

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you should consult an independent financial adviser authorised under the Financial Services Act 2008 if you are in the Isle of Man or the Financial Services and Markets Act 2000 (as amended) if you are in the United Kingdom. If you are resident outside the Isle of Man and the United Kingdom, you should contact an appropriately authorised independent financial adviser.

If you sell or otherwise transfer, or have sold or otherwise transferred, all of your holding of Ordinary Shares, please forward this document together with the accompanying Form of Proxy as soon as possible to the purchaser or transferee, or to the agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. If you sell or otherwise transfer, have sold or otherwise transferred only part of your holding of Ordinary Shares, please retain these documents and consult the stockbroker, banker or other agent through whom the sale or transfer was made.

Application will be made for the New Shares arising on the Re-registration to be admitted to trading on AIM. It is expected that such admission will become effective and dealings for normal settlement in the New Shares will commence on 18 January 2010.

MANX FINANCIAL GROUP PLC

(Incorporated in the Isle of Man under the Companies Acts 1931-2004 (as amended) with registered number 116406C)

Proposals to

**Re-register as a company incorporated under the Isle of Man Companies Act
2006 (as amended)**

**Convert Ordinary Shares of £0.25 nominal value into Ordinary Shares of no par
value**

Adopt new Memorandum and Articles of Association

and

Other Matters

Notice of Extraordinary General Meeting

Set out at the end of this document is the Notice of an Extraordinary General Meeting to be held at the Claremont Hotel, Douglas, Isle of Man, at 11:00 am on Thursday 14 January 2010. A Form of Proxy for use at the Extraordinary General Meeting is enclosed and, to be valid, should be completed and returned in accordance with the instructions printed on it, as soon as possible but in any event so as to be received by the Company Secretary no later than 11:00 am on Tuesday 12 January 2010. The return of a completed Form of Proxy will not preclude a member from attending and voting in person at the Extraordinary General Meeting.

Beaumont Cornish Limited, which is authorised and regulated in the United Kingdom in the conduct of business by the Financial Services Authority and is a member of the London Stock Exchange, is the Company's Nominated Adviser in connection with the matters referred to in this document for the purposes of the AIM Rules and is acting exclusively for the Company and no one else in connection with the matters described herein and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Beaumont Cornish Limited or for advising any other person on the arrangements described in this document or any matter referred to herein. The responsibilities of Beaumont Cornish Limited, as Nominated Adviser, are owed solely to the London Stock Exchange and are not owed to the Company or any Director or to any other person in respect of their decision to acquire Ordinary Shares in reliance on any part of this document. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised.

CONTENTS

Definitions

Letter from James Mellon, the Chairman of the Company

- Introduction
- The Proposals
- The effects of the Proposals
- Future intentions
- Risk factors
- Extraordinary General Meeting
- Action to be taken
- Recommendation

Section A: The Companies Act 2006 (as amended)

Section B: The New Articles

Section C: Risk Factors

Notice of Extraordinary General Meeting

Expected timetable	Date
Notice period commences	21 December 2009
Return of proxy due by	11:00, 12 January 2010
EGM date	11:00, 14 January 2010
Effective date of re-registration	18 January 2010
Commencement of dealings (AIM)	18 January 2010

DEFINITIONS

In this document, the following expressions have the following meanings, unless the context requires otherwise:

"Act"	the Isle of Man Companies Act 2006 (as amended)
"AIM"	AIM, a market operated by London Stock Exchange Plc
"AIM Rules"	The rules published by the London Stock Exchange governing admission to, and the operation of, AIM
"Articles"	the Company's existing Articles of Association
"Bank" or "Conister Bank"	Conister Bank Limited
"Board" or "Directors"	the board of directors of the Company from time to time
"British Isles"	the United Kingdom, the Isle of Man, the Republic of Ireland and the Channel Islands
"Burnbrae"	Burnbrae Limited
"Company"	Manx Financial Group PLC, a company incorporated and registered in the Isle of Man with number 116406C
"Court"	the Isle of Man High Court
"CREST"	the computerised settlement system (as defined in the CREST Regulations) operated by Euroclear UK & Ireland Limited which facilitates the transfer of title to shares in uncertificated form (as defined in the CREST Regulations)
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), including (i) any enactment or subordinate legislation which amends or supersedes those regulations and (ii) any applicable rules made under those regulations or any such enactment or subordinate legislation for the time being in force
"EGM" or "Extraordinary General Meeting"	the extraordinary general meeting of the Company convened for 11:00 am on Thursday 14 January 2010 at which the Resolutions will be proposed, notice of which is set out at the end of this document
"Employee Share Option Scheme"	the employee share option scheme as approved by the shareholders in November 2007.
"Existing Shares"	issued ordinary shares each of £0.25 nominal value in the capital of the Company, all of which are admitted to AIM
"Form of Proxy"	the form of proxy for use by Shareholders in connection with the EGM, which is enclosed with this document
"Group"	the Company and its subsidiaries

