

10 March 2010

MCB FINANCE GROUP PLC

Final results for the 12 months ended 31 December 2009

Highlights

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 12 months ended 31 December 2009.

Operational and financial highlights

- Pro-forma pre-tax loss of -€0.63m for the full year (2008: €0.49m profit)
- Return to profitability in the second half with a pro-forma pre-tax profit of €0.56m.
- Economic conditions have stabilised after the unprecedented deterioration early in the year
- Successful restructuring of lending operations, with improved credit scoring, collections and cost reductions.
- Significant improvements in credit quality in the second half, back to target levels
- €10m credit facility with Rietumu bank extended to March 2011
- Company well positioned to resume growth once market conditions improve

Bertil Rydevik, Chairman, said:

“MCB has come through one of the most turbulent and testing times in recent economic history. Having successfully undertaken the changes needed, the business has emerged considerably stronger, providing a robust platform for future growth.”

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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 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 in the Baltic countries.

Operational update

Early 2009 was characterised by an unprecedented deterioration in economic conditions in the Baltic states and Finland, to which MCB aggressively responded by tightening credit criteria, adjusting loan terms, re-focusing lending to its highest-quality customers and improving credit scoring and collection processes. While credit performance was poor during the first half of the year, the actions taken by management resulted in significantly improved credit performance during the second half, and a return to profitability.

Economic environment:

Economic conditions in all markets in which MCB operates deteriorated dramatically during the first half of 2009, particularly in the Baltics which saw unprecedented drops in economic activity, increased unemployment, and greater pressure on household finances. Finland experienced similar trends although the deceleration was much less severe. As expected at the time of the interim results, economic conditions bottomed out during the second half and have stabilised, although at a low level.

Lending volumes

The Company extended approximately €40.4 million of loan principal during the year, down from €56.6 million in 2008. Out of this, €16.1 million was lent during the second half of the year, down from €24.3 million in the first half. The Company reduced lending volumes materially after the first quarter to limit its exposure to the deteriorating markets while it implemented changes to lending operations.

While it reduced overall lending, MCB took advantage of the significant differences between markets to focus on the areas of greatest opportunity. As a result lending has been focused on its best-performing markets of Lithuania and Finland, which together accounted for 75% of volumes during 2009, with Estonia accounting for most of the remainder. Lending in Latvia, where the economic situation has been most severe, was deliberately restricted. The Company also focused on existing customers with good credit history, temporarily reducing the proportion of loans granted to new customers.

At the same time MCB shortened loan maturities from an average of approximately five months at the end of 2008 to approximately three months starting Q2, while maintaining lending margins. This has

resulted not only in better visibility on credit performance, but also improved cash dynamics and higher returns on capital deployed to lending operations.

The Company has continued to improve the range and terms of products offered to customers. We believe MCB Finance now has one of the most comprehensive and flexible product selections in the short-term lending market, and a high rate of customer satisfaction. MCB Finance has continued actively to promote its Credit24 brand which remains one of the largest and most recognised providers of non-standard consumer loans in the markets in which the Company operates. We believe MCB's product selection, brand recognition and credit scoring abilities will benefit the Company as markets improve going forward.

Repayment performance

In early 2009 MCB initiated a project to improve its credit risk management procedures and scorecards. The company also reorganised its collection procedures to enable more effective management of delinquent accounts. As expected at the time of our interim results, these actions have resulted in significantly improved performance of loan pools, better collections of receivables in arrears, and greater control over credit issuance criteria and projected default rates. Delinquency rates of loan pools issued starting late Q2 2009 in Lithuania, Estonia and Latvia are now lower than at any time since the Company began trading, despite continued weak economic conditions. Delinquencies in Finland are at levels experienced in 2008 before the onset of the economic crisis. The Company has continued to sell aged receivables in Finland on attractive terms.

Debt financing

The Company has agreed with Rietumu Bank to extend its revolving credit facility to the end of March 2011. The facility was previously scheduled to mature in March 2010. The size of the facility will be revised to €10 million, down from €15 million previously and in line with MCB's requirements going forward. The interest on amounts drawn will be 13%, up from 12.5% previously. Approximately €5.9 million is currently drawn from the facility.

In connection with the renewal of the credit facility, MCB will grant Rietumu the option to purchase 724,760 shares in MCB Finance Group Plc (equivalent to approximately 4.2% of the current issued shares) at an exercise price of 45p. The option will expire 31 March 2011. In the event the option is exercised Rietumu will have the obligation to extend the credit facility for a further year to March 2012.

We are delighted to continue our partnership with Rietumu, and the extension of the credit facility gives MCB good visibility on the financing required to support the continued development of the Company.

