

13 March 2009

MCB FINANCE GROUP PLC

Final results for the 12 months ended 31 December 2008

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, announces its financial results for the year ended 31 December 2008.

Highlights

- First adjusted pre-tax profit of €0.48 million, in line with expectations (2007 pre-tax loss: €2.62 million)
- Increase in principal lent from €24m to €56m
- Revenue increased by 230% to €13.05m (2007: €3.95m)
- Extension of bank financing facility
- Credit loss provisions remain stable at 31 % of revenue (2007: 35% of revenue) notwithstanding deteriorating economic conditions

Bertil Rydevik, Chairman, said:

“MCB Finance Group has managed to grow lending volumes, strengthen business performance, and improve profitability despite a significant weakening of economic conditions.

We continue to focus on current operations, to ensure the business is well placed to adapt to the current economic environment, whilst at the same time working hard to position the business for growth once market conditions improve.

MCB is well funded, providing the Company with a stable platform from which to execute its strategy. The Board remains confident in the Company’s prospects and its ability to continue to improve business and financial performance.”

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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 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

MCB has continued to evolve and made significant progress during 2008, its second full year of operations. During the year the Company expanded its product range, further improved distribution capabilities and continued to improve its ability to serve a rapidly growing customer base.

Having launched its operations in late 2006, MCB reached run-rate profitability in the second quarter of 2008 and further improved financial performance during the second half. As a result, the Company achieved full-year profitability for 2008.

Lending volumes more than doubled during the year while credit quality remained stable. MCB is now a leading non-standard lender in each of its markets.

Economic environment:

Economic conditions in the Baltic states weakened during 2008, with significant deceleration in all three economies from previously high growth rates. In Finland economic conditions were more stable, although we expect weaker economic conditions in all markets during 2009.

The Company operates in a segment of the consumer credit market that is more resistant than others to weakening economic conditions. It also benefits from short maturities below six months on average, providing high visibility on loan performance and the ability to adjust credit criteria rapidly in response to changing market conditions.

MCB was early to recognise the deterioration in economic conditions and during 2008 has taken a number of steps to position the business for the changing environment. We are ready to further adjust our activities as needed to maintain profitability and prepare the business for further growth once market conditions improve.

Lending volumes:

In 2008 the Company extended approximately €56 million of loan principal, up from €24 million in 2007. €26 million of principal was lent during the first half of the year and €30 million during the second half. A large and growing number of loans were made to returning customers, resulting in lower acquisition costs per loan and improved credit performance. Approximately 35% of lending was made to customers in Finland, with the balance in the Baltic states.

The rise in lending volumes compared to 2007 reflects a large increase in applications during the period. This increase was largely due to a growing recognition of the Credit24 brand as a flexible and trustworthy provider of consumer credit solutions. Lending volumes also benefited from higher overall consumer awareness of non-standard lending solutions in our markets, and the further reductions in the availability of consumer credit from traditional financial institutions

affected by the global credit crisis. The increase in applications was tempered by higher rejection rates as MCB worked to maintain credit quality in a weakening macroeconomic environment.

Lending policies:

Since early 2008 MCB has remained focused on controlling credit quality and achieving group profitability – rather than significant further lending growth – by tightening credit criteria, focusing on shorter-maturity loans and improving lending margins.

The Company monitors credit performance rigorously and continues to refine its proprietary credit scoring models with the benefit of accumulated historical data. Over the past year we have tightened credit extension criteria in response to the economic environment. This has proved effective and impairments have remained stable.

During the year MCB successfully extended its Credit24 product range to offer customers a wider selection of short-term loans below six months' maturity, as well as larger loans with longer maturities to carefully selected customers. Despite the expanded product selection, the Company has purposefully focused the bulk of its activity on loans with maturities of between one and six months to maintain underwriting flexibility in an uncertain economic environment. Product adjustments have allowed MCB to increase lending margins, with positive results for group revenues and profitability.

Partnerships:

We expanded our distribution partnerships in the Baltics to enhance Credit24's distribution reach and market visibility, and allow us to better serve those customers who prefer a face-to-face interaction when applying for credit.

Our partners are consumer-facing companies with street-level retail presence where customers can manually complete application forms for Credit24 loans. These include the Latvian Post, BTA insurance - the leading non-life insurance company in the Baltics, and R-Kiosk which runs the largest chain of convenience stores in the Baltics. The BTA partnership is MCB's first sales financing arrangement, whereby BTA customers can finance the purchase of auto and other insurance products using a Credit24 loan. Credit24 loans are now available through over 300 retail locations.