"KPMG"	The accountancy firm KPMG LLP whose registered address is Heritage Court, 41 Athol Street, Douglas, Isle of Man. IM99 1HN.
"New Articles"	the Articles of Association which will be adopted by the Company if the Resolutions are passed
"New Memorandum"	the Memorandum of Association which will be adopted by the Company if the Resolutions are passed
"New Shares" or "Ordinary Shares"	the ordinary shares of no par value arising on the Re-registration
"Notice of EGM"	the notice of EGM set out at the end of this document
"Pre-emption"	The issuing of new shares to existing shareholders before being offered to new shareholders.
"Proposals"	re-registration of the Company as a company incorporated under the Act, conversion of Existing Shares into ordinary shares of no par value and the adoption of the New Memorandum and the New Articles
"Re-registration"	the re-registration of the Company pursuant to Part IX Chapter 2 of the Act
"Resolutions"	the resolutions to be proposed at the EGM which are set out in the Notice of EGM
"Risk Asset Ratio"	A standard banking ratio that measures Conister Bank Limited's risk weighted assets in ratio to its capital base
"Shareholder"	a holder of Existing Shares
"TransSend"	TransSend Holdings Limited a wholly owned subsidiary of Manx Financial Group PLC which issues prepaid cards
"1931-2004 Acts"	the Isle of Man Companies Act 1931-2004

MANX FINANCIAL GROUP PLC

(Incorporated in the Isle of Man under the Companies Acts 1931-2004 (as amended) with registered number 116406C)

Directors:

James Mellon *(Chairman)*
Aaron Banks *(Non-Executive Director)*
Alan Clarke *(Non-Executive Director)*
Denham Eke *(Chief Executive Officer)*
David Gibson *(Non-Executive Director)*
Simon Hull *(Non-Executive Director)*
Ilyas Khan *(Non-Executive Director)*
Donald McCrickard *(Non-Executive Director)*
Nick Sheard *(Executive Director)*

Registered Office:

Conister House
Isle of Man Business Park
Cooil Road
Braddan
Isle of Man
IM2 2QZ

21 December 2009

To the Shareholders and, for information purposes only, to holders of options over Existing Shares

Dear Shareholder

Recommended proposals to re-register the Company as a company incorporated under the Isle of Man Companies Act 2006 (as amended), to convert Existing Shares into ordinary shares of no par value and to adopt the New Memorandum and the New Articles

Introduction

I am writing to give Shareholders details of the Board's proposals to re-register the Company as a company governed by the Act instead of, as is presently the case, a company governed by the Companies Acts 1931-2004, to convert Existing Shares into New Shares and to adopt the New Memorandum, and New Articles.

In order to implement the Proposals it will be necessary to convene an EGM at which Shareholders are being asked to give their approval by passing the Resolutions.

As highlighted in the 2009 Interim Report, the Company has enjoyed improved financial performance despite the global economic uncertainty. This has been underpinned by

- greater cost control, a 22% improvement in the consolidated cost to income ratio,
- greater efficiency, a 9% improvement in the Bank's loans to deposits ratio,
- the re-positioning of the pre-paid cards division, and
- a 49% reduction in the Group's central costs.

The Board believes that the re-branding of the bank division and the successful implementation of the new banking system together with the introduction of new customer focused products such as the Wealth range should also improve performance.

Whilst the above steps have created a stable platform to fend off the worst of the current economic climate, the Group faces the challenge of growing the businesses and revenues with the ultimate aim of improving value for Shareholders.

Central to that objective is the Group's business plan which in turn is focused on improving the performance of Conister Bank. In that regard the Board has resolved to try and improve its traditional lending business. Opportunities have arisen as some partially nationalised UK banks are trying to repair their balance sheets and as part of this strategy have stopped lending to some of their successful long term asset finance companies. This has created a funding void which Conister Bank is well placed to fill in the British Isles.

The Board believes that a successful implementation of its business plan will likely require additional capital being injected into the Group or a reorganization of its existing financing or a combination of both. This belief derives from the fact that the Bank is required to maintain a Risk Asset Ratio of 16.0% which effectively ties up a significant portion of the Group's capital and means that it is not available to be used for growing the Group's businesses.

The Company cannot issue further Existing Shares at less than their nominal value (25p) without Shareholder approval and the sanction of the Court; this is a significant constraint on considering any proposals to issue further share capital. It is not realistic at this stage to consider issuing further shares at £0.25p or more as the closing mid market price of the Existing Shares was £0.0975 as at 15 December 2009, being the latest practical date prior to the posting of this document.

The Board believes that it would be in the best interest of the Company if the Company had greater flexibility to issue shares without having to get Shareholder and Court approval each time it wanted to do so. In this regard the Board wishes to draw the following points to the attention of Shareholders:

1. Unless otherwise provided by the memorandum or articles of association there are no statutory pre-emption limits on allotment under Isle of Man law; and
2. Under the Articles the Board has authority to issue shares otherwise than on a pre-emption basis.

