

8 September 2010

MCB FINANCE GROUP PLC

Half-Yearly Report for the period 1 January to 30 June 2010

MCB Finance Group plc (AIM: MCRB.L) (the "Company", "Group" 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 2010.

Highlights

- Significant continued improvement in credit performance in all markets, resulting in the Company's strongest credit performance since it commenced operations
- Lending volumes stable compared to the second half of 2009
- Significantly reduced provisioning levels compared to prior periods
- Pro-forma pre-tax profit of €0.07m, (H1 2009: €1.19m loss)
- Focus has remained on credit quality, lending margins and continued operational improvements as opposed to lending volume growth
- Economic conditions are stable, and expectations are for a return to growth over the next several quarters
- MCB now has a strong platform and is very well positioned for gradual lending volume growth and improved profitability going forward

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OPERATIONAL REVIEW

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 sector, 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.

Operational update

The 6 month period to 30 June 2010 saw a continued improvement to the Group's credit performance in all of its markets, resulting from the significant changes made starting early 2009 to the Company's credit extension and collection processes. This result was achieved despite continued subdued economic environments. Lending volumes during the period were stable compared to 2H 2009, reflecting the Group's continued focus on credit quality. MCB now has a strong platform from which to gradually resume growth going forward as market conditions improve.

Economic environment

The four economies in which the Group operates have remained stable since the end of 2009, although unemployment levels are historically high and economic growth is subdued. Expectations are for a gradual return to growth over the next several quarters. Unemployment is expected to fall in each of our operating territories in 2011, while GDP is predicted to rise in all markets. In June, Estonia was approved for admission into the Euro currency zone, with entry scheduled for January 2011. This is a strong endorsement of the continued stability of the region.

Lending volumes

MCB Finance lent approximately €16.2 million of loan principal during the period, which is stable from the €16.1m lent during the second half of 2009. Lending volumes during the period reflect the Group's continued focus on credit quality and lending margins as opposed to volume growth. The Group's lending activities have remained focused on the three markets of Finland, Estonia and Lithuania, with continued limited lending activities in Latvia. Average loan maturities remain short at approximately four months.

Credit performance

Credit performance improved further during the period, and as a result default rates are now at their lowest levels since the Company's inception. The strong credit performance is a result of the initiatives started early 2009 to re-structure the Company's credit extension processes, improve the range and quality of data collected, introduce new statistical scorecards with significantly higher predictive power, and improve collections.

Default rates are currently at or below target levels, and as a result we do not expect further improvements in this area. Going forward the Company will instead be focused on maximising volume within targeted credit performance levels.

Other developments

Most of the Group's lending is made through its local Credit24 customer websites in Finland, Estonia, Latvia and Lithuania. In addition the Group distributes Credit24 loans in Lithuania through Maxima, the largest retailer in Lithuania and the Baltic states. Credit24 loans are currently available through over 50 Maxima outlets in Lithuania. Lending volumes through this distribution channel have continued to grow, and we will consider similar partnerships in other markets in due course.

Credit24 is one of the most recognised and trusted brands in the Fenno-Baltic non-standard lending market. Customers value our product offering which is one of the widest and most flexible in the region. They also value our high levels of customer service and the transparency of our prices and loan terms. We have continued making improvements to our product offering and websites to ensure the Group's continued leadership in this area.

Financial review

Revenue for the 6 months ended 30 June 2010 totalled €5.59m (H1 2009: €8.92m, H2 2009: €6.75m). Revenue is recognised over the maturity of loans made. The lower revenue compared to H2 2009, despite stable lending volumes, is due to the decrease in lending volumes in earlier periods. Direct operating expenses, which include provisions and variable costs related to the Company's lending operations, were €2.65m (H1 2009: €6.39m). Direct operating expenses excluding provisions were €1.01m (H1 2009: €1.16m). Proforma administrative expenses were €2.48m (H1 2009: €2.94m). Net finance costs were €0.40m (H1 2009: €0.77m). The proforma pre-tax profit for the period was €0.07m (H1 2009 pre-tax loss: -€1.19m). Pro-forma net loss for the period was -€0.13m (H1 2009 net loss: -€1.42m).

The pro-forma figures above exclude non-cash reserves arising on employee share options. These totalled €18k for the period.

Credit loss provisions totalled €1.63m for the period, or 29% of revenue (H1 2009: €5.24m and 59% of revenue, H2 2009: €2.53m and 37% of revenue). The reduced provisioning levels reflect the strong improvements to overall credit performance since early 2009, and underline the effectiveness of the measures taken by the Group to strengthen credit extension processes and collections.

