

Cash and securities, which are held for liquidity management purposes and to earn investment income, totalled \$475 million compared to \$325 million a year ago with the increase due to a higher level of liquidity maintained as a result of market conditions. Securities typically consist of Government of Canada and Canadian provincial bonds and corporate debt and preferred shares. Recently, the Corporation redeployed 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 holdings of corporate bonds will result in an overall increase in net interest income and spread in the coming months. As noted above, the Corporation does not own any asset-backed commercial paper and therefore is not exposed to any direct losses from this type of security as a result of market instabilities.

At January 31, 2010, the net unrealized loss in our securities portfolio was \$13.6 million compared to a net unrealized loss of \$27.7 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 a year ago is related primarily to increases in the market value of the Corporation's holdings of preferred shares of major Canadian banks and insurance companies. The fair values of securities held in our treasury portfolio, with the exception of a collateralized debt obligation whose value is based on an external model as discussed in Note 2 to the interim financial statements, are based on market values as all of the 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 January 31, 2010, traded at a value approximately \$12.6 million below their amortized cost compared to \$16.4 million below their amortized cost at October 31, 2009 and \$27.3 million below their 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 them 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 totalled \$945 million at January 31, 2010 compared to \$1.1 billion a year ago with the decrease being primarily in insured residential mortgages, partially offset by increases in high quality commercial mortgages. As noted previously, 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 first quarter totalled \$94 million compared to \$193 million last year and loan repayments for the quarter totalled \$74 million compared to \$188 million last year. New lending and loan repayments a year ago include mortgage pools purchased and sold in the period. As a result of economic conditions over the past year, the Corporation has seen a slowdown in new lending related to its residential construction portfolio in the geographic areas in which the Corporation operates. However, as noted previously and as evidenced by the increase in the quarter in loan fee income compared to a year ago, the Corporation is now seeing increases in the demand for financing in 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 \$6.7 million or 0.46% of total assets compared to \$7.8 million or 0.53% of total assets a year ago and \$6.4 million and 0.45% at October 31, 2009. Impaired loans at January 31, 2010 consist primarily of loans totalling \$3.5 million to individuals who invested in provincially sponsored immigrant investor funds.

Provisions for credit losses for the first quarter totalled \$34,000 compared to \$110,000 a year ago. At January 31, 2010, the Corporation's general allowance totalled \$8.4 million and at this level the Corporation is of the view that any credit losses which exist in its loan portfolio but cannot be specifically identified at this time are adequately provided for.

Other Assets

Other assets totalled \$28.0 million at the end of the first quarter compared to \$31.8 million a year ago. Included in other assets is the future income tax asset of the Bank totalling \$10.3 million, and the Corporation's investment in Discovery Air Inc. (DA) which is accounted for as an available-for-sale asset and carried at market value. At January 31, 2010, the investment in DA had a carrying value of \$2.0 million compared to \$2.6 million a year ago. Other items classified in other assets include capital assets and prepaid expenses.

Deposits and Other Liabilities

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 first quarter were \$1.3 billion, similar to the amount a year ago, and consist primarily of guaranteed investment certificates. Of these amounts, \$46.3 million or approximately 3.7% of total deposits at the end of the quarter were in the form of demand deposits compared to \$31.4 million or approximately 2.3% 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 short term 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 first quarter, the Corporation had approximately \$20 million outstanding related to securities sold under repurchase agreements compared to \$nil a year ago. This amount is included in other liabilities on the Consolidated Balance Sheet.

Notes Payable

Notes payable, net of issue costs, totalled \$78.1 million at January 31, 2010 compared to \$73.3 million a year ago with the increase due to new notes issued over the past year, partially offset by notes converted into Class B Preferred Shares. Excluding issue costs, notes payable consist of Series C Notes totalling \$55.3 million maturing in 2018, Series A Notes totalling \$2.6 million maturing in 2010 and short term notes totalling \$5.2 million maturing in 2010. Notes payable bear interest at rates ranging from 7.0% to 9.25% per annum. In addition, the Corporation has outstanding subordinated notes payable totalling \$21.5 million issued by the Bank to a third party. These subordinated notes bear interest at 11%, are callable by the Bank, and mature in 2019.