As part of the Proposals, it is proposed the Existing Shares be converted to New Shares (which have no par value). This would remove the current restriction faced by the Company that it cannot issue further shares at a price less than their nominal share value without Shareholder and Court approval.

The Board is aware that in light of the lack of any statutory provisions or constitutional pre-emption restrictions Shareholders could find their shareholdings diluted by virtue of a further issue of shares. By special resolution passed on the 29 June 2009 the Company was authorized to issue shares amounting to not more than 20 per cent of the then existing issued share capital, at not more than a discount of 10 per cent to the then market price. The "authority" expires 18 months from the date the resolution was passed. Accordingly it is proposed to include in the New Articles a provision that the Company will not, in any calendar year, issue or allot on a non-preemptive basis such number of shares as is (either through one issue or through separate smaller issues) equal to (an aggregate of) 20 per cent or more of the total number of shares in issue at the beginning of the relevant calendar year without having first passed a special resolution authorising the Board to do so on a non-preemptive basis. For the avoidance of doubt, the Board is authorised pursuant to this provision in the New Articles to issue and allot any number of shares each calendar year as long as such number is, in aggregate, under 20 per cent of the total number of shares in issue at the beginning of the relevant calendar year other than on a pre-emptive basis and

without prior shareholder approval. Shareholders should note that this restriction would not apply to or otherwise affect issues of shares in respect of share option awards under the Company's Employee Share Option Scheme. It is not proposed to retain the restriction on discounts to 10 per cent., as the Board considers this unduly restrictive in current market conditions.

The Proposals are set out in more detail below.

The Proposals

Re-registration and conversion of Existing Shares into New Shares

The Company was incorporated under the Isle of Man Companies Act 1931 and it is currently subject to the provisions of the 1931-2004 Acts. The current market price of Existing Shares is approximately £0.0975, which is significantly below the nominal value of £0.25. As mentioned above, it is not lawful for the Company to issue shares at a discount to their nominal value unless each issue is authorized by ordinary resolution passed at a general meeting and obtains the sanction of the Court. The Board believes that it is impractical and inefficient to proceed on such a basis and, having taken appropriate advice, has determined to seek the approval of Shareholders to the Re-registration. If the Re-registration proceeds, it will be possible for the Company, being at that stage subject to the provisions of the Act, to issue shares with no par value thereby enabling the Company to raise capital at such price as is considered appropriate by the Board taking into account prevailing market conditions.

Shareholders will be requested at the EGM to approve the conversion of each Existing Share into a New Share. This will ensure that after Re-registration and any new issue of shares there will only be one type of shares in issue. If such conversion is approved it will not alter the market value of a Shareholder's holding of shares in the Company's capital or their economic interest in the Company.

New Articles

The Articles are appropriate for a company incorporated under the 1931-2004 Acts but are inappropriate for a company incorporated under the Act, as will be the case if Re-registration occurs. Companies incorporated under the Act operate under a significantly different statutory regime from those incorporated under the 1931-2004 Acts. The Act updates and streamlines Isle of Man company law to a significant extent. Section A of this document contains a brief overview of the key characteristics of companies incorporated under the Act. Although as I have indicated the Articles will not be appropriate for the Company post Re-registration, the New Articles are based upon the Articles and the Directors believe that, given that the statutory regimes are different for companies subject to the 1931-2004 Acts and companies subject to the Act, the provisions of the New Articles replicate as closely as practicable the provisions of the Articles. Set out in Section B of this document is a non-exhaustive list of the principal changes which have been made to the Articles to alter them into the form of the New Articles. In addition, Shareholders may view on the Company's website (www.mfgplc.im) a copy of the Articles which have been marked-up to highlight the differences between the Articles and the New Articles.

The Act requires that upon Re-registration taking place the Company must adopt a new memorandum of association. Accordingly, if the Proposals are implemented the New Memorandum, which will comply with section 149(2) of the Act, will be adopted.

The above summary is not intended as being an exhaustive advice upon the possible differences between the provisions of the Act and those of the 1931-2004 Acts. Shareholders should if they deem it appropriate seek independent advice.

Effects of the Proposals

The Re-registration of the Company would not create a new legal entity and the Act specifically provides that Re-registration does not prejudice or affect the continuity of the Company. Instead, the Company would be subject to the provisions of the Act in place of the 1931-2004 Acts.

Advice has been received from KPMG that the conversion of Existing Shares into New Shares should not have any taxation consequence for an Isle of Man resident Shareholder. In addition, such conversion should not give rise to any liability or loss for the purposes of UK taxation of capital gains as the ordinary shares of no par value should ordinarily be treated as the same asset and acquired at the same time as a Shareholder's holding of Existing Shares. Shareholders should consult their own tax adviser if they are in any doubt as to the taxation effects of the Proposals, if implemented.

