

2 September 2009

MCB FINANCE GROUP PLC

Interim results for the period 1 January to 30 June 2009

MCB Finance Group plc (AIM: MCRB.L) (the "Company" or "MCB"), the consumer finance company providing flexible credit solutions to retail customers in Finland, Estonia, Latvia and Lithuania, today announces its results for the six months ended 30 June 2009.

Highlights

- Unprecedented deterioration of economic conditions in the Baltics and Finland resulting in weaker than anticipated repayment performance, particularly in Latvia and Estonia.
- Pro-forma pre-tax loss of €1.19m (H1 2008 €0.45m loss) on €8.92m revenue (H1 2008 €4.97m).
- Exceptional increase in credit loss provisions to 59% of revenues for the first half. Expected return to historical provision levels during the course of the second half.
- Aggressive tightening of credit criteria, reduction of lending volumes in the Baltic markets, and changes to collection procedures starting to bear fruit.
- Early signs of stabilisation in repayment performance and expected improved results for the second half of the year.
- Company well positioned to resume growth once conditions improve. Board remains confident of business model and longer-term prospects of the Company.

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CHAIRMAN'S STATEMENT

Business overview

MCB Finance Group is a consumer finance company providing fast, convenient, easily understood and flexible credit solutions under the Credit24 brand to retail customers in Finland and the Baltic countries of Estonia, Latvia and Lithuania. In its markets, the Company is a leading participant in the non-standard segment of the consumer credit market, providing small denomination, unsecured loans of between €100 and €2,000 to qualifying customers, with maturities ranging from one month to two years. Loan products are designed to suit customers' needs with simple and transparent terms and flexible repayment schedules. The Company operates in a segment of the market that is typically under-served by larger financial institutions.

Loans are mainly offered online through the Company's Credit24-branded websites in Estonia, Finland, Lithuania and Latvia, as well as through certain distribution partners in the Baltic countries.

Operational update

After a period during the second half of 2008 characterised by steady lending volumes, higher lending margins and adequate credit performance, the first half of 2009 was marked by a pronounced further deterioration of the economies in each of the countries where the Company operates. MCB had since mid 2008 adjusted its business in anticipation of continued economic deceleration; however the scale and speed of contraction during H1 2009 was faster and deeper than expected by most market participants. As a result, repayment performance during the period was below expected levels, as reported by the Company in its trading statements dated 22 May and 18 August 2009.

During the period MCB aggressively responded to the worsened economic conditions by continuing to tighten credit criteria and reducing lending volumes, re-focusing lending to its highest-quality customers and improving credit monitoring and collection processes.

Economic environment and repayment performance:

Economic conditions in all markets in which MCB operates continued to deteriorate materially during the period. As has been widely reported, the Baltics saw a continued drop in economic activity, particularly during the first quarter of the year, resulting in sharp downward reductions in GDP forecasts, increased unemployment, and greater pressure on household finances. Finland experienced similar trends although the deceleration was less severe.

The worsened environment resulted in weaker repayment performance and caused levels of loans in arrears to rise from year-end 2008 levels. The trend was similar in all markets, although Latvia saw the sharpest increase in impairments from a relatively high base, followed by Estonia and Lithuania. Impairment trends in Finland were less pronounced. The increased impairments relate primarily to loans granted late 2008 and early 2009. It is less marked for more recently issued loan pools.

While conditions remain challenging, there are signs the economic slowdown is beginning to bottom out and we believe conditions will stabilise towards the end of the year. Repayment performance has shown early signs of stabilisation over the past couple of months as a result of this and the Company's initiatives described below.

Lending volumes:

The Company extended approximately €24.3 million of loan principal during the period, down from €26.1 million during the same period last year, and down from €30.5m during the second half of 2008. In Q1 and Q2 respectively, €13.4 million and €10.8 million was extended compared to €15.0m in Q4 2009. The reduction in lending was achieved through a significant tightening of the Company's credit criteria which has fed through to improved performance of more recently issued loan pools.