Preferred Share Liabilities

At January 31, 2010 the Corporation had 1,781,058 Class B Preferred Shares outstanding with a total value of \$41.7 million less issue costs of \$2.8 million. As these Class B Preferred Shares carry certain redemption features and are convertible into common shares of the Corporation, an amount of \$37.7 million, net of issue costs, representing the fair value of the Corporation's obligation to make future payments of principal and interest, and being the most easily measured component, has been classified on the Corporation's Consolidated Balance Sheet as a preferred share liability. In addition, an amount of \$4.0 million, representing the equity element of the Class B Preferred Shares, net of issue costs, has been included in shareholders' equity on the Corporation's Consolidated Balance Sheet.

As the Class B Preferred Shares can be redeemed by the Corporation in 2019 for approximately \$44.5 million, the preferred share liability amount of \$37.7 million will be increased over the remaining term to redemption, until the liability amount is equal to the estimated redemption amount with the increase included in interest expense in the Consolidated Statement of Operations calculated using an effective interest rate of 11.8%.

Liquidity

At January 31, 2010, Pacific & Western Credit Corp., on a non-consolidated basis, has sufficient funds on hand to meet its cash obligations due in the coming year. These obligations relate primarily to notes coming due in 2010, payments of interest on notes payable and the expected cash portion of dividends on outstanding Class B Preferred Shares. The funding for the obligations beyond 2010 is expected to come primarily from the sale of additional Class B Preferred Shares and from the Bank.

Shareholders' Equity

At January 31, 2010 shareholders' equity was \$20.2 million compared to \$16.7 million a year ago and \$17.5 million at October 31, 2009 with the increase due primarily to the change in Accumulated Other Comprehensive Income (Loss) and increases in the equity component of the Class B Preferred Shares partially offset by the net loss incurred in the periods. At January 31, 2010, Accumulated Other Comprehensive Income (Loss) was (\$13.8 million) compared to (\$23.6 million) a year ago and (\$16.3 million) at October 31, 2009 with the changes due to improvements in the market value of preferred shares owned by the Corporation in its securities portfolio.

Common shares outstanding at January 31, 2010 totalled 13,812,253 compared to 13,642,542 a year ago and 13,680,412 at October 31, 2009 with the changes due to common shares issued as part of the dividends on the Class B Preferred Shares. Outstanding common share options totalled 932,033 at the end of the quarter compared to 900,034 a year ago and 859,033 at October 31, 2009 with the changes due to additional common share options granted in the quarter and common share options which expired during 2009. Our book value per common share at the end of the quarter was \$1.09 compared to \$0.96 a year ago.

At January 31, 2010, there were 314,572 Class A Preferred Shares outstanding compared to 1,142,556 a year ago and 314,572 at October 31, 2009 with the change from a year ago due to Class A Preferred Shares converted to Class B Preferred Shares. At January 31, 2010, there were 1,781,058 Class B Preferred Shares outstanding compared to 1,326,558 outstanding at October 31, 2009 with the increase due to 454,500 Class B Preferred Shares issued in the quarter.

Updated Share Information

As at March 3, 2010, there were no changes in the number of outstanding common shares, common share options or Class A Preferred Shares since January 31, 2010. As noted below, the number of Class B Preferred Shares outstanding at March 3, 2010 increased to 1,861,058 as a result of a private placement.

Subsequent Event

Subsequent to January 31, 2010, the Corporation closed a private placement of 80,000 Class B Preferred Shares for net proceeds of \$1.9 million. The proceeds will be used for working capital purposes and to increase regulatory capital in the Corporation's bank subsidiary.