Financial review

Revenue for the 12 months ended 31 December 2009 totalled €15.67m (2008: €13.06m). The higher revenues, despite lower lending volumes, are a result of increased average margins during 2009 and carry-over from lending made late 2008. Direct operating expenses, which include provisions and variable costs related to the Company's lending operations, were €9.82m (2008: €6.08m). Direct operating expenses excluding provisions were €2.06m (2008: €2.05m). Proforma administrative expenses were €5.16m (2008: €5.51m). Net finance costs were €1.32m (2008: €0.98m). The proforma pre-tax loss for the period was -€0.63m (2008 pre-tax profit: €0.49m). Proforma net loss for the period was -€1.06m (2008 net profit: €0.40m). Despite the net loss the Group was cash flow positive for the year.

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

Credit loss provisions totalled €7.76m for the period, or 50% of revenue, up from 31% of revenue during 2008. The large majority of provisions were taken during the first half of the year and reflect the weak performance of loan pools issued late 2008 and Q1 2009. Provisions were 37% of revenue in the second half of the year, and are expected to return to 2008 levels going forward.

While the Group as a whole was loss making during 2009 there were significant differences between markets. The Company's Finnish and Lithuanian operations each contributed positively to the Group's full year results. Estonia was close to break-even, while the Latvian operation's contribution was significantly negative due to high provisions.

The Company accrued a €0.42m tax liability for the year, primarily from its profitable Lithuanian operations. The accrued tax liability is high relative to this division's EBT contribution due to peculiarities in Lithuanian tax legislation which do not allow the deduction of certain costs for taxation purposes. We expect eventual 2009 liabilities to be reduced following further review.

The second half of the year saw a significant improvement in financial performance over the first half as a result of reduced provisioning requirements and reduced costs. The second half generated a pre-tax profit of €0.56, after a first half pre-tax loss of -€1.19m. As anticipated at the time of our interim results, the Company benefited from the cost reductions initiated in the first half of the year. Direct operating expenses and administrative expenses were reduced in the second half by 22% and 25% respectively compared to the first.

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

<i>(€ thousands)</i>	Year ended 31 December					
	2009	2008	2H 2009	1H 2009	2H 2008	1H 2008
Principal lent	40,424	56,606	16,143	24,281	30,520	26,086
Revenue	15,668	13,055	6,752	8,916	8,082	4,973
Direct operating expenses	-9,824	-6,077	-3,430	-6,394	-3,674	-2,403
out of which Credit loss provisions	-7,764	-4,031	-2,526	-5,238	-2,534	-1,497
Provisions as % of Revenue	50%	31%	37%	59%	31%	30%
Proforma Administrative expenses	-5,156	-5,507	-2,212	-2,944	-2,820	-2,687
Net interest expenses	-1,322	-984	-554	-768	-648	-337
Proforma EBT (loss)	-634	486	556	-1,190	939	-453
Proforma net income (loss)	-1,056	404	366	-1,422	857	-453
Customer loan receivables	12,811	20,385	12,811	17,617	20,385	15,014
Borrowings	6,460	12,050	6,460	10,730	12,050	7,450
Total equity	7,467	8,522	7,467	7,101	8,522	7,763
Debt/equity ratio	87%	141%	87%	151%	141%	96%

At the end of the period customer loan receivables totalled €12.81m (net of provisions), down from €20.39m at the end of 2008 and €17.62m at 30 June 2009 due to lower lending volumes and shorter average loan maturities.

MCB ended the year with a strengthened balance sheet, having repaid approximately €5.6m of its credit facility out of internally generated cash flow. At 31 December 2009 the Company had drawn €6.46m from its credit facility with Rietumu bank, down from €12.05m at 31 December 2008. The amount drawn has been further reduced to €5.9m at the end of February 2010. The reduced leverage has increased the Company's debt financing headroom for future growth. 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.

Current trading and outlook

2009 was a particularly challenging year as a result of the market conditions that have affected the economies in which we operate. As soon as the extent of the economic deterioration in the Baltics became apparent we acted quickly and took the measures necessary to minimise default, and focused on our most productive business activities. The rapid and significant improvement achieved in the second half is a consequence of these actions.

MCB has come through one of the most turbulent and testing times in recent economic history. Having successfully undertaken the changes needed, the business has emerged considerably stronger, providing a robust platform for future growth. Since the end of the year MCB has maintained a cautious approach to lending and remains focused on credit quality, collections and improving our product offering. Lending volumes have remained steady, while credit performance continues to be strong. The focus is now on gradually increasing volumes while maintaining quality.