No new share certificates for the New Shares will be despatched to Shareholders if the Proposals are implemented. The share certificates previously issued in respect of Existing Shares will remain effective even though the New Shares will have no nominal value attached to them as appears in existing share certificates. No changes are envisaged to the existing Employee Share Option Scheme, save amendment to reflect the fact in the event of Re-registration that options would relate to New Shares.

The provisions in the Articles in respect of the holding or transfer of uncertificated shares by means of CREST are replicated in the New Articles.

Future Intentions

If the Proposals are implemented the Board intends to consider how best to raise additional working capital for the Group.

Whilst no proposal has been finalised at this stage, the Company intends to enter into negotiations with Burnbrae (and I am a beneficiary of a trust that owns Burnbrae) with a view to re-financing the existing loan of £500,000 made to the Bank by way of a subordinated loan note dated 23 December 2008. If terms can be agreed, the Company would propose to replace that loan by an increased loan direct to the Company, the latter of which may be converted to New Shares on a ratio to be negotiated and agreed. It should be emphasised that

1. no such loan arrangement is guaranteed to materialise, and
2. such an arrangement would not likely be possible for so long as the Company is unable to easily issue shares at a discount to the nominal value.

In the event that any transaction is entered into with Burnbrae it will likely qualify as a related party transaction for the purposes of the AIM Rules as Burnbrae is interested in 18.92% of the Company's issued share capital and is owned by a trust of which I am a beneficiary. The Company will make a further announcement about this if required in due course.

Risk Factors

The Shareholders should read the risk factors relating to the Group and the Proposals set out in Schedule C.

Extraordinary General Meeting

In order for the Proposals to become effective they require approval of the Shareholders and accordingly an EGM is to be held at 11:00am on Thursday 14 January 2010 at the Claremont Hotel, Douglas, Isle of Man.

Both the Resolutions are special resolutions and require 75% of the voting rights cast at the EGM to be cast in favour of the Resolutions for them to be passed.

Resolution 1. – Sanction to Re-registration and adoption of the New Memorandum and the New Articles

Resolution 1 seeks Shareholder approval to the Re-registration of the Company as a company limited by shares incorporated under the Act and to the adoption of the New Memorandum and the New Articles.

Resolution 2 – Conversion of Existing Shares into New Shares (that is, shares of no par value)

Resolution 2 is expressed to be conditional upon the passing of Resolution 1. Conditional upon the passing of Resolution 1, Shareholders will be requested to approve the conversion of each Existing Share into a New Share.

Unless both Resolutions are passed the Proposals cannot be implemented in full, but if Resolution 1 alone is passed Re-registration will be capable of implementation.

Action to be taken

A Form of Proxy for use at the EGM is enclosed. Whether or not you propose to attend the meeting in person you are requested to complete and sign the Form Proxy sent to you in accordance with the instructions printed thereon and return such forms as soon as possible and in any event no later than 11:00am on Tuesday 12 January 2010 to the Company Secretary at the Registered office of the Company, Conister House, Isle of Man Business Park, Cooil Road, Braddan, Isle of Man, IM2 2QZ.

Completion and return of a Form of Proxy will not prevent you from attending and voting in person at the EGM should you so wish but you may not vote both in person as well as by proxy.

Recommendation

The Directors consider that the Proposals (that is, in summary, the Re-registration of the Company, the accompanying adoption of the New Memorandum and the New Articles and the conversion of the Existing Shares into New Shares) will assist the future development of the Company and are in the best interests of the Shareholders as a whole. The Directors therefore unanimously recommend that you vote in favour of the Resolutions proposed at the EGM.

I, the other Directors and their associates, intend to vote in favour of the Resolutions in respect of the holdings of 21,853,501 Existing Shares representing an aggregate of approximately 34.5% of the issued Existing Shares.

Yours faithfully
James Mellon

SECTION A

The Companies Act 2006 (as amended)

The following, though not exhaustive, are some of the key characteristics of companies incorporated under the Act:-

Share Capital

Under the Act, there is no longer the concept of authorised share capital. Therefore, shares may be issued with or without par value. It should be noted that if the Proposals are implemented in full, the Company will have shares of no par value.

Dividends, Redemptions and Buy-backs of Shares

Subject to compliance with its memorandum and articles of association, the Act will allow the Company post Re-registration to declare and pay a dividend and to purchase, redeem or otherwise acquire its own shares subject only to meeting a statutory solvency test (although the New Memorandum and New Articles proposed to be adopted at the EGM retain the requirement for shareholder approval before a final dividend can be paid).

Capacity and Powers

Companies incorporated under the Act have separate legal personality and perpetual existence. In addition, such companies have unlimited capacity to carry on or undertake any business or activity; this is so notwithstanding the matter of corporate benefit. The Act specifically states that no corporate act is beyond the capacity of a company incorporated under the Act by reason only of the fact that the relevant company has purported to restrict its capacity in any way in its memorandum or articles or otherwise. A person who deals in good faith with a company incorporated under the Act is entitled to assume that the directors of the company are acting without limitation.