Capital Management

Total regulatory capital in the Corporation's principal subsidiary, the Bank, was \$131.4 million at the end of the quarter compared to \$93.6 million a year ago and \$128.6 million at October 31, 2009 with the changes due primarily to increases in the market value of preferred shares of Canadian banks and insurance companies which the Bank holds in its securities portfolio and the issuance of subordinated notes and common share capital of the Bank during 2009, partially offset by operating results of the Bank during the periods. 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 14.28% at the end of the quarter compared to 10.54% a year ago and 13.84% at October 31, 2009. The Bank's Tier 1 risk-based capital ratio, which is the ratio of Tier 1 capital to risk-weighted assets, was 9.77% at the end of the quarter compared to 8.30% a year ago and 9.38% at October 31, 2009. The Bank's assets-to-capital ratio was 11.18 at the end of the quarter compared to 15.98 a year ago and 11.20 at October 31, 2009.

See note 9 to the interim consolidated financial statements for more information regarding capital management.

Summary of Quarterly Results

(thousands of dollars except per share amounts)	2010			2009			2008		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Results of operations:									
Total interest income									
per financial statements	\$ 17,047	\$ 21,783	\$ 19,476	\$ 19,338	\$ 18,401	\$ 17,702	\$ 16,022	\$ 18,105	
Teb adjustment	651	667	621	701	745	675	679	659	
Total interest income	17,698	22,450	20,097	20,039	19,146	18,377	16,701	18,764	
Yield on assets (%)	4.91%	5.87%	4.97%	5.38%	5.09%	5.01%	4.79%	5.39%	
Interest expense	14,244	17,698	19,877	18,560	18,013	16,587	15,078	15,820	
Cost of funds (%)	3.95%	4.63%	4.92%	4.98%	4.79%	4.52%	4.33%	4.54%	
Net interest income	3,454	4,752	220	1,479	1,133	1,790	1,623	2,944	
Net interest margin (%)	0.96%	1.24%	0.05%	0.40%	0.30%	0.49%	0.46%	0.85%	
Provision for credit losses	34	3,183	148	8	110	2,502	242	64	
Impairment writedowns	-	-	-	-	-	(11,341)	(3,703)	-	
Other income (charges)	29	1,887	507	(275)	(670)	129	139	130	
Total revenue	3,449	3,456	579	1,196	353	(11,924)	(2,183)	3,010	
Non-interest expenses	4,211	4,405	3,816	3,328	3,418	3,280	3,523	3,441	
Income (loss) before income taxes	(762)	(949)	(3,237)	(2,132)	(3,065)	(15,204)	(5,706)	(431)	
Income tax provision (recovery)	578	1,108	(268)	47	(375)	605	(1,491)	170	
Net income (loss)	\$ (1,340)	\$ (2,057)	\$ (2,969)	\$ (2,179)	\$ (2,690)	\$ (15,809)	\$ (4,215)	\$ (601)	
Earnings (loss) per share									
-basic	\$ (0.10)	\$ (0.15)	\$ (0.22)	\$ (0.16)	\$ (0.20)	\$ (1.16)	\$ (0.31)	\$ (0.05)	
-diluted	\$ (0.10)	\$ (0.15)	\$ (0.22)	\$ (0.16)	\$ (0.20)	\$ (1.16)	\$ (0.31)	\$ (0.05)	

The financial results for each of the last eight quarters are summarized above. Total interest income decreased in the first quarter of 2010 compared to previous quarters in 2009 as the Corporation had increased levels of income from loans and securities in those quarters as a result of securities and insured mortgages being sold for liquidity purposes resulting in gains being realized. The cost of funds decreased in the first quarter of 2010 compared to previous quarters as a result of a decrease in interest expense on deposits when high interest rate deposits booked in the previous year matured and were replaced by deposits with lower interest rates.

The provision for credit losses increased during the fourth quarter of 2009 primarily as a result of an increase of \$3.1 million in the general allowance for credit losses resulting from the Corporation's review of its assumptions and methodology for estimating its level of general allowances.

Other income (charges) during the past year included mark-to-market adjustments on interest rate swap contracts entered into for interest rate risk management purposes. These amounts were positive adjustments in the third and fourth quarters of 2009 as a result of changes in interest rates on bankers' acceptances on which the interest on swap agreements are based and the impact of interest rate contracts unwound during the periods. In addition, other income (charges) in the fourth quarter of 2009 included a gain of \$626,000 being recorded on real estate held for sale.

