



Financial Convenience.  
Everyday People.



## Fiscal 2008 and Q1 2009 Highlights - Chairman's Remarks and Strategic Outlook Commentary by Gordon J. Reykdal, October 29, 2008

### 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 branch-chains in the industry.

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 revolving lines of credit, term loans, telephone reconnect services, injury advances, mortgages, financial product insurance and cheque cashing products.

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.

As evidenced in our results, we have reached a new stage of maturity in our development as a business. In 2008, through tenure awards for three and five years of service, we celebrated the long service of 212 associates.

At the branch manager and regional manager level, our retention is now very strong and we are benefitting from the knowledge that these experienced managers bring to our operations.

We also have reached a major milestone as we now have over 400 branches in operation. This is a great achievement for us when you stop to think that only seven years ago we had just one branch. Our growth has been built on great products and excellent service. We have entered a niche in which traditional banks have no interest. We offer financial convenience to everyday people. And there is a high demand for our products and services.

### Cash Store Financial in the Community

We launched our partnership with the Alberta Diabetes Foundation. The ADF is the fundraising body for the Alberta Diabetes Institute at the University of Alberta. Through its advancements in diabetes research, the Institute has established Canada's global reputation as a leader in the drive to cure diabetes. Over the next seven years, we will raise 7.5 million dollars for the ADF. We will do this by organizing 35 fun-runs across the country every year.

Diabetes is a leading cause of illness and death for millions of people. We are delighted to enter into this partnership to help towards finding a cure for diabetes.

### Key Priorities

Our current 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.

Our financial objectives are to:

- Maximize shareholder value by growing our earnings per share;
- Maintain a strong balance sheet;
- Control costs; and,
- Improve branch profitability for all maturity levels.

## Fiscal 2008

Fiscal 2008 was a strong year. Net income from continuing operations grew 44% to \$12.5 million from \$8.7 million the prior year. Revenue from continuing operations increased to \$130.8 million up 6.5% from \$123.6 million the prior year. Retention payments dropped 14% to \$20.1 million from \$23.4 million compared to last year. Diluted earnings per share from continuing operations were \$0.62, compared to \$0.42 in fiscal 2007. In fiscal 2008, we paid \$3.6 million in dividends to shareholders compared to nothing in fiscal 2007.

We also conducted a normal course issuer bid through which 1.8 million shares were taken out of circulation enabling all shareholders to further build their ownership in the Company. We initiated a new normal course issuer bid in Q1 2009, which is ongoing and nearing completion.

We added 26 branches, all of which were internally funded. Throughout the year we maintained a highly liquid position.

Beyond our financial performance, fiscal 2008 was a year of substantial developments that will enable senior management, on a go-forward basis, to strengthen its focus on its core competencies.

## Discontinued Operations

On November 28, 2007, the Company's shareholders approved a plan to spin-off the Company's rental operations and certain of its assets and liabilities to Insta-rent Inc., whose common shares were, upon the completion of this transaction, owned by the shareholders of the Company.

Cash Store Financial retained tax losses incurred in the furniture rental division prior to the spin-off transaction, which will enable the Company to realize approximately \$5 million in tax savings in fiscal 2008 and 2009. The spin-off transaction was completed on March 31, 2008.

## Results for Q1 2009

The first quarter of fiscal 2009 was also very strong. I am very pleased to report that it was the strongest quarter in our history. This applies to both revenue and earnings. We are now benefiting from our network of experienced managers who clearly understand the operational dynamics of the business.

### Highlights from Q1

- Net income of \$6.1 million, compared to \$3.0 million for the same quarter last year. An increase of 103%.
- Diluted earnings per share of \$0.31, compared to \$0.15 for the same quarter last year. An increase of 106%.
- Branch operating income of \$14.6 million, compared to \$9.4 million for the same quarter last year. An increase of 55%.
- Same branch sales up 10.8% to \$99,600 from \$89,900 for the same quarter last year.
- Retention payments down 26% to \$4.3 million, compared to \$5.8 million for the same quarter last year.
- Working capital increased 5% to \$17.5 million, compared to \$16.7 million at June 30, 2008.
- Cash increased 30% to \$20.3 million in the first quarter compared to \$15.6 million at June 30, 2008

## Industry Regulation

In the third quarter of fiscal 2008, the Company launched a successful bid before the Nova Scotia Utility and Review Board to secure a market-based approach to price caps for short-term consumer loans. Drawing significantly on a framework proposed by Cash Store Financial, this past July the Board issued an Order setting a cap on fees that is fully accommodative of our current pricing model. Accordingly, we will continue to operate in that province below the regulated cap. Nova Scotia's decision appears to be having some influence on other jurisdictions that are presently considering rate caps.

Not all jurisdictions have been as accommodating.

On April 4, 2008 the Public Utility Board ("PUB") in Manitoba issued an Order to establish maximum amounts that can be charged in respect of a payday loan. This cap was set at \$17 per \$100 lent. This rate is well below all current market pricing in that province. Although Cash Store Financial fully intends to maintain its presence in Manitoba and to operate profitably in doing so, we have sought a leave to appeal this Order before the Manitoba Court of Appeal.

### Industry Regulation (continued)

We have done so on the grounds that the rate cap is unduly punitive to the industry and that in attempting to “shape” the market in Manitoba, the PUB exceeded its legislated mandate. We are awaiting the outcome of this appeal application.

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. At this stage, it remains difficult for us to specify limits that provinces will set, due to incomplete public consultation processes that are either underway or have not yet begun.

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.

### Class Action Lawsuit

On April 21, 2008, Cash Store Financial reached a conditional settlement in respect of a class action law suit initiated in the province of Ontario. The presiding judge has requested additional materials in support of the settlement. We are confident that the settlement will be ratified soon. The settlement does not constitute any admission of liability by Cash Store Financial. We are and have always been fully compliant with all applicable federal and provincial regulations.

### Looking ahead

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.

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

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