While overall group lending has been reduced, MCB has taken advantage of the significant differences between its markets to focus on the areas of greatest opportunity. As a result MCB has maintained stable lending volumes in Finland and Lithuania, the company's two strongest markets in terms of credit performance, while severely reducing lending in Latvia in light of the particularly difficult economic conditions there. Finland and Lithuania accounted for approximately 70% of total lending during the period, with Estonia accounting for most of the remainder. If economic conditions do not deteriorate still further, the Directors anticipate that lending run rates should remain broadly in line with existing levels.

MCB reduced average loan maturities from approximately five months at the end of 2008 to approximately three months at the end of the period while maintaining lending margins. This gives MCB greater visibility on credit performance and improved returns on capital deployed. We will continue to adjust our product offering as needed.

Other key developments:

MCB initiated a number of changes to its collection procedures to enable more effective management of delinquent accounts. In particular, we improved our CRM systems to allow greater flexibility in arranging repayment plans, re-allocated internal resources to collection activities, and reorganised our relationships with external collection partners to facilitate closer cooperation and ensure better collection performance.

During the period MCB tightened the criteria used in its credit scoring models, a more pronounced continuation of the tightening started mid-2008, and expanded the range of information accessed when determining a customer's eligibility for loans. These changes have resulted in improved repayment performance for more recently issued loan pools. We expect to see continued improvements in performance going forward as we implement further adjustments to the Company's credit scoring models.

In addition the Company has continued to adjust its internal processes and cost structure to ensure maximum operational efficiency, terminated certain non-performing retail partner distribution channels, and reduced costs, among other initiatives. Most of the benefits from these initiatives will be felt during the second half of the year.

We expect all the above activities to significantly benefit the Company going forward.

Financial review

Revenue for the 6 months ended 30 June 2009 totalled €8.92m (H1 2008: €4.97m), up from €8.1m in H2 2008 due to higher lending margins during the period. Direct operating expenses, which include provisions and variable costs related to the Company's lending operations, were €6.39m (H1 2008: €2.40m). Direct operating expenses excluding provisions were €1.16m (H1 2008: €0.91m). Proforma administrative expenses were €2.94m (H1 2008: €2.69m). Net finance costs were €0.77m (H1 2008: €0.34m). The proforma pre-tax loss for the period was -€1.19m (H1 2008 pre-tax loss: -€0.45m). Proforma net loss for the period was -€1.42m (H1 2008 net loss: -€0.45m).

The proforma figures above exclude non-cash reserves arising on employee share options.

Credit loss provisions totalled €5.24m for the period, or 59% of revenue, up from 31% of revenue during the second half of 2008. The significant increase in provisions for the period reflects the deterioration in collection performance of receivables in arrears, particularly in Latvia and Estonia. As a result, and as previously announced, the Directors have taken the prudent decision to increase the provisioning levels on loans in arrears on the balance sheet at 30 June 2009. We expect the high provisions in H1 to be exceptional and that provision levels should return to historical levels during the course of the second half of the year.

At the end of the period Customer loan receivables totalled €17.6 million (net of provisions), down from €20.4 million at the end of 2008. The Company has a committed bank facility of €15m with Rietumu Bank of which €10.7 million was drawn at 30 June 2009 (€12.1m drawn at 31 December 2008). As at 28 August 2009, the amount drawn down was €8.7 million, Reduced lending

volumes has allowed MCB to repay part of the facility out of internally generated cash flow. The Company has to date met all of its banking obligations and the Board expects the Company will continue to trade within its banking covenants.

A summary of the Company's financial performance for the period is provided below.