Non-interest expenses in the first quarter of 2010 were consistent with previous quarters and increased from a year ago primarily in the categories of salaries and benefits and general and administrative expenses. Salaries and benefits increased over last year as a result of annual salary adjustments. General and administrative expenses increased from a year ago due to volume related expenses and higher amounts for capital taxes, consulting and professional fees.

The provision (recovery) for income taxes increased in the fourth quarter of 2009 due primarily to a negative adjustment of \$606,000 related to the future income tax asset of the Bank. The provision (recovery) for income taxes is reflective of the Corporation's statutory income tax rate of 31%, 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 58 to 61 of the Corporation's 2009 Annual Report.

Future Change in Accounting Policies International Financial Reporting Standards

The Canadian Institute of Chartered Accountants has announced that public companies will be required to transition from Canadian Generally Accepted Accounting Principles (GAAP) to International Financial Accounting Standards (IFRS). For the Corporation, this will take place with its fiscal period commencing November 1, 2011. This transition date will require the restatement for comparative purposes of amounts reported by the Corporation for the interim periods and for the year ending October 31, 2011.

The Corporation continues its process of transition from current Canadian GAAP to IFRS. It has a project team assigned to plan for and achieve a smooth transition to IFRS. Regular process reporting to the Audit Committee of the Board of Directors on the status of the IFRS implementation continues to take place. The Corporation also provides frequent updates of its IFRS implementation status to its external auditors and to OSFI.

The implementation project consists of three phases which include: research, diagnostic and planning phase; impact analysis, evaluation and design phase; and implementation, training and review phase. The Corporation has completed the research, diagnostic and planning phase, including the establishment of a detailed timetable with benchmarks, and has completed several aspects of the impact analysis, evaluation and design phase. The Corporation expects to complete the impact analysis, evaluation and design phase by the end of fiscal 2010. The results thus far of the Corporation's analysis of IFRS and comparison with Canadian GAAP have identified several differences. However the differences identified thus far are not expected to have a material impact on the reporting results and financial position of the Corporation.

As the Corporation prepares for its transition, it continues to monitor ongoing changes to IFRS and adjust its transition and implementation plans accordingly. The Corporation's transition remains in line with its implementation schedule and is on track to meet the timelines essential to changeover.

Risk Management

The risk management policies and procedures of the Corporation are provided in its annual MD&A for the year ended October 31, 2009, and are found on pages 40 to 43 of the Corporation's 2009 Annual Report.

Controls and Procedures

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

Dated: March 3, 2010

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 pages 43 and 44 of our 2009 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)

	<u>January 31</u> <u>2010</u> (unaudited)	<u>October 31</u> <u>2009</u>	<u>January 31</u> <u>2009</u> (unaudited)
Assets			
Cash resources	\$ 200,933	\$ 172,297	\$ 199,324
Securities	274,167	275,847	125,797
Mortgages and loans	945,300	929,831	1,115,534
Other assets	27,996	33,750	31,791
	<u>\$ 1,448,396</u>	<u>\$ 1,411,725</u>	<u>\$ 1,472,446</u>
Liabilities and Shareholders' Equity			
Deposits	\$ 1,264,132	\$ 1,217,136	\$ 1,337,265
Notes payable	78,072	77,933	73,345
Other liabilities	48,390	71,293	45,139
	<u>1,390,594</u>	<u>1,366,362</u>	<u>1,455,749</u>
Preferred share liabilities	37,649	27,892	-
Shareholders' equity			
Share capital	41,768	40,226	39,425
Retained earnings (deficit)	(7,860)	(6,454)	866
Accumulated other comprehensive income (loss)	(13,755)	(16,301)	(23,594)
	<u>20,153</u>	<u>17,471</u>	<u>16,697</u>
	<u>\$ 1,448,396</u>	<u>\$ 1,411,725</u>	<u>\$ 1,472,446</u>

PACIFIC & WESTERN CREDIT CORP.**Consolidated Statement of Operations**

(thousands of dollars)