Our business model has been tested fully, as have the skill and determination of management. We expect economic conditions to improve gradually from current levels, benefiting operations in our current markets. While we are not currently seeking expansion into new markets, this remains an important component of our long-term strategy and we will continue researching opportunities with a view to possibly launch one additional market in 2011. We remain confident about both the strength of the business model and the benefits of a multi-territory approach, enabling the Company to leverage its central operating structure and focus on its most productive activities and regions.

Bertil Rydevik
Chairman

10 March 2010

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

	2009	2008
	€	€
Revenue	15,667,855	13,055,266
Direct operating expenses	(9,824,109)	(6,077,072)
Cost of employee share options	15,100	(195,585)
Termination of contract payment	–	(82,250)
Other administrative expenses	(5,156,052)	(5,506,839)
Administrative expenses	(5,140,952)	(5,784,674)
Finance costs (net)	(1,321,695)	(984,442)
Comprehensive (loss)/profit on ordinary activities before taxation	(618,901)	209,078
Taxation	(421,703)	(82,229)
Comprehensive (loss)/profit on ordinary activities after taxation attributable to the equity shareholders of the parent company	(1,040,604)	126,849
Proforma (loss)/Profit calculation		
Cost of employee share options	(15,100)	195,585
Termination of contract payment	–	82,250
Proforma (loss)/profit before taxation	(634,001)	486,913
Taxation	(421,703)	(82,229)
Proforma (loss)/profit after taxation	(1,055,704)	404,684
	2009	2008
	€	€
Basic (loss)/earnings per Ordinary share	(0.0598)	0.0075
Diluted (loss)/earnings per Ordinary share	(0.0598)	0.0074

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

CONSOLIDATED BALANCE SHEET
As at 31 December 2009

	€	2009 €	€	2008 €
ASSETS				
Non-current assets				
Goodwill	737,723		737,723	
Intangible assets	21,145		37,006	
Property, plant and equipment	53,822		84,280	
Deferred tax asset	—		124,776	
	<hr/>		<hr/>	
Total non-current assets		812,690		983,785
Current assets				
Trade and other receivables	12,980,244		20,909,025	
Assets classified as held for sale	—		9,611	
Cash and cash equivalents	2,214,477		1,162,765	
	<hr/>		<hr/>	
Total current assets		15,194,721		22,081,401
		<hr/>		<hr/>
Total assets		16,007,411		23,065,186
EQUITY AND LIABILITIES				
Equity				
Issued share capital	2,542,460		2,542,460	
Share premium account	8,453,870		8,453,870	
Other reserves	513,284		528,384	
Retained earnings	(4,042,810)		(3,002,206)	
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Total equity		7,466,804		8,522,508
Current liabilities				
Trade and other payables	1,100,615		983,156	
Deferred income	979,992		1,509,522	
Short-term borrowings	6,460,000		—	
	<hr/>		<hr/>	
Total current liabilities		8,540,607		2,492,678
Non-current liabilities				
Long-term borrowings	—		12,050,000	
	<hr/>		<hr/>	
Total non-current liabilities		—		12,050,000
		<hr/>		<hr/>
Total equity and liabilities		16,007,411		23,065,186

STATEMENT OF CASH FLOWS
For the year ended 31 December 2009

	Group	
	2009	2008
	€	€
Cash flow from operating activities		
Cash generated from operations	6,801,157	(11,679,868)
Income tax paid	(136,439)	–
Net cash generated from operating activities	6,664,718	(11,679,868)
Cash flow from investing activities		
Purchase of property, plant and equipment	(18,599)	(69,705)
Purchase of intangible assets	(4,407)	(28,687)
Net cash used in investing activities	(23,006)	(98,392)
Cash flow from financing activities		
Issue of share capital	–	5,139,265
Expenses relating to the issue of shares	–	(204,333)
Net increase (decrease) in borrowing	(5,590,000)	7,500,000
Net cash raised from (used in) financing activities	(5,590,000)	12,434,932
Increase in cash and cash equivalents	1,051,712	656,672
Cash and cash equivalents at 1 January	1,162,765	506,093
Cash and cash equivalents at 31 December	2,214,477	1,162,765

1 STATUTORY ACCOUNTS

The preliminary results for the year ended 31 December 2008 are unaudited. The financial information included in this statement does not constitute the Group's statutory accounts within the meaning of Section 240 of the Companies Act 1985 for the year ended 31 December 2009. The Independent Auditors' report on the statutory accounts for the year ended 31 December 2009 has not yet been signed. Those accounts are expected to be sent to shareholders during April 2009 and will be delivered to the Registrar of Companies after the Company's Annual General Meeting.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards ("IFRS"), as adopted by the European Union. The financial information is presented in euros and has been prepared under the historical cost convention and on a going concern basis.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