In all cases MCB retains responsibility for and control of credit decisions, loan management and ongoing customer relationships. Currently a minor portion of Group loan volumes are generated through MCB's distribution partners, with the balance generated online.

Other key developments:

During the year MCB continued to improve the user-friendliness, reach and accessibility of its Credit24 products and services. The Company upgraded all local Credit24 websites to further improve the customer experience, and introduced personalised customer pages which include loan information, repayment options and other features.

We have continued to build and strengthen MCB's proprietary credit extension and CRM systems which are central to the management of the Company's lending and collection operations. MCB's lending activities generate a large number of relatively small transactions, and a high degree of automation is essential to manage cost effectively the verification of client details, credit scoring, loan extension, management, and CRM activities while maintaining a relatively low-cost organisational structure.

Our low-cost model distinguishes us from several of our peers and has been an important contributor to the Company's financial performance. We expect to continue to benefit from this operational leverage.

During the year the Company amended its customer identification procedures in Estonia in response to heightened regulatory requirements for face-to-face customer identification. These changes were introduced successfully with minimal impact on operational performance. Estonia recently introduced an interest rate cap on lending which may require MCB to modify its product offering in that market. No further regulatory changes are pending, however this is an area we continue to monitor carefully to ensure the Company's continued compliance with all legislation and adherence to best practice.

In June the Company changed its name to MCB Finance Group plc to better reflect its business focus and widening range of services. At the same time MCB updated its corporate and investor website which can be found at www.mcbfinance.com.

Funding

The Company has adequate levels of both debt and equity financing to support its current business plan for 2009 and beyond.

In July the Company increased its revolving credit facility with Rietumu Bank from €10 million to €15 million. This was followed in December by an extension of the facility by 12 months to the end of March 2010. Securing this funding at such a difficult time for many lenders underlines the strength of our business and our relationship with Rietumu. Approximately €3 million of the Rietumu credit facility remains undrawn. The increase of the credit facility in July 2008 followed a €5.1 million equity financing completed in February 2008.

The financing secured during 2008, combined with the low net cash requirements of the Company's current lending operations, has provided the Company with a stable platform from which to execute its strategy.

Financial review

Revenue for the 12 months ended 31 December 2008 totalled €13.05m (2007: €3.95m), which is in line with expectations. Direct operating expenses, which include provisions and variable costs related to the Company's lending operations, were €6.07m (2007: €2.31m). Administrative expenses were €5.50m (2007: €4.13m). Net finance costs were €0.98m (2007: €0.13m). The proforma pre-tax profit for the year was €0.48m (2007 pre-tax loss: €2.62m). Proforma net profit for the year was €0.40m (2007 net loss: €2.62m).

The proforma figures above exclude non-cash reserves arising on employee share options granted and certain extraordinary expenses.

Credit loss provisioning for the year totalled €4.03m, or 31% of Revenue (2007: €1.38m, 35% of Revenue), reflecting the stable credit performance during the year.

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

Summary financials

(<i>€ thousands</i>)	Year ended 31 December					
	2008	2007	2H 2008	1H 2008	2H 2007	1H 2007
Principal lent	56,606	23,623	30,520	26,086	15,542	8,082
Revenue	13,055	3,951	8,082	4,973	2,497	1,453
Direct operating expenses	(6,077)	(2,312)	(3,674)	(2,403)	(1,245)	(1,067)
out of which Credit loss provisions	(4,030)	(1,387)	(2,534)	(1,497)	(651)	(736)
Provisions as % of Revenue	31%	35%	31%	30%	26%	51%
Administrative expenses	(5,507)	(4,131)	(2,820)	(2,687)	(2,191)	(1,941)
Net interest expenses	(984)	(133)	(648)	(337)	(125)	(7)
Proforma EBT (loss)	486	(2,625)	939	(453)	(1,063)	(1,562)
Proforma net income (loss)	404	(2,625)	857	(453)	(1,063)	(1,562)
Customer loan receivables	20,385	7,995	20,385	15,014	7,995	3,466
Borrowings	12,050	4,550	12,050	7,450	4,550	258
Total equity	8,522	3,265	8,522	7,763	3,265	4,826

Current trading and outlook

Over the past two years MCB has successfully introduced a wide range of non-standard lending products to four different territories, using a variety of distribution channels and supported by consumer marketing strategies adapted to each area. The successful expansion from Estonia to Finland, Lithuania and then Latvia has been a good test for the adaptability of MCB's business model to different conditions, and has prepared the Company for entry into other markets, should it decide to do so, once conditions improve.