	<i>for the three months ended</i>	
	January 31	January 31
	2010	2009
	(unaudited)	(unaudited)
Interest income		
Interest income on loans	\$ 11,099	\$ 15,118
Interest and income from securities	4,696	2,706
Loan fee income	1,252	577
	<u>17,047</u>	<u>18,401</u>
Interest expense		
Deposits and other	11,163	16,333
Notes payable	2,156	1,680
Preferred share liabilities	925	-
	<u>14,244</u>	<u>18,013</u>
Net interest income	2,803	388
Provision for credit losses	34	110
Net interest income after provision for credit losses	2,769	278
Other income (charges)	29	(670)
	<u>2,798</u>	<u>(392)</u>
Non-interest expenses		
Salaries and benefits	1,856	1,656
General and administrative	1,857	1,231
Premises and equipment	498	531
	<u>4,211</u>	<u>3,418</u>
Loss before income taxes	(1,413)	(3,810)
Income tax recovery	(73)	(1,120)
Net loss	<u>\$ (1,340)</u>	<u>\$ (2,690)</u>
Basic loss per share	<u><u>\$ (0.10)</u></u>	<u><u>\$ (0.20)</u></u>
Diluted loss per share	<u><u>\$ (0.10)</u></u>	<u><u>\$ (0.20)</u></u>
Weighted average number of common shares	<u><u>13,725,000</u></u>	<u><u>13,642,000</u></u>

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

(thousands of dollars)

	<i>for the three months ended</i>	
	January 31	January 31
	2010	2009
	(unaudited)	(unaudited)
Total net loss	\$ (1,340)	\$ (2,690)
Other comprehensive income (loss), net of tax:		
Net unrealized gains (losses) on assets held as available-for-sale (1)	3,407	(4,874)
Amount transferred to net loss for available-for-sale assets (2)	(861)	332
Total other comprehensive income (loss)	<u>2,546</u>	<u>(4,542)</u>
Total comprehensive income (loss)	<u>\$ 1,206</u>	<u>\$ (7,232)</u>

(1) Net of income tax benefit (expense) for the three months of \$(1,391) (2009-\$1,622)

(2) Net of income tax benefit (expense) for the three months of \$349 (2009-(\$138))

PACIFIC & WESTERN CREDIT CORP.**Consolidated Statement of Changes in Shareholders' Equity**
(thousands of dollars)

	<i>for the three months ended</i>	
	January 31	January 31
	2010	2009
	(unaudited)	(unaudited)
Common shares		
Balance, beginning of period	\$ 35,817	\$ 35,663
Issued on payment of Class B preferred share dividend	471	-
Balance, end of period	<u>\$ 36,288</u>	<u>\$ 35,663</u>
Class A preferred shares		
Balance, beginning and end of period	<u>\$ 1,061</u>	<u>\$ 3,545</u>
Class B preferred shares		
Balance, beginning of period	\$ 3,022	\$ -
Shares issued, net of costs	1,016	-
Balance, end of period	<u>\$ 4,038</u>	<u>\$ -</u>
Contributed surplus		
Balance, beginning of period	\$ 326	\$ 179
Fair value of stock option transactions (note 6)	55	38
Balance, end of period	<u>\$ 381</u>	<u>\$ 217</u>
Retained earnings (deficit)		
Balance, beginning of period	\$ (6,454)	\$ 3,796
Net loss	(1,340)	(2,690)
Dividends on preferred shares	(66)	(240)
Balance, end of period	<u>\$ (7,860)</u>	<u>\$ 866</u>
Accumulated other comprehensive income (loss), net of taxes		
Balance, beginning of period	\$ (16,301)	\$ (19,052)
Other comprehensive income (loss)	2,546	(4,542)
Balance, end of period	<u>\$ (13,755)</u>	<u>\$ (23,594)</u>
Total shareholders' equity	<u><u>\$ 20,153</u></u>	<u><u>\$ 16,697</u></u>