Summary financials

<i>(€ thousands)</i>	H1 2009	H2 2008	H1 2008	2008
Principal lent	24,281	30,520	26,086	56,606
Revenue	8,916	8,082	4,973	13,055
Direct operating expenses out of which Credit loss provisions	(6,394) (5,238)	(3,674) (2,534)	(2,403) (1,497)	(6,077) (4,030)
Provisions as % of Revenue	59%	31%	30%	31%
Proforma administrative expenses	(2,944)	(2,820)	(2,687)	(5,507)
Net interest expenses	(768)	(648)	(337)	(984)
Proforma EBT (loss)	(1,190)	939	(453)	486
Proforma net income (loss)	(1,422)	857	(453)	404
Customer loan receivables	17,617	20,385	15,014	20,385
Borrowings	10,730	12,050	7,450	12,050
Total equity	7,101	8,522	7,763	8,522

Current trading and outlook

The severity of the challenges facing the economies in which the Company operates has been both unprecedented and unexpected. Against this backdrop MCB has taken aggressive action to adjust lending volumes and improve credit performance. We believe these actions are beginning to bear fruit and that credit performance will be much improved going forward.

Trading has remained steady since the end of the period, with continued improvement in repayment performance. We will be looking carefully at these trends to determine whether the improvements we are seeing today are sustained, and what further actions the Company may need to take going forward.

Despite signs of stabilisation MCB remains cautious in its lending and maintains its current focus on improving credit quality and collections. We will continue to assess the market with a view to resume the growth of the business as soon as conditions are favourable. The Board believes the changes implemented during the past period will bring lasting benefits to the company's financial performance going forward and remains confident of the Company's longer-term prospects.

Bertil Rydevik
Chairman

2 September 2009

CONSOLIDATED INCOME STATEMENT
For the 6 months ending 30 June 2009

	Note	6 months to 30 June 2009 (unaudited) €	6 months to 30 June 2008 (unaudited) €	Year to 31 December 2008 (audited) €
Revenue		8,915,854	4,973,251	13,055,266
Direct operating expenses		(6,393,625)	(2,402,852)	(6,077,072)
Cost of employee share options		(46,583)	(111,846)	(195,585)
Termination of contract payment		-	-	(82,250)
Other administrative expenses		(2,944,224)	(2,686,508)	(5,506,839)
Administrative expenses		(2,990,807)	(2,798,354)	(5,784,674)
Finance costs (net)		(768,427)	(336,691)	(984,442)
Loss on ordinary activities before taxation		(1,237,005)	(564,646)	209,078
Taxation	3	(231,111)	-	(82,229)
(Loss)/profit on ordinary activities after taxation attributable to the equity shareholders of the parent company		(1,468,116)	(564,646)	126,849
Proforma profit/(loss) calculation				
Cost of employee share options		46,583	111,846	195,585
Termination of contract payment		-	-	82,250
Proforma profit/(loss)		(1,421,533)	(452,800)	404,684
		2009 €	2008 €	2008 €
Basic loss per Ordinary share	4	(0.0844)	(0.0330)	(0.0075)

All of the activities of the Group during the period are classed as continuous.

There are no recognised gains or losses except as included in the consolidated income statement, and therefore a statement of recognised income and expense has not been prepared.

The accompanying notes on pages 8 to 11 form an integral part of these interim financial statements.

CONSOLIDATED BALANCE SHEET
As at 30 June 2009

		30 June 2009 (<i>unaudited</i>) €	30 June 2008 (<i>unaudited</i>) €	31 December 2008 (<i>audited</i>) €
ASSETS				
Non-current assets				
Goodwill		737,723	737,723	737,723
Intangible assets		31,443	39,595	37,006
Property, plant and equipment		74,856	101,610	84,280
Deferred tax asset		29,709	-	124,776
Total non-current assets		873,731	878,928	983,785
Current assets				
Trade and other receivables	5	17,918,986	15,230,969	20,909,025
Assets classified as held for sale		7,689	-	9,611
Cash and cash equivalents		1,432,545	1,413,951	1,162,765
Total current assets		19,359,220	16,644,920	22,081,401
Total assets		20,232,951	17,523,848	23,065,186
EQUITY AND LIABILITIES				
Equity				
Issued share capital	6	2,542,460	2,542,460	2,542,460
Share premium account	7	8,453,870	8,469,908	8,453,870
Equity-settled employee benefit reserve	7	574,967	444,645	528,384
Retained earnings	7	(4,470,322)	(3,693,701)	(3,002,206)
Total equity	7	7,100,975	7,763,312	8,522,508
Current liabilities				
Trade and other payables	8	1,040,215	765,510	983,156
Deferred income		1,361,761	1,545,026	1,509,522
Short-term borrowings	9	10,730,000	7,450,000	-
Total current liabilities		13,131,976	9,760,536	2,492,678
Non-current liabilities				
Long-term borrowings	10	-	-	12,050,000
Total non-current liabilities		-	-	12,050,000
Total equity and liabilities		20,232,951	17,523,848	23,065,186