Since the year end lending volumes and margins have remained steady. Credit performance is in line with past trends. The worsening economic environment may lead to higher impairment levels going forward, although we expect the Company to adapt its lending criteria to the economic conditions and continue the good progress made during 2008.

We continue to work on every aspect of the business to maximise its efficiency and position MCB for profitable future growth. Our priorities remain (i) managing credit risk, (ii) maximising group profitability and (iii) ensuring readiness for the next stage of growth when market conditions improve.

MCB Finance Group has managed to grow lending volumes, strengthen business performance, and improve profitability despite a significant weakening of economic conditions. We continue to focus on current operations, to ensure the business is well placed to adapt to the current economic environment, whilst at the same time working hard to position the business for growth once market conditions improve. MCB is well funded, providing the Company with a stable platform from which to execute its strategy. The Board remains confident in the Company's prospects and its ability to continue to improve business and financial performance.

Bertil Rydevik
Chairman
13 March 2009

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

	2008	2007
	€	€
Revenue	13,055,266	3,950,724
Impairment charge relating to legacy systems	–	(117,980)
Other direct operating expenses	(6,077,072)	(2,312,032)
Direct operating expenses	(6,077,072)	(2,430,012)
Cost of employee share options	(195,585)	(332,799)
Termination of contract payment	(82,250)	–
Other administrative expenses	(5,506,839)	(4,131,293)
Administrative expenses	(5,784,674)	(4,464,092)
Finance costs (net)	(984,442)	(132,674)
Profit/(loss) on ordinary activities before taxation	209,078	(3,076,054)
Taxation	(82,229)	–
Profit/(loss) on ordinary activities after taxation attributable to the equity shareholders of the parent company	126,849	(3,076,054)
Proforma profit/(loss) calculation		
Impairment charge relating to legacy systems	–	117,980
Cost of employee share options	195,585	332,799
Termination of contract payment	82,250	–
Proforma profit/(loss)	404,684	(2,625,275)
	2008	2007
	€	€
Basic earnings/(loss) per Ordinary share	0.0075	(0.2200)
Diluted earnings/(loss) per Ordinary share	0.0074	(0.2200)

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

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

CONSOLIDATED BALANCE SHEET
As at 31 December 2008

	€	2008 €	€	2007 €
ASSETS				
Non-current assets				
Goodwill	737,723		737,723	
Intangible assets	37,006		24,736	
Property, plant and equipment	84,280		66,779	
Deferred tax asset	124,776		–	
Total non-current assets		983,785		829,238
Current assets				
Trade and other receivables	20,909,025		8,187,738	
Assets classified as held for sale	9,611			
Cash and cash equivalents	1,162,765		506,093	
Total current assets		22,081,401		8,693,831
Total assets		23,065,186		9,523,069
EQUITY AND LIABILITIES				
Equity				
Issued share capital	2,542,460		2,095,567	
Share premium account	8,453,870		3,965,831	
Other reserves	528,384		332,799	
Retained earnings	(3,002,206)		(3,129,055)	
Total equity		8,522,508		3,265,142
Current liabilities				
Trade and other payables	983,156		906,464	
Deferred income	1,509,522		801,463	
Short-term borrowings	–		4,550,000	
Total current liabilities		2,492,678		6,257,927
Non-current liabilities				
Long-term borrowings	12,050,000		–	
Total non-current liabilities		12,050,000		–
Total equity and liabilities		23,065,186		9,523,069

CASH FLOW STATEMENT
For the year ended 31 December 2008

	Group	
	2008	2007
	€	€
Cash flow used in operating activities	(11,679,868)	(8,302,563)
Cash flow from investing activities		
Purchase of property, plant and equipment	(69,705)	(69,304)
Purchase of intangible assets	(28,687)	(36,004)
Investment in subsidiary undertaking	–	–
Cash flow from investing activities	(98,392)	(105,308)
Cash flow from financing activities		
Issue of share capital	5,139,265	5,744,361
Expenses relating to the issue of shares	(204,333)	(1,395,573)
Receipt of short-term borrowing	7,500,000	4,550,000
Intercompany loans	–	–
Repayment of short-term borrowing	–	(258,373)
Cash flow from financing activities	12,434,932	8,640,415
Increase in cash and cash equivalents	656,672	232,544
Cash and cash equivalents at 1 January	506,093	273,549
Cash and cash equivalents at 31 December	1,162,765	506,093