3 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The (loss)/ profit on ordinary activities before taxation is stated after charging/(crediting):

	2009	2008
	€	€
Staff costs	2,202,497	2,353,368
Credit losses	7,764,214	4,030,384
Operating leases	102,079	110,597
Net foreign exchange gains	(233)	(655)
Auditors' remuneration:		
- Audit work	79,561	133,978
- Non-audit services	19,055	740
Extraordinary payment related to termination of card provider contract	–	82,250
Amortisation of intangible fixed assets	20,268	16,417
Depreciation of property, plant and equipment	45,300	38,109

4 (A) TAX EXPENSE

	2009	2008
	€	€
Current year expense	401,603	207,005
Over provided in prior years	(104,676)	–
Current tax	296,927	207,005
Deferred tax expense related to the origination and reversal of temporary differences	124,776	(124,776)
Total tax expense in income statement	421,703	82,229

4 (B) NET 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 in this country.

	Latvia	Lithuania	Finland	2009	2008
	€	€	€	Total	Total
	€	€	€	€	€
Tax rate	15%	20%	26%	15-26%	15-26%
(Loss)/profit before tax	(1,381,848)	397,552	896,153	88,143	762,694
Expenses not deductible for tax purposes	2,889,265	1,666,777	8,608	4,464,650	2,709,929
Expenses decreasing the profit for tax purposes	(2,714,393)	(62,407)	–	(2,776,800)	(1,068,324)
Adjustments related to past periods	(943,856)	–	(765,037)	(1,708,893)	–
Utilisation of tax losses carried forward	–	–	(135,037)	(135,037)	(1,159,305)
Taxable result	(2,150,832)	2,001,922	4,687	(144,223)	1,244,994
Income tax expense	–	400,384	1,219	401,603	207,005
Adjustment to prior period taxes	(95,068)	(9,609)	–	(104,677)	–
Reversal of deferred tax asset from 2008	95,068	29,709	–	124,777	–
Deferred tax (income)/expense	–	–	–	–	(124,776)
Net taxation	–	420,484	1,219	421,703	82,229

5 (LOSS)/PROFIT PER ORDINARY SHARE

The calculation of basic (loss)/profit per ordinary share is based on:

	2009	2008
	Number	Number
The weighted average number of Ordinary shares in issue during the period	17,394,247	16,992,770
The (loss)/profit for the period (€)	(1,040,604)	126,849

The calculation of diluted (loss)/profit per share is based on:

	2009	2008
	Number	Number
The weighted average number of shares under option	1,429,472	1,443,248

6 TRADE AND OTHER RECEIVABLES

	Group	
	2009	2008
	€	€
Customer loan receivables	12,811,205	20,385,105
Other receivables	169,039	523,920
	12,980,244	20,909,025

Customer loan receivables are stated net of bad debt provisions of €10,457,073 (2008: €4,361,291). The provisions charged and the amount written off to the income statement during the period was €7,764,214 (2008: €4,030,384).

7 CALLED UP SHARE CAPITAL

	2009		2008	
	Number of 10p shares	€	Number of 10p shares	€
Authorised				
Ordinary shares of 10p each	30,000,000	3,333,900	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

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

8 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserves	Retained earnings	Total
	€	€	€	€	€
At the start of the year	2,542,460	8,453,870	528,384	(3,002,206)	8,522,508
Comprehensive income					
Loss for the financial period	–	–	–	(1,040,604)	(1,040,604)
Arising on employee share options	–	–	(15,100)	–	(15,100)
At the end of the year	2,542,460	8,453,870	513,284	(4,042,810)	7,466,804

9 TRADE AND OTHER PAYABLES

	Group	
	2009	2008
	€	€
Trade payables	211,482	186,814
Corporation tax	367,493	207,005
Other taxation and social security	179,860	178,921
Other creditors	182,705	204,385
Accruals	159,075	206,031
	1,100,615	983,156

10 SHORT TERM BORROWINGS

	Group	
	2009	2008
	€	€
Bank loans and overdrafts	6,460,000	–

11 LONG TERM BORROWINGS

	Group	
	2009	2008
	€	€
Bank loans and overdrafts	–	12,050,000

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

	Group	
	2009	2008
	€	€
(Loss)/profit on ordinary activities before taxation	(618,901)	209,078
Depreciation	45,300	38,109
Amortisation	20,268	16,417
Loss on disposal of property, plant and equipment	3,757	–
Employees share options	(15,100)	195,585
Decrease/(increase) in debtors	7,938,392	(12,716,803)
(Decrease)/increase in creditors	(572,559)	577,746
Cash flow used in operating activities	6,801,157	(11,679,868)

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