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Everyday People.



Q2 2010 Highlights – Chairman’s Remarks and Strategic Outlook Commentary by Gordon J. Reykdal, January 28, 2010

Introduction

Cash Store Financial operates under two banners: The Cash Store and Instaloans. These are two of the strongest branded-chains in the industry. Our primary offering is to serve as brokers to facilitate short-term advances and other financial services to income-earning consumers.

In addition to brokering small, short-term loans we offer a private label debit card, pre-paid MasterCard, financial product insurance, cheque cashing products, Western Union money transfer services and term loans. Cash Store Financial is the only broker of short-term advances and other financial services in Canada publicly traded on the Toronto Stock Exchange.

Key Priorities

Our current strategic priorities are:

- Continued aggressive expansion into underserved communities;
- Expansion into international markets, including:
- Initial openings in the United Kingdom;
- An investment in The Cash Store Australia Holdings Inc. which currently owns and operates 42 branches in Australia; and,
- A 20% investment in RTF Financial Holdings Inc. which is in the business of micro-sized short-term lending by utilizing highly automated mobile technology (SMS text message lending) currently in Finland and Sweden and plans to expand into other European countries.
- Providing superior service and complementary products with an emphasis on further diversification of our revenue stream;
- Continued focus on improving BOI margins for all our branches;
- Developing a motivated, knowledgeable team of associates dedicated to serving our customers; and,
- Providing strong leadership through in-the-field hands-on involvement of senior management.

Our financial priorities are:

- Maximizing shareholder value by growing our earnings per share;
- Utilizing our strong balance sheet to capitalize on regulatory changes as they occur, namely through reducing our cost of capital in regulated provinces;
- Controlling costs through a strong focus on operational excellence; and,
- Accelerating profitability for our newer branches through improved location selection and database marketing.

The second quarter was notable for the achievement of record revenue levels, record branch operating income and a 39% increase in diluted earnings per share relative to the same period last year.

Our performance for the six month period ending December 31, 2009, was also very strong. Our continued robust performance reflects our strong belief that there remains significant untapped demand for our services in the Canadian market. We have been aggressively expanding our operations to meet this demand. In the second quarter we increased our network by 18 branches. 54 branches were opened over the past year. We will continue to grow at a rate of 18 to 20 branches per quarter through fiscal 2010 and into fiscal 2011.

Currently, we operate over 470 branches in nine provinces and two territories in over 200 different cities and towns. We hold over 30 percent of market share. Over 50% of our branches are less than three years of age which allows for significant future revenue and income growth as these younger branches mature. As previously noted, our long-term strategy is to diversify revenue through new products and expansion into international markets. In this respect we have established a new product development department with substantive senior level expertise. This department has made significant progress.

Within the third quarter we expect to offer Canadian Deposit Insurance Corporation insured bank accounts, through an agency agreement with DirectCash Bank. As well, we expect to begin realizing additional income through Cash Store Financial's 20% interest in RTF Financial Holdings Inc. We continue to seek cost effective diversification opportunities and we maintain a sufficient capital position to move quickly as opportunities arise.

Industry Regulation

Many provinces have recently implemented consumer protection measures for the payday loan industry. These measures have included rate caps and a ban on rollovers. Roughly eighty percent of our branches are located in British Columbia, Alberta, Ontario and Nova Scotia. Regulation of the industry has been fully implemented in these provinces, with the exception of Alberta, which we anticipate will have its rules fully in place by the end of the third quarter.

This is a welcome development that demonstrates to capital markets that the industry is now supported by a high degree of regulatory certainty and that the industry's long-term stability has been secured.

Our strategy to secure a dominant market footprint in advance of regulation has been well-founded. To date we have not experienced any material negative impacts as a result of regulation and we do not anticipate negative impacts in the future. Regulation has positioned the Company to lend its own capital, which expect will lead to a reduced cost of capital in the future. We believe that industry regulation will encourage previously untapped consumer segments to enter the market and offer new revenue opportunities. We continue to view regulation as a positive for the Company and expect the benefits to accrue over the long-term.

Conclusion

Our primary financial goal through fiscal 2010 is to continue our progress in maximizing shareholder value by growing earnings per share. Our current dividend policy is to declare and pay quarterly dividends at the discretion of the Board of Directors, as circumstances permit, in an aggregate amount equal to approximately 30% of the prior year's net income.

Our dividend of \$.010 this quarter is an increase of \$0.035 over Q2 2009, an improvement of 54%. We will maintain a strong balance sheet and pursue aggressive growth at acceptable risk.

We will control costs through operational excellence; and, we will be steadfast in our efforts to have all branches older than one year contributing to profitability.

We will continue expanding our branch network by opening 18 to 20 branches per quarter, through fiscal 2010 and into 2011. We will consider strategic acquisitions at attractive multiples as opportunities arise. We will maintain our focus on associate training programs that enable us to bring our existing branches to maturity more rapidly. We will continue or focus on new product development and bring new offerings on stream in a strategic and measured fashion.

Senior management will maintain its "hands-on" approach.

We have distinguished ourselves from the competition with our open concept branches and a business model that encourages our associates to get to know their customers. The bottom line is that we offer superior customer service. Bettering our performance in this area is a constant priority for us. Word of mouth is the primary driver behind our business. Our company continues to experience significant improvements in associate retention. With a strong and growing base of experienced managers to support our initiatives our platform for future growth remains strong.

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

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