PACIFIC & WESTERN CREDIT CORP.**Consolidated Statement of Cash Flows**

(thousands of dollars)

<i>for the three months ended</i>	
January 31	January 31
2010	2009
(unaudited)	(unaudited)

Cash provided by (used in):**Operations:**

Net loss	\$	(1,340)	\$	(2,690)
Items not involving cash:				
Provision for credit losses		34		110
Stock-based compensation (note 6)		55		38
Future income tax recovery		(73)		(1,120)
Gain on sale of available-for-sale securities		(1,668)		(171)
Change in derivative financial instruments		-		703
Interest expense on preferred share liabilities		471		-
Change in other assets and liabilities		9,633		(1,908)
		<u>7,112</u>		<u>(5,038)</u>

Investing:

Purchase of securities		(274,260)		(254,651)
Proceeds from sale and maturity of securities		281,828		286,898
Mortgages and loans		(17,247)		13,774
		<u>(9,679)</u>		<u>46,021</u>

Financing:

Deposits		46,996		(52,190)
Notes payable		-		2,940
Preferred share liabilities		10,687		-
Short term financings		(26,414)		-
Dividends paid		(66)		(240)
		<u>31,203</u>		<u>(49,490)</u>

Increase (decrease) in cash resources 28,636 (8,507)

Cash resources, beginning of period 172,297 207,831Cash resources, end of period \$ 200,933 \$ 199,324

Supplementary cash flow information:

Interest paid during the period	\$	12,243	\$	12,571
Income taxes paid during the period	\$	-	\$	-

PACIFIC & WESTERN CREDIT CORP.

Notes to the interim consolidated financial statements (unaudited)

For the three months ended January 31, 2010

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, 2009, 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, 2009.

The risk management policies and procedures of the Corporation relating to credit, liquidity, and market risk are included on pages 40 - 43 in the 2009 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 securities at January 31, 2010 is an investment in a collateral debt obligation (CDO) which has an amortized cost of \$6.2 million (January 31, 2009 - \$5.5 million) and a value, based on an external valuation model, of \$635,000 (January 31, 2009 - \$571,000). The model incorporates observable market parameters which include observable interest rates, credit spreads and loss expectations. The CDO has a face value of \$10,000,000, bears interest at 2.78%, is secured by corporate credits and does not have any direct residential sub-prime exposure. It currently has a rating of CCC- and continues to make scheduled interest payments.

3. Allowance for credit losses

	<i>for the three months ended</i>			<i>for the three months ended</i>		
	January 31, 2010			January 31, 2009		
(thousands of dollars)	General allowance	Specific allowance	Total allowance	General allowance	Specific allowance	Total allowance
Balance, beginning of the period	\$ 8,401	\$ 1,133	\$ 9,534	\$ 5,212	\$ 830	\$ 6,042
Provision for credit losses		34	34	(45)	155	110
Recoveries (write-offs)	-	(8)	(8)	-	-	-
Balance, end of period	\$ 8,401	\$ 1,159	\$ 9,560	\$ 5,167	\$ 985	\$ 6,152

Gross impaired loans at January 31, 2010 totalled \$6,701,000 (January 31, 2009 - \$7,787,000). Loans past due but not impaired at January 31, 2010 totalled \$359,000 (January 31, 2009 - \$789,000). Loans are secured primarily by collateral mortgages against real estate with respect to real estate lending and specific charges against equipment being financed for other lending activities.

4. Notes payable

At January 31, 2010 notes payable, excluding issue costs, consist of Series C Notes totalling \$55.3 million which mature in 2018, Series A Notes totalling \$2.6 million which mature in 2010 and short term notes totalling \$5.2 million which mature in 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%, are callable by the Bank and mature in 2019.

5. Preferred share liabilities

At January 31, 2010 the Corporation had 1,781,058 Class B Preferred Shares outstanding with a total value of \$41.7 million less issue costs of \$2.7 million. As these Class B Preferred Shares carry certain redemption features and are convertible into common shares of the Corporation, an amount of \$37.7 million, net of issue costs, representing the fair value of the Corporation's obligation to make future payments of principal and interest, and being the most easily measured component, has been classified on the Corporation's Consolidated Balance Sheet as a Preferred Share Liability. In addition, an amount of \$4.0 million, representing the equity element of the Class B Preferred Shares, net of issue costs, has been included in Shareholders' Equity on the Corporation's Consolidated Balance Sheet.