Other Points

In addition to the foregoing, the following other points should be noted in relation to companies incorporated under the Act:

- there are no prohibitions in relation to the Company providing financial assistance for the purchase of its own shares;
- there is a requirement for a registered agent appropriately licensed in the Isle of Man (QK Corporate Services Limited, Number Fifty, Athol Street, Douglas, Isle of Man, IM1 1JB will be the Company's first registered agent following Re-registration);
- there is no differentiation between public and private companies;
- there are simple share offer document requirements;
- there are reduced compulsory registry filings;
- there is no statutory requirement for a company incorporated under the Act to have an annual general meeting (although this requirement has been inserted into the New Articles which may be adopted at the EGM); and
- the statutory accounting requirements are simplified.

SECTION B

The New Articles

The New Articles are based upon the Articles. Set out below is a non-exhaustive list of the principal changes which are proposed in relation to the New Articles.

Resolutions

The Act does not differentiate between ordinary resolutions (passed by a simple majority of votes cast in relation to the relevant resolution) and special resolutions (passed by a majority of three-quarters of votes cast in relation to it). However, there is no prohibition on the Company adopting such a differentiation if it chooses to do so. Accordingly, the New Articles retain the requirements for ordinary resolutions and special resolutions in the circumstances where these are required under the Articles.

Authorised Share Capital

Companies incorporated under the Act are not required to have authorised share capital. However, the New Articles state that, unless increased by ordinary resolution, the maximum number of ordinary shares in the Company's capital available for issue is 150,000,000 shares, which reflects the Company's present authorised share capital.

The Act permits companies incorporated under the Act to have shares with no par value; in respect of the Company, the New Articles only permit shares to be issued with no par value.

Reduction of Capital

The New Articles will permit the Company to reduce its share capital, subject to the statutory solvency test being satisfied, with the sanction of a special resolution; there will be no need for the Court to sanction any reduction of capital.

Purchase of Shares

Subject to the satisfaction of the statutory solvency test, the New Articles will permit the buy-back of shares without the restrictions which currently apply under the 1931-2004 Acts whereby such a purchase can only be funded from distributable profits or the proceeds of a fresh issue of shares made for the purpose of the repurchase.

Sanction to Variation

The Articles permit, in the event the share capital is divided into shares of different classes, the variation of the rights attached to a class of shares with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution. The New Articles contain a similar provision.

Transfer of Shares

The New Articles require that share transfers are delivered to the Company's registered agent or such other person as the board may from time to time appoint. (The first registered agent of the Company is anticipated to be QK Corporate Services Limited, Number Fifty, Athol Street, Douglas, Isle of Man, IM1 1JB and the current Registrar is Computershare Investor Services (IOM) Limited)

Annual General Meetings

The Act does not require companies incorporated pursuant to its provisions to convene annual general meetings, but the New Articles impose an obligation upon the directors of the Company to convene general meetings on an annual basis.

Overseas Registers

Reference in the Articles to overseas registers has been deleted as the Act does not make mention of them.

The Seal

There is an obligation contained in the New Articles for the Company to have a seal; the Act does not require companies incorporated under the Act to have seals, but they may if they wish. References to an official seal for use abroad has been deleted as the Act contains no provision in this regard.

Secretary

The Act does not require the appointment of a company secretary as it requires each company subject to its provisions to appoint a registered agent which will fulfill similar duties. The Articles, however, permit the board of the Company to continue to appoint a secretary.

Dividends

The New Articles contain provisions relating to dividends and distributions which are substantially the same in effect to those which are contained in the Articles.

Reserves

References to income and capital reserves have been deleted from the New Articles as the Act does not require the same to be maintained.

Capitalisation of Reserves

The provisions in relation to capitalisation of reserves contained in the Articles have been largely retained except that the capitalisation will only be permitted in terms of the New Articles to the extent that the statutory solvency test is satisfied and the amounts utilised to capitalise an issue of new shares are required to be deducted from the Company's profits

Accounts

Because the Act is not unduly prescriptive in terms of accounting, the New Articles require a printed copy of the directors' and auditors' reports accompanied by printed copies of the annual accounts (comprising a profit and loss account and a balance sheet) to be laid before the Company in general meeting within nine months of the date of the balance sheet comprised in such accounts.

Amendment to Constitutional Documents

It should be noted that, unlike companies incorporated under the 1931-2004 Acts, the Act does not require a company subject to its provisions to amend its memorandum or articles of association by special resolution. However, following the Re-registration the New Memorandum and the New Articles may only be amended by special resolution.

SECTION C

Risk Factors

In addition to all of the other information set out in this document, potential investors should carefully consider the non-exhaustive list of risk factors set out below which the Directors consider to be the most significant to the business of the Group. If any of the circumstances identified in the risk factors set out below were to materialise, the Group's business, financial condition and operating results could be materially and adversely affected. In such cases the price of the shares could decline, and investors may lose all or part of their investment.