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 2008. The Independent Auditors' report on the statutory accounts for the year ended 31 December 2008 has not yet been signed. Those accounts are expected to be sent to shareholders during April 2008 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 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2008	2007
	€	€
Staff costs	2,353,368	1,754,158
Credit losses	4,030,384	1,386,782
Operating leases	101,937	86,355
Net foreign exchange gains	(655)	(3,606)
Auditors' remuneration:		
- Audit work	134,718	118,865
- Non-audit services	-	-
Extraordinary payment related to termination of card provider contract	82,250	-
Amortisation of intangible fixed assets (see Note 9)	16,417	74,022
Impairment of intangible fixed assets (see Note 9)	-	117,980
Depreciation of property, plant and equipment (see Note 10)	38,109	10,790

4 PROFIT/LOSS PER ORDINARY SHARE

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

	2008	2007
	Number	Number
The weighted average number of Ordinary shares in issue during the period	16,992,770	13,994,436
The profit/(loss) for the period (€)	126,849	(3,076,054)

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

	2008	2007
	Number	Number
The weighted average number of shares under option	1,443,248	1,134,663

5 TRADE AND OTHER RECEIVABLES

	Group	
	2008	2007
	€	€
Customer loan receivables	20,385,105	7,995,514
Amounts due from group undertakings	–	–
Other receivables	523,920	192,224
	<u>20,909,025</u>	<u>8,187,738</u>

Customer loan receivables are stated net of bad debt provisions of €4,361,291 (31 December 2007: €1,301,403). The provisions charged and the amount written off to the income statement during the period was €4,030,384 (2007: €1,386,782).

6 CALLED UP SHARE CAPITAL

	2008		2007	
	Number of 10p shares	€	Number of 10p shares	€
Authorised				
Ordinary shares of 10p each	<u>30,000,000</u>	<u>3,216,600</u>	<u>20,000,000</u>	<u>2,970,320</u>
Issued and fully paid				
Ordinary shares of 10p each	<u>17,394,247</u>	<u>2,542,460</u>	<u>14,063,815</u>	<u>2,095,567</u>

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

On 14 February 2008 the Company issued 3,330,432 Ordinary shares, raising €4.95 million (net of expenses).

7 STATEMENT OF CHANGES IN EQUITY

Group	Share capital	Share premium	Other reserves	Retained earnings	Total
	€	€	€	€	€
At the start of the year	2,095,567	3,965,831	332,799	(3,129,055)	3,265,142
Profit for the financial period	–	–	–	126,849	126,849
Arising on share issue	446,893	4,488,039	–	–	4,934,932
Arising on employee share options	–	–	195,585	–	195,585
At the end of the year	<u>2,542,460</u>	<u>8,453,870</u>	<u>528,384</u>	<u>(3,002,206)</u>	<u>8,522,508</u>

8 TRADE AND OTHER PAYABLES

	Group	
	2008	2007
	€	€
Trade payables	186,814	243,669
Corporation tax	207,005	–
Other taxation and social security	178,921	349,090
Other creditors	204,385	137,675
Accruals	206,031	176,030
	<u>983,156</u>	<u>906,464</u>

9 SHORT TERM BORROWINGS

	Group	
	2008	2007
	€	€
Bank loans and overdrafts	–	4,550,000

10 LONG TERM BORROWINGS

	Group	
	2008	2007
	€	€
Bank loans and overdrafts	<u>12,050,000</u>	–

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

	Group	
	2008	2007
	€	€
Profit/(loss) on ordinary activities before taxation	209,078	(3,076,054)
Depreciation	38,109	10,790
Amortisation	16,417	74,022
Impairment	–	117,980
Employees share options	195,585	332,799
Increase in debtors	(12,716,803)	(7,010,325)
Increase in creditors	577,746	1,248,225
Cash flow used in operating activities	<u>(11,679,868)</u>	<u>(8,302,563)</u>