

Q2 2009 Highlights–Chairman’s Remarks and Strategic Outlook Commentary by Gordon J. Reykdal, January 29, 2009

Introduction

Originally founded as Rentcash Inc. in 2001, Cash Store Financial operates under two banners: The Cash Store and Instaloans. These are two of the strongest branded chains in the industry. We operate 415 branches in nine provinces and two territories and employ 1,600 associates nation wide.

Our primary offering is to serve as brokers to facilitate payday advance services to income-earning consumers. In addition to brokering small, short-term loans, we offer financial product insurance, cheque cashing products, revolving lines of credit, term loans, telephone reconnect services and injury advances.

Cash Store Financial is the only payday advance broker in Canada publicly-traded on the Toronto Stock Exchange. Our strategic objective is to establish The Cash Store and Instaloans as the alternative financial services provider of choice by offering a wide range of products, a high level of customer service and convenient hours of operation.

Key Priorities

Our current strategic priorities are to maintain our dominant market position through:

- Continued aggressive expansion of our branch network;
- Senior management involvement in branch operations;
- Developing a motivated, knowledgeable team of associates dedicated to serving our customers;
- Product innovation; and,
- Working closely with governments to secure a stable regulatory environment.

From a financial perspective our objectives are to:

- Maximize shareholder value by growing our earnings per share;
- Maintain a strong balance sheet and control costs; and, to improve branch profitability at all maturity levels.

With respect to the recent economic downturn, the Company has not experienced any significant negative impacts. Our ability to service our customers’ needs remains well intact. Our cash position remains consistent and we have no debt. We will continue to closely monitor our Company’s performance in relation to both industry trends and economic conditions. Current liquidity restrictions in Canada’s capital markets have had no impact on the accessibility of funds for our customers.

Industry Regulation

Many provinces are currently working through a process to establish consumer protection measures for the payday loan industry. In some cases these measures include the possibility of establishing maximum charges that may be levied in respect of a payday loan.

The Provinces of British Columbia, Saskatchewan, Ontario and New Brunswick have passed legislation that allows for the setting of maximum rates, although these rates have not yet been established. The Nova Scotia Utility and Review Board has issued an Order setting the maximum cost of borrowing for a payday loan at \$31 per \$100 lent. This Order is not yet in force.

On January 2, 2009, the Manitoba Court of Appeal granted a Leave to Appeal a rate structure established by the Manitoba Public Utilities Board. When the appeal process will conclude or what the outcome will be is not yet known.

It has been our belief from the outset that regulation is a good thing for this industry. It will provide a needed level of regulatory certainty and it will improve overall protection for consumers.

In this regard, we were one of the first companies to stop providing rollovers and we have tried to leverage this leadership role in encouraging governments to move forward with new rules that are fair to both business and consumers.

Our objective has been to secure our market dominance before regulation, so we can quickly capitalize on our market presence, after regulation. At this stage, with the exception of Nova Scotia, it remains difficult for us to specify what, if any, limits might be set in each province, due to incomplete public consultation processes that are either underway or have yet to begin.

Class Action Lawsuit

On December 5, 2008, the Company announced that, pursuant to Court approval, it has settled a class action lawsuit commenced in Ontario in 2004 concerning brokerage fees and interest charged to customers of The Cash Store and Instalozans. The settlement applies to all provinces except BC and Alberta. The settlement does not constitute an admission of liability by Cash Store Financial and contains a full and final release of all claims that have or could have been brought under this action unless class members have specifically opted out of the settlement.

In respect of this settlement, for the second quarter, the Company recorded a pre-tax charge of \$1.9 million. The Cash Store Financial Services Inc., The Cash Store and Instalozans, operate in compliance with all applicable federal and provincial laws.

Looking ahead

In closing, I will point out that from management's perspective, we have reached a new stage in our maturity as a business and we are now well-positioned to capitalize on both the physical and human capital that we have built over the past seven years. By providing service to Canadians in over 160 communities, we have established a base of satisfied consumers to whom we may offer a broadened range of financial services products. We are well-capitalized and well-positioned to fund future growth. We are also well-positioned to effectively manage any trend variances that may result from the current economic downturn.

For additional information or if you have any questions, please contact:

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