Growth management

The Board believes that the planned expansion of the Bank's lending business will be required to meet the growth as per the business plan. The Group's future success will depend in part on the Bank's ability to manage this planned expansion. Such expansion is expected to place demands on management, support functions, accounting and financial control, sales and marketing and other resources. If the Bank is unable to manage its expansion effectively, its business and financial results could deteriorate materially.

Competition

Existing Banking Business - The Bank has experienced, and expects to continue to experience, intense competition from a number of other companies. The Bank's competitors may announce or develop new products, services or enhancements that better meet the needs of customers or changing industry standards.

Prepaid Cards - New competitors, or alliances among competitors, could emerge and enter the markets the Group has targeted. Increased competition may cause price reductions, falling margins and shortfalls from sales targets, any of which could have a material adverse effect on the Group's business, financial condition and results of operations.

Both Existing Banking Business and Prepaid Cards - Many of the Group's competitors and potential competitors have significantly greater financial, technical, marketing, service or resources than the Group and have a larger base of products, longer operating histories or greater name recognition. The Group's relatively small size may therefore be considered negatively by prospective customers. In addition, the Group's competitors may be able to respond more quickly than the Group can to changes in customer requirements and devote greater resources to the enhancement, promotion and sale of their products and to the development of new products.

Changes in consumer preferences

There are a number of trends in consumer preferences which may impact adversely on both the Group and its industry as a whole. These trends may reduce demand for certain of the Group's products, and providing or developing modified or alternative products may increase the Group's costs and either or both of these factors may materially and adversely affect the Group's results.

Loss of key personnel

The Group depends on the services of its key financial, technical, sales, marketing and management personnel. The loss of the services of any of these persons could have a material adverse effect on the Group's business, results of operations and financial condition. The Group's success is also highly dependent on its continuing ability to identify, hire, train, motivate and retain highly qualified financial, technical, sales, marketing and management personnel. Competition for such personnel can be intense, and the Group cannot give assurances that it will be able to attract or retain highly qualified personnel in the future. The Group's inability to attract and retain the necessary financial, technical, sales, marketing and management personnel may adversely affect its future growth and

profitability. It may be necessary for the Group to increase the level of remuneration paid to existing or new employees to such a degree that its operating expenses could be materially increased.

Loss of key introducers

The Group will be reliant on several key third party business introducers who provide a stream of business to support, in particular, its asset finance and premium finance lending books. Loss of one or more of these introducers could lead to a significant fall in sales, thus impacting on revenue generation, whilst alternative sources of business are sought. It may be necessary for the Group to pay increased commissions to the replacement introducers to a level which make the business stream(s) uneconomic.

Financial resources

The Board has no reason to believe, having made due and careful enquiry, that the capital available to the Group will be insufficient for its present requirements. The Group's future capital requirements will, however, depend on many factors, including its ability to maintain and expand its customer base, its sales, deposits, loans, advances, cash flow and control of costs and the execution of any material acquisitions. In the future, the Group may require additional funds and may attempt to raise additional funds through equity or debt financings or from other sources. Any additional equity financing may be dilutive to holders of the ordinary shares and any debt financing, if available, may require restrictions to be placed on the Group's future financing and operating activities. The Group may be unable to obtain additional financing on acceptable terms or at all if market and economic conditions, the financial condition or operating performance of the Group or investor sentiment (whether towards the Group in particular or towards the market sector in which the Group operates) are unfavourable. The Group's inability to raise additional funding may hinder its ability to grow in the future or to maintain its existing levels of operations.

Dependence on regulatory licences and permissions

The Group maintains a banking licence in the Isle of Man. No assurance can be given that the terms of any licences or permissions, which have been granted will not be changed so that revised terms become less favourable to the Group. The Group's business and profitability would be adversely affected by any failure to obtain or retain its banking licence or by unfavourable changes in its terms.

Dependence on MasterCard membership

The Group is entirely dependent on the Bank's membership of MasterCard to issue prepaid cards. There can be no assurance that the Bank's existing MasterCard membership will not be withdrawn or varied adversely should, *inter alia*, the Group breach any of MasterCard's membership rules from time to time.

Dependence on international payment processing systems

The Group will be dependent upon the Bank's relationship with MasterCard, which processes payments between the Group and its customers. Any interference with this relationship, or the enactment of any legislation prohibiting the use of credit or debit cards and certain instruments, as well as the tightening of anti money-laundering regulations, may adversely affect the Group's business.

Dependence on third party processors

The Group's prepaid card division relies on third party processors to manage the processing of card transactions and to produce all required data and provide a significant element of customer service. Failure of a processor to provide the required levels of service could lead to financial loss through incorrectly calculated accounts and/or adversely affect the Group's reputation. Further, if a third party processor ceased to provide its services at all, the programme concerned may have to be closed

down and a loss in revenue for the Group may result and/or the Group may incur liabilities to cardholders and/or MasterCard.