The interim financial statements were approved by the Board of Directors on the 1st of September 2009 and signed on its behalf by:

B Rydevik
Chairman

H Nilert
Chief Financial Officer

The accompanying notes form an integral part of these interim financial statements.

CONSOLIDATED CASH FLOW STATEMENT
for the six months to 30 June
2009

		6 months to 30 June 2009 (unaudited)	6 months to 30 June 2008 (unaudited)	Year to 31 December 2008 (audited)
	Note	€	€	€
Cash flow generated / (used) in operating activities	11	1,607,603	(6,870,925)	(11,679,868)
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Cash flow from investing activities				
Purchase of property, plant and equipment		(4,407)	(50,113)	(69,705)
Purchase of intangible assets		(13,416)	(22,074)	(28,687)
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Cash flow from investing activities		(17,823)	(72,187)	(98,392)
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Cash flow from financing activities				
Issue of share capital		-	5,139,265	5,139,265
Expenses relating to issue of shares		-	(188,295)	(204,333)
Receipt of short-term borrowing		250,000	2,900,000	7,500,000
Repayment of short-term borrowing		(1,570,000)	-	-
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Cash flow from financing activities		(1,320,000)	7,850,970	12,434,932
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Increase in cash and cash equivalents		269,780	907,858	656,672
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Opening cash and cash equivalents		1,162,765	506,093	506,093
Closing cash and cash equivalents		1,432,545	1,413,951	1,162,765

The accompanying notes form an integral part of these interim financial statements.

Notes to the interim financial statements

1. STATUTORY ACCOUNTS

The interim results for the six month period ended 30 June 2009 are unaudited. The financial information contained within this report does not constitute statutory accounts as defined by Section 396 of the Companies Act 2006. Statutory accounts for the year to 31 December 2008, upon which the auditors have given an unqualified report and made no statement under Sections 498(2) or (3) of the Companies Act 2006, have been delivered to the Registrar of Companies. Further copies of the report are available from the Company Secretary at the registered office, and on the Company's website at www.mcbfinance.com.

2. BASIS OF PREPARATION

MCB Finance Group Plc is registered and domiciled in England and Wales.

The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2008. The financial information is presented in euros and has been prepared under the historical cost convention and on a going concern basis.

3. TAXATION

No corporation tax arises in Estonia unless a distribution is made. No distribution has been made in the periods and so no liability to corporation tax arises. There is no tax charge for the period in respect of the Group's other subsidiary undertakings due to their losses, except for Lithuania, where the calculative tax liability for the period is €231,111. Deferred tax asset on past losses in Finland and Latvia of approximately €226,092 has not been provided for in the consolidated interim results. At year-end 2008, the Latvian subsidiary was reported to have a tax liability of €95,068 which was offset by a recognised tax asset. In 2009 a ruling by the local tax authorities has confirmed the Latvian subsidiary is under no obligation to pay taxes for 2008 so the liability and asset have been reversed from the balance sheet.