As the Class B Preferred Shares can be redeemed by the Corporation in 2019 for approximately \$44.5 million, the preferred share liability amount of \$37.7 million will be increased over the remaining term to redemption, until the liability amount is equal to the estimated redemption amount with the increase included in interest expense in the Consolidated Statement of Operations calculated using an effective interest rate of 11.8%.

6. Shareholders' equity

i. Share capital and contributed surplus:

	Common shares outstanding	Employee Stock Options	
		Number	Weighted- average exercise price
Outstanding, October 31, 2009	13,680,412	859,033	\$ 8.69
Granted	-	80,000	4.56
Issued pursuant to Class B Preferred Share dividend	131,841	-	-
Expired	-	(7,000)	16.00
Outstanding, end of period	13,812,253	932,033	\$ 8.28

In addition, at January 31, 2010, there were 314,572 (2009-1,142,556) Class A Preferred Shares outstanding and 1,781,058 Class B Preferred Shares outstanding.

During the period ended January 31, 2010, the Corporation recognized \$55,000 (2009-\$38,000) 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 2.31% (2009-2.41%), (ii) expected option life of 5 years (2009-5 years), (iii) expected volatility of 45% (2009-45%), and (iv) expected forfeiture rate of 5% (2009-5%). The weighted average fair value of options granted was estimated at \$1.38 (2009-\$1.26) per share.

ii. Accumulated other comprehensive income (loss):

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

(thousands of dollars)	January 31 2010	January 31 2009
Net unrealized losses on assets held as available-for-sale	\$ (13,755)	\$ (23,594)
Balance, end of period	\$ (13,755)	\$ (23,594)

Net of income tax benefit of \$5,077,000 (2009 - \$9,887,000).

7. Derivative instruments

At January 31, 2010, the Corporation had outstanding contracts for asset liability management purposes to swap between floating and fixed interest rates with notional amounts totalling \$277,626,000 (2009 - \$322,408,000). 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 \$876,000 (2009 - \$nil), a credit equivalent amount of \$3,736,000 (2009 - \$3,404,000) and a risk-weight of \$747,000 (2009 - \$681,000). As required under the accounting standard relating to hedges, at January 31, 2010, \$17,700,000 (2009 - \$40,746,000) 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.

8. 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	\$	88,674
Letters of credit		30,773
	\$	<u>119,447</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:

(thousands of dollars)	January 31 2010	January 31 2009
Collateral related to derivative contracts	\$ 15,312	\$ 38,281
Collateral related to letters of credit	2,936	2,947
Obligations related to securities sold under repurchase agreements	20,164	-
	<u>\$ 38,412</u>	<u>\$ 41,228</u>

9. Capital Management

i. 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 unrealized gains (losses) on available-for-sale equity securities (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.

ii. Assets-to-Capital Multiple:

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

(thousands of dollars)	January 31 2010	January 31 2009
Total assets (on and off-balance sheet)	\$ 1,469,051	\$ 1,504,235
Capital		
Common shares	\$ 95,365	\$ 87,365
Retained earnings	5,264	7,016
Unrealized loss on available-for-sale equity securities	(10,733)	(20,275)
Subordinated debentures	41,500	20,000
Total regulatory capital	\$ 131,396	\$ 94,106
Assets-to-capital ratio	11.18	15.98

iii. 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%. The guidelines also require the inclusion of an explicit capital charge for operational risk in determining the amount of risk-weighted assets.