Credit risk

Credit risk arises when the possibility exists of a counter-party defaulting on its obligations. The most important step in managing this risk is the initial decision whether or not to offer credit. The Group attempts to manage its credit exposure via individual counter-party and concentration limits. The amount of the Group's bad debts may increase in the future as a result of deterioration in the quality of its loan portfolio. Such deterioration may occur for a variety of reasons, including factors which are beyond its control, such as a slowdown in economic growth and other adverse macroeconomic trends, which may cause operational, financial and liquidity problems for the Group's borrowers as well as materially and adversely affect their ability to service their outstanding debt.

Collateral risk

A substantial portion of the Bank's loans are secured by collateral, typically private and commercial vehicles, plant and machinery. The value of the Bank's loan collateral may fluctuate or decline due to factors beyond the Group's control, including macroeconomic factors adversely affecting the economy generally. In particular, an economic slowdown may result in declines in the value of the collateral securing many of the Bank's loans to levels below the outstanding principal balance of such loans. Any significant decline in the value of the collateral securing the Bank's loans may result in a shortfall in the amount that can be recovered from such collateral and an increase in the Group's bad debts, should the loan default.

Operational risk

Operational risk arises from the potential for inadequate systems, errors, poor management, breaches in internal controls, fraud and other external events. Any deficiencies in the Group's systems and practices could adversely affect its ability to timely and accurately record, process, summarise and report financial and other data, as well as adversely impact its efficiency, undermine the effectiveness of its risk management process and increase the potential for fraud, financial reporting errors and non-compliance with regulations. Moreover, the Group may face additional challenges to its risk management and internal controls as it expands the size of its operations and the range of its products and services into new markets. The Group's failure to address any internal control deficiencies could result in one or more of the following: financial loss; reputational damage; inaccuracies in its financial statements; impair its ability to comply with applicable financial reporting requirements and meet its regulatory obligations on a timely basis or at all. Furthermore, if the Group's risk management function is inadequate or ineffective in managing the risks related to its existing and expanding products and services, its financial condition and results of operations could be materially and adversely affected.

Litigation funding operational risk

The Group's litigation funding business receives payment of a number of the loans made to the clients of the various law firms on the Group's panel. Repayment of such a loan would usually be made on the successful conclusion of the relevant client's claim for personal injury, when costs are received by the law firm or on payment by the insurance company following a claim on the client's insurance policy.

Each law firm, who has clients with loans advanced by Conister Legal Management, has entered in to a panel solicitor agreement (a "PSA"). The PSA for a law firm sets out the terms on which that law firm must repay the outstanding loan. The PSA also obliges that law firm to repay the loan should it not be paid from another source, such as the client, the other side or the insurance company.

It has come to light, however, that some of the client loan agreements do not comply with the terms of the Consumer Credit Act 1974 ("CCA") and associated legislation, thereby rendering them

unenforceable. In the circumstances, some law firms have declined to repay client loans to Conister Legal Management when required to and may seek repayment of amounts paid to date, whether or not they have received the money to repay the loans from another source.

Market risk

A risk exists that changes in the level of interest rates, changes in the rate in the rates of exchange between currencies or changes in the price of securities and other financial contracts (including derivatives), will have an adverse financial impact on the Group. The main market risks which affect (or may affect) the Group's activities are interest rate risk, currency risk and liquidity risk.

Interest rate risk

The Group's results of operations significantly depend on its net interest income. Fluctuations in interest rates could adversely affect its financial condition and results of operations in different ways. For example, a decrease in interest rates may reduce its interest income. In addition, an increase in interest rates may reduce overall demand for loans, and, accordingly, reduce new loan origination as well as potentially increase the risk of customer default. Furthermore, volatility in interest rates may also result in a difference between the Group's interest rate-sensitive assets and interest rate-sensitive liabilities. As a result, the Group may be required to incur additional costs to adjust its interest rate-sensitive assets and interest rate-sensitive liabilities, and its net interest income may decrease. The Group monitors continually whether its loans and advances should be re-priced in response to interest rate fluctuations. The failure to appropriately re-price its loans and advances may affect its profitability.

Currency Risk

The level of profitability can be impacted by any fluctuations between currencies and Sterling.

Liquidity risk

The Group needs to maintain access to sufficient cash not only meet its minimum regulatory requirements but also to meet its deposit account maturity profile and fund the day to day needs of customer withdrawals.

If the Group does not maintain sufficient liquidity to meet its regulatory requirements it may face censure and ultimately withdrawal of its banking licence.

The Group uses various methods, including predictions of daily cash positions, to monitor and manage its liquidity position so as to seek to avoid any undue concentration of funding requirements at any point in time or from any particular source.

Economic and political risk

The Isle of Man Government enjoys a number of arrangements with the United Kingdom Government relating to fiscal and economic matters. Such arrangements are considered by the Directors to be beneficial to the general economy of the Isle of Man. Should such arrangements be withdrawn or amended so as to have a material adverse effect on the economy of the Isle of Man, the Group may suffer a corresponding material adverse effect on its business.

