Dear Stakeholder

Some exciting results in a time of market turmoil! Please find the financial results for the six months ended 31 August 2008 attached for your perusal.

Some of the highlights are:

Earnings increased by 167% on the comparative period, from R19.6 million to R52.6 million. Earnings per share increased 112% from 5.31 cents to 11.27 cents. Revenue (being interest income) grew by 113% from R87.9 million to R187.4 million. The Blue net loan book increased by 236% from R261 million at August 2007 to R876 million at August 2008, and this was an 82% increase from the 29 February 2008 balance of R482 million.

A significant achievement is that despite this rapid growth in the loan book and continued expansion of operations over the interim period, the group’s funding liabilities have been contained and only increased by 162% to R553.6 million from R211.2 million at 31 August 2007.

Blue CEO Dave Van Niekerk attributes this accomplishment of strong loan advance growth within a contained liability funding structure to consistent group collections and the implementation of strong cash flow management processes which ensure optimal usage of available working capital.

Van Niekerk says the main catalyst for the overall comparative improvement is the group’s ability to capitalise on organic growth across all of its existing operations. “We also have the strong advantage of being able to roll out new operations efficiently and quickly as a result of our extensive investment in technology, business processes and centralised operational support.”

On a country basis, Van Niekerk says that operations in South Africa, Botswana and Zambia have continued to perform well with strong loan book growth since 29 February 2008 of 65%, 76% and 83% respectively. “The East African region also performed admirably with a loan book growth of 87% over the last six months, since 28 February 2008, and these operations are expected to add significantly to earnings in future. Malawi and Namibia exceeded all expectations with loan growth of 134% and 111% respectively over the last six months.”

Post this interim period, Blue has continued with its strategies of organic and acquisitive growth. It recently announced the R278 million intended acquisition of South African micro financier Credit U (previously called Kagisano) and this transaction positions Blue as the largest non-deposit taking micro-financier in SA. Van Niekerk commented that this acquisition will also practically halve Blue’s P/E ratio, since Credit U is trading at a comparatively low P/E
of around 7. This transaction should be wrapped up before year end, provided that conditions precedent, such as Competition Commission approval are received.

Blue has also established operations in Nigeria, the next powerhouse of Africa, through a 55% equity interest in Blue Intercontinental Microfinance Bank (“BIMFB”) with other shareholders being Intercontinental Bank plc and American International Group (“AIG”).

Into the future, Van Niekerk says Blue remains well positioned to continue on its focused growth path, through its strategy of expanding into new jurisdictions as well as organic and acquisitive growth in current operational areas. “The second interim period usually produces stronger results for the group and we will focus on the continued building of critical mass in our East African operations being Kenya, Tanzania, Uganda and Rwanda. We continue to look at countries in the rest of Africa where, as yet, we do not have a presence and pursue the groundwork, which may take up to two years, required to set up in a new country.”

“We also continue to enhance our business processes, operating systems and communication platforms as this is one of our competitive advantages. Our investment in ICT infrastructure over the last 12 months has enabled us to pursue an aggressive expansion strategy without compromising on corporate governance and risk management practices.”

In line with good corporate governance practices, recommending the rotation of auditors, the group thought it prudent to have this results reviewed by both PKF (Pretoria) and KPMG.

Should there be any queries, please don’t hesitate to contact me on the details below.

Kind regards,

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