The Bank's risk-based capital ratios are as follows:

(thousands of dollars)	January 31 2010		January 31 2009	
	Notional/ Drawn Amount	Risk Weighted Balance	Notional/ Drawn Amount	Risk Weighted Balance
Balance sheet assets	\$ 1,438,278	\$ 849,451	\$ 1,472,880	\$ 812,332
Off-balance sheet assets		54,039	486,474	43,570
Charge for operational risk		16,714		36,694
Total risk-weighted assets		\$ 920,204		\$ 892,596
Regulatory capital		131,396		94,106
Total risk-based capital ratio		14.28%		10.54%
Tier 1 risk-based capital ratio		9.77%		8.30%

10. Interest Rate Position

The Corporation is subject to interest rate risk which is the risk that a movement in interest rates could negatively impact spread, net interest income and the economic value of assets, liabilities and shareholders' equity. The following table provides the duration difference between the Bank's assets and liabilities and the potential after-tax impact of a 100 basis point shift in interest rates on the Bank's earnings during a 12 month period and the potential impact after-tax impact of a 100 basis point shift in interest rates on the Bank's shareholder's equity over a 60 month period.

	January 31 2010		January 31 2009	
	Increase 100 bps	Decrease 100 bps	Increase 100 bps	Decrease 100 bps
(thousands of dollars)				
Maximum interest exposure during a 12 month period	\$ 1,895	n/m	\$ 2,254	\$ (2,275)
Maximum interest exposure during a 60 month period	\$ 1,451	n/m	\$ 1,391	\$ (1,321)
Duration difference between assets and liabilities (months)	1.4		4.9	
n/m - not meaningful				

11. Subsidiary company information:

The following table presents summary financial information of the Bank:

	January 31 2010	January 31 2009
	(thousands of dollars)	
Cash resources	\$ 189,525	\$ 198,762
Securities	274,167	125,797
Mortgages and loans	945,300	1,115,533
Other assets	29,770	32,788
	<u>\$ 1,438,762</u>	<u>\$ 1,472,880</u>
Deposits	\$ 1,264,132	\$ 1,337,265
Subordinated notes payable	39,976	19,969
Other liabilities	47,780	44,859
	<u>1,351,888</u>	<u>1,402,093</u>
Share capital	95,365	87,365
Retained earnings	5,264	7,016
Accumulated other comprehensive income (loss)	(13,755)	(23,594)
Shareholders equity	<u>86,874</u>	<u>70,787</u>
	<u>\$ 1,438,762</u>	<u>\$ 1,472,880</u>
	<i>for the three months ended</i>	
	January 31 2010	January 31 2009
(thousands of dollars)		
Interest income	\$ 17,043	\$ 18,395
Interest expense	12,343	16,842
Net interest income	<u>4,700</u>	<u>1,553</u>
Provision for credit losses	26	110
Net interest income after provision for credit losses	4,674	1,443
Other income (charges)	29	(670)
Net interest income and other income (charges)	<u>4,703</u>	<u>773</u>
Non-interest expenses	<u>4,100</u>	<u>3,390</u>
Income (loss) before income taxes	603	(2,617)
Income taxes	(73)	(1,120)
Net income (loss)	<u>\$ 676</u>	<u>\$ (1,497)</u>

12. Subsequent event

Subsequent to January 31, 2010, the Corporation closed a private placement for 80,000 Class B Preferred Shares for net proceeds of \$1.9 million. The proceeds will be used for working capital purposes and to increase regulatory capital in the Corporation's bank subsidiary.

13. 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

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

Robbert-Jan Brabander, B.Sc. , M.Sc. (Economics)
Director - Pacific & Western Bank of Canada
Former Chief Financial Officer, General Motors of Canada

David A. Bratton, B.A.(Hons.), M.B.A., CHRP, FCMC
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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.
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David R. Taylor, B.Sc. (Hons.), M.B.A., F.I.C.B.
Director - Pacific & Western Bank of Canada
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President and Chief Executive Officer, Pacific & Western Bank
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Senior Vice President Treasury,
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Ross P. Duggan
Senior Vice President, Lending
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and Pacific & Western Credit Corp.

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Vice President, Corporate Development &
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Brian Conley
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Barbara E.M. Hale, LL.B.
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General Counsel & Corporate Secretary
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Toronto Stock Exchange
Trading Symbol: PWC

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