4. EARNINGS PER ORDINARY SHARE

The calculation of earnings per ordinary share is based on:

	6 months to 30 June 2009	6 months to 30 June 2008	Year to 31 December 2008
The basic and diluted weighted average number of Ordinary shares in issue during the period	17,394,247	17,324,868	16,992,770
The (loss)/profit for the period (€)	(1,468,116)	(564,646)	126,849

Notes to the interim financial statements (continued)

5. TRADE AND OTHER RECEIVABLES

	6 months to 30 June 2009	6 months to 30 June 2008	Year to 31 December 2008
	€	€	€
Customer loan receivables	17,617,425	15,014,398	20,385,105
Other receivables	301,561	216,571	523,920
	<u>17,918,986</u>	<u>15,230,969</u>	<u>20,909,025</u>

Customer loan receivables are stated net of bad debt provisions of €9,103,920 (31 December 2008: €4,361,291; June 2008: €2,433,000). The provision charged and the amount written off to the income statement during period was €5,238,566 (31 December 2008: €4,030,384; June 2008: €1,496,561).

Included in the above are trade receivables due after more than one year:

	6 months to 30 June 2009	6 months to 30 June 2008	Year to 31 December 2008
	€	€	€
Customer loan receivables	127,665	845,865	766,418
Other receivables	-	2,172	-
	<u>127,665</u>	<u>848,037</u>	<u>766,418</u>

6. CALLED UP SHARE CAPITAL

	30 June 2009		30 June 2008		31 December 2008	
	Number	€	Number	€	Number	€
Authorised						
Ordinary shares of 10p each	30,000,000	3,526,922	30,000,000	3,792,000	30,000,000	3,216,600
Issued and fully paid						
Ordinary shares of 10p each	17,394,247	2,542,460	17,394,247	2,542,460	17,394,247	2,542,460

A Share issues during the period

During the six month period to 30 June 2009 no Ordinary shares were issued.

B Share option schemes

During the six month period to 30 June 2009 no further options over the Ordinary shares of the company were issued.

Notes to the interim financial statements (continued)

7. STATEMENT OF CHANGES IN EQUITY

	Share capital €	Share premium €	Other reserves €	Retained earnings €	Total €
At the start of the period	2,542,460	8,453,870	528,384	(3,002,206)	8,522,508
Loss for the financial period	-	-	-	(1,468,116)	(1,468,116)
Arising on employee share options	-	-	46,583	-	46,583
At the end of the period	2,542,460	8,453,870	574,967	(4,470,322)	7,100,975

8. TRADE AND OTHER PAYABLES

	6 months to 30 June 2009 €	6 months to 30 June 2008 €	Year to 31 December 2008 €
Trade creditors	186,952	240,804	186,814
Corporation tax	343,048	-	207,005
Other taxations and social security	106,276	159,266	178,921
Other creditors	205,220	136,077	204,385
Accruals	198,718	229,363	206,031
	1,040,215	765,510	983,156

9. SHORT TERM BORROWINGS

	6 months to 30 June 2009 €	6 months to 30 June 2008 €	Year to 31 December 2008 €
Bank loans and overdrafts	10,730,000	7,450,000	-

The loan bears interest at 12.5% p.a. and is secured by a floating charge over the Group's outstanding customer loan receivables, certain of the Group's bank accounts, and by all property including existing and future tangible and/or intangible property owned by MCB Finance Latvia SIA. The credit facility has a loan limit of €15,000,000 and is repayable on 24 March 2010.

Notes to the interim financial statements (continued)

10. LONG TERM BORROWINGS

	6 months to 30 June 2009	6 months to 30 June 2008	Year to 31 December 2008
	€	€	€
Bank loans and overdrafts	-	-	12,050,000

11. RECONCILIATION OF LOSS ON ORDINARY ACTIVITIES BEFORE TAX TO CASH FLOW USED IN OPERATING ACTIVITIES

	6 months to 30 June 2009	6 months to 30 June 2008	Year to 31 December 2008
	€	€	€
Loss on ordinary activities before taxation	(1,237,005)	(564,646)	209,078
Depreciation	22,840	15,282	38,109
Amortisation	9,970	7,215	16,417
Employee share options	46,583	111,846	195,585
Decrease/(increase) in debtors	2,991,961	(7,043,231)	(12,716,803)
(Decrease)/increase in creditors	(226,746)	602,609	577,746
Cash flow used in operating activities	1,607,603	(6,870,925)	(11,679,868)

SHAREHOLDER INFORMATION

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