At the end of the period Customer loan receivables totalled €10.63m (net of provisions), down from €12.81m at the end of 2009 as a result of the stable lending volumes and continued strong repayment performance. The Company has a committed bank facility of €10m with Rietumu Bank of which €4.70m was drawn at 30 June 2010 (€6.46m drawn at 31 December 2009).

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

Summary financials

<i>(€ thousands)</i>	1H 2010	2H 2009	1H 2009	2009
Principal lent	16,244	16,143	24,281	40,424
Revenue	5,589	6,752	8,916	15,668
Direct operating expenses	-2,645	-3,430	-6,394	-9,824
out of which Credit loss provisions	-1,634	-2,526	-5,238	-7,764
Provisions as % of Revenue	29%	37%	59%	50%
Proforma Administrative expenses	-2,475	-2,212	-2,944	-5,156
Net interest expenses	-395	-554	-768	-1,322
Proforma EBT profit (loss)	74	556	-1,190	-634
Proforma net income (loss)	-135	366	-1,422	-1,056
Customer loan receivables	10,634	12,811	17,617	12,811
Borrowings	4,700	6,460	10,730	6,460
Total equity	7,332	7,467	7,101	7,467
Debt/equity ratio	64%	87%	151%	87%

Current trading and outlook

MCB has been thoroughly tested by very challenging market conditions since late 2008. The major credit, product and operational changes implemented since early 2009 are now showing results, and have given MCB a strong platform from which to further develop the business.

Economic conditions in our markets have stabilised since late 2009 and expectations are for a gradual recovery during the quarters and years ahead, with economists predicting positive trends on both GDP and employment in all four of our operating territories in 2011. We expect our lending volumes to grow during the second half of this year from a combination of seasonally stronger demand and the continued implementation of our credit, product development and marketing initiatives. We expect the Group to be EBT profitable for the full year.

Rami Ryhanen
Chief Executive Officer

8 September 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 6 months ending 30 June 2010

	6 months to 30 June 2010 <i>(unaudited)</i>	6 months to 30 June 2009 <i>(unaudited)</i>	Year to 31 December 2009 <i>(audited)</i>
Note	€	€	€
Revenue	5,589,463	8,915,854	15,667,855
Direct operating expenses	(2,644,758)	(6,393,625)	(9,824,109)
Cost of employee share options	(18,084)	(46,583)	15,100
Other administrative expenses	(2,474,945)	(2,944,224)	(5,156,052)
Administrative expenses	(2,493,029)	(2,990,807)	(5,140,952)
Finance cost	(395,461)	(768,427)	(1,321,695)
Profit / (loss) before tax	56,215	(1,237,005)	(618,901)
Taxation	3 (209,225)	(231,111)	(421,703)
(Loss)/profit attributable to the equity shareholders of the parent	(153,010)	(1,468,116)	(1,040,604)
Total comprehensive income attributable to the equity shareholders of the parent	(153,010)	(1,468,116)	(1,040,604)
Proforma loss calculation			
Profit / (loss) before tax	56,215	(1,237,005)	(618,901)
Cost of employee share options	18,084	46,583	(15,100)
Termination of contract payment	-	-	-
Proforma profit/(loss) before taxation	74,299	(1,190,422)	(634,001)
Taxation	(209,225)	(231,111)	(421,703)
Proforma loss after taxation	(134,926)	(1,421,533)	(1,055,704)
	2010	2009	2009
	€	€	€
Basic and diluted loss per Ordinary share	4 (0.0088)	(0.0844)	(0.0598)

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

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

CONSOLIDATED BALANCE SHEET
As at 30 June 2010

		30 June 2010 (unaudited) €	30 June 2009 (unaudited) €	31 December 2009 (audited) €
ASSETS				
Non-current assets				
Goodwill		737,723	737,723	737,723
Intangible assets		56,579	31,443	21,145
Property, plant and equipment		34,717	74,856	53,822
Deferred tax asset		-	29,709	-
Total non-current assets		829,019	873,731	812,690
Current assets				
Trade and other receivables	5	10,883,413	17,918,986	12,980,244
Assets classified as held for sale		-	7,689	-
Cash and cash equivalents		2,420,857	1,432,545	2,214,477
Total current assets		13,304,270	19,359,220	15,194,721
Total assets		14,133,289	20,232,951	16,007,411
EQUITY AND LIABILITIES				
Equity				
Issued share capital	6	2,542,460	2,542,460	2,542,460
Share premium account		8,453,870	8,453,870	8,453,870
Other reserves		531,368	574,967	513,284
Retained earnings		(4,195,820)	(4,470,322)	(4,042,810)
Total equity		7,331,878	7,100,975	7,466,804
Current liabilities				
Trade and other payables	7	1,159,813	1,040,215	1,100,615
Deferred Income		941,598	1,361,761	979,992
Short-term borrowings	8	4,700,000	10,730,000	6,460,000
Total current liabilities		6,801,411	13,131,976	8,540,607
Total equity and liabilities		14,133,289	20,232,951	16,007,411

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

STATEMENT OF CASHFLOWS
For the six months to 30 June 2010

	Note	6 months to 30 June 2010 (<i>unaudited</i>) €	6 months to 30 June 2009 (<i>unaudited</i>) €	Year to 31 December 2009 (<i>audited</i>) €
Cash flow from operating activities				
Cash generated from operations	9	2,131,451	1,607,603	6,801,157
Income tax paid		(119,257)	-	(136,439)
Net cash generated from operating activities		2,012,194	1,607,603	6,664,718
Cash flow from investing activities				
Purchase of property, plant and equipment		(1,276)	(4,407)	(18,599)
Purchase of intangible assets		(44,538)	(13,416)	(4,407)
Net cash used in investing activities		(45,814)	(17,823)	(23,006)
Cash flow from financing activities				
Net decrease in borrowing		(1,760,000)	(1,320,000)	(5,590,000)
Net cash used in financing activities		(1,760,000)	(1,320,000)	(5,590,000)
Increase in cash and cash equivalents		206,380	269,780	1,051,712
Opening cash and cash equivalents		2,214,477	1,162,765	1,162,765
Closing cash and cash equivalents		2,420,857	1,432,545	2,214,477

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months to 30 June 2010	Share capital €	Share premium €	Other reserves €	Retained earnings €	Total €
Balance at 31 December 2009	2,542,460	8,453,870	513,284	(4,042,810)	7,466,804
Comprehensive income (Loss)/profit for the financial period	–	–	–	(153,010)	(153,010)
Other comprehensive income Arising on employee share options	–	–	18,084	–	18,084
Balance at 30 June 2010	2,542,460	8,453,870	531,368	(4,195,820)	7,331,878

Share capital relates to the nominal value of shares issued.

Share premium relates to the amounts subscribed for share capital in excess of the nominal value of the shares.

The equity-settled employee benefits reserve ("other reserves") arises on the grant of share options to employees under the employee share option plan.

Retained earnings relates to cumulative profits and losses recognised in the statement of comprehensive income.

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 2010 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 2009, 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 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 2009. The financial information is presented in euros and has been prepared under the historical cost convention and on a going concern basis.

3. TAXATION

The tax liability for the period relate to the Group's subsidiary undertakings in Finland and Lithuania, where the calculative tax liability for the period is €73,359 and €135,866, respectively. 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 in this country

	6 months to 30 June 2010	6 months to 30 June 2009	Year to 31 December 2009
	€	€	€
Current year expense	209,225	231,111	401,603
Over provided in prior years	–	(95,068)	(104,676)
	<hr/>	<hr/>	<hr/>
Current tax	209,225	136,043	296,927
Deferred tax expense related to the origination and reversal of temporary differences	–	95,068	124,776
	<hr/>	<hr/>	<hr/>
Total tax expense in income statement	209,225	231,111	421,703

4. EARNINGS PER ORDINARY SHARE

The calculation of basic and diluted loss per ordinary share is based on:

	6 months to 30 June 2010	6 months to 30 June 2009	Year to 31 December 2009
	Number	Number	Number
The weighted average number of Ordinary shares in issue during the period	17,394,247	17,394,247	17,394,247
The loss for the period (€)	(153,010)	(1,468,116)	(1,040,604)

Notes to the interim financial statements (continued)

5. TRADE AND OTHER RECEIVABLES

	6 months to 30 June 2010	6 months to 30 June 2009	Year to 31 December 2009
	€	€	€
Customer loan receivables	10,634,043	17,617,425	12,811,205
Other receivables	249,370	301,561	169,039
	<u>10,883,413</u>	<u>17,918,986</u>	<u>12,980,244</u>

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

	6 months to 30 June 2010	6 months to 30 June 2009	Year to 31 December 2009
	€	€	€
Customer loan receivables	<u>80,118</u>	<u>127,665</u>	<u>15,660</u>

Customer loan receivables are stated net of bad debt provisions. The movement in the bad debt provision during the period is as follows:

	6 months to 30 June 2010	6 months to 30 June 2009	Year to 31 December 2009
	€	€	€
At the start of the period	10,457,073	4,361,291	4,361,291
Charge for the period	1,553,044	5,184,617	7,566,541
Amounts written off during the period	(4,191,018)	(441,988)	(1,470,758)
At the end of the period	<u>7,819,099</u>	<u>9,103,920</u>	<u>10,457,073</u>

The provisions charged to the statement of comprehensive income during the period were €1,553,044 (2009 interim: €5,184,617, 2009 year end: €7,566,541), and there were additional credit losses during the period of €81,034 (2009 interim: €53,950, 2009 year end: €197,674).

6. CALLED UP SHARE CAPITAL

	<u>30 June 2010</u>		<u>30 June 2009</u>		<u>31 December 2009</u>	
	Number of 10p shares	€	Number of 10p shares	€	Number of 10p shares	€
Authorised						
Ordinary shares of 10p each	<u>30,000,000</u>	<u>3,704,400</u>	<u>30,000,000</u>	<u>3,526,922</u>	<u>30,000,000</u>	<u>3,333,900</u>
Issued and fully paid						
Ordinary shares of 10p each	<u>17,394,247</u>	<u>2,542,460</u>	<u>17,394,247</u>	<u>2,542,460</u>	<u>17,394,247</u>	<u>2,542,460</u>

The Group has one class of ordinary share which carry no right to fixed income.

A Share issues during the period

During the six month period to 30 June 2010 no Ordinary shares were issued.

Notes to the interim financial statements (continued)

B Share option schemes

At the beginning of the period the Company had 1,393,362 employee share options outstanding. On the 8th of January 2010 the Company extended the expiry period for 1,168,362 of the share options so they expire 5 years after the date of grant. Out of these, 610,362 options which had exercise prices of 150p or above had their exercise price reduced to 50p, slightly above the market price of the Company's shares during the last quarter of 2009. No changes were made to the remaining 225,000 options outstanding.

During the six month period to 30 June 2010 the Company also issued a further 65,000 options over the Ordinary shares of the Company. One twelfth of the options granted vest at the end of each calendar quarter (subject to the option holder remaining an employee of the Company). The option holders have an obligation to reimburse any income tax paid by the Company in connection with the exercise of the option. None of these options lapsed or were exercised during the period.

7. TRADE AND OTHER PAYABLES

	6 months to 30 June 2010	6 months to 30 June 2009	Year to 31 December 2009
	€	€	€
Trade creditors	259,730	186,952	211,482
Corporation tax	457,461	343,048	367,493
Other taxations and social security	130,804	106,276	179,860
Other creditors	158,575	205,220	182,705
Accruals	153,243	198,718	159,075
	<u>1,159,813</u>	<u>1,040,215</u>	<u>1,100,615</u>

8. SHORT TERM BORROWINGS

	6 months to 30 June 2010	6 months to 30 June 2009	Year to 31 December 2009
	€	€	€
Bank loans and overdrafts	<u>4,700,000</u>	<u>10,730,000</u>	<u>6,460,000</u>

During the first part of the six month period to 30 June 2010 the loan from Rietumu Bank incurred interest at 12.5% per annum and continues to be 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. From 25 March 2010 the loan incurred interest at a rate of 13% per annum and the credit facility was revised to a loan limit of €10,000,000, repayable on 31 March 2011.

In connection with the renewal of the bank loan facility Rietumu Bank acquired the option to purchase 724,760 shares in MCB Finance Group Plc at an exercise price of 45p. The option will expire on 31 March 2011. In the event that the share options are exercised, the bank loan facility will be extended until 31 March 2012.

Notes to the interim financial statements (continued)

9. RECONCILIATION OF PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION TO OPERATING CASH FLOWS

	6 months to 30 June 2010 €	6 months to 30 June 2009 €	Year to 31 December 2009 €
Profit/(loss) on ordinary activities before taxation	56,215	(1,237,005)	(618,901)
Depreciation	20,381	22,840	45,300
Amortisation	9,103	9,970	20,268
Loss on disposal of property, plant and equipment	-	-	3,757
Employee share options	18,084	46,583	(15,100)
Decrease in debtors	2,096,831	2,991,961	7,938,392
Decrease in creditors	(69,163)	(226,746)	(572,559)
Cash flow generated from operating activities	<u>2,131,451</u>	<u>1,607,603</u>	<u>6,801,157</u>

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