Information technology risk

The Group is highly dependent on information technology infrastructure (either directly or indirectly where processing is outsourced to a third party) to deliver services to its customers, manage risk, implement its internal control systems and to manage and monitor its business operations. The Group may not be able to upgrade its information technology infrastructure successfully and in a timely manner. Any failure to successfully upgrade or any disruption in the Group's information

technology infrastructure could materially and adversely affect its business, financial condition, results or operations and prospects.

Regulatory Compliance

The Group is subject to various inspections, examinations, inquiries, audits and other regulatory requirements by the Isle of Man authorities. These inspections, examinations, inquiries and audits have, from time to time, revealed weaknesses in certain areas of the Group's operations. If, as a result of these examinations, inquiries and audits, irregularities are found within the Group, it may be subject to regulatory censure, fines or ultimately the loss of its banking licence. In addition, if it becomes the target of any negative publicity, there may be a material and adverse effect on its corporate image, the reputation and credibility of its management and its business and financial condition.

Furthermore, the Group is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations. These laws and regulations require it, among other things, to adopt and enforce 'know your customer' policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. While it has adopted policies and procedures aimed at detecting and preventing the use of its banking network for money laundering activities by terrorists and terrorist-related organisations and individuals generally, such policies and procedures may not completely eliminate instances where it may be used by other parties to engage in money laundering and other illegal or improper activities. To the extent the Group may fail to fully comply with applicable laws and regulations, the regulatory authorities have the power and authority to impose fines and other penalties on the Group, including revoking its licences and permissions. In addition, the Group's business and reputation could suffer if customers use it for money laundering or illegal or improper purposes.

Legislative changes effecting the internet gambling industry

A proportion of TransSend's marketing efforts will be targeted at issuing prepaid cards to support certain niches within the internet gambling industry. Whilst in many countries around the world this activity remains legal in others, most notably the USA, it is not. Adverse legislative changes in the countries where cards may be issued would result in those cards being immediately cancelled with the resultant loss of revenue, which will take time to replace.

Lack of Pre-emption rights

There are no statutory pre-emption restrictions. The Articles and, if adopted, the New Articles, contain no right of pre-emption. Shareholders could therefore find their shareholdings diluted by virtue of a further issue to one or a small group of Shareholders. However, by special resolution passed on the 29 June 2009 the Company was authorized to issue shares amounting to not more than 20 per cent of the then existing issued share capital, at not more than a discount of 10 per cent to the then market price. The "authority" expires 18 months from the date the resolution was passed. It is intended that said resolution of the 29 June 2009 be replaced by a provision which shall be included in the New Articles to the effect that the Company will not, in any calendar year, issue or allot on a non-preemptive basis such number of shares as is (either through one issue or through separate smaller issues) equal to (an aggregate of) 20 per cent or more of the total number of shares in issue at the beginning of the relevant calendar year without having first passed a special resolution authorising the Board to do so on a non-preemptive basis. For the avoidance of doubt, the Board is authorised pursuant to this provision in the New Articles to issue and allot any number of shares each calendar year as long as such number is, in aggregate, under 20 per cent of the total number of shares in issue at the beginning of the relevant calendar year other than on a pre-emptive basis and without prior shareholder approval.

The risks above do not necessarily comprise all those faced by the Company and are not intended to be presented in any assumed order of priority.

MANX FINANCIAL GROUP PLC

(Incorporated in the Isle of Man under the Companies Acts 1931-2004 (as amended) with registered number 116406C)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Manx Financial Group PLC (the "**Company**") will be held at the Claremont Hotel, Douglas, Isle of Man on Thursday 14 January 2010 at 11:00am for the purpose of considering and, if thought fit, passing the following Resolutions which will be proposed as special resolutions:

1. **THAT:**
 - (i) the Company be re-registered as a company incorporated under the Companies Act 2006 (as amended) ("**Re-registration**");
 - (ii) upon Re-registration the Company adopts the memorandum of association complying with section 149(2) of the Companies Act 2006 (as amended) in the form initialled by the Chairman of the meeting; and
 - (iii) upon Re-registration the Company adopts the articles of association in the form initialled by the Chairman of the meeting (the "**New Articles**").
2. **THAT**, subject to and conditional upon the passing of Resolution 1, upon Re-registration each of the Company's ordinary shares of £0.25 nominal value be converted into an ordinary share of no par value, each such share having the rights and restrictions set out in the New Articles.

Registered office:
Conister House
Isle of Man Business Park
Cooil Road
Braddan
Isle of Man IM2 2QZ

By order of the Board
L A Crossley

Dated: 21 December 2009

Notes:

1. In accordance with Regulation 22 of the Uncertificated Securities Regulations 2006, only those members registered in the register of members of the Company 48 hours before the meeting or, in the event that the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 48 hours before the time of the meeting or, in the event that the meeting is adjourned, after 48 hours before the time of any adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the meeting.
2. A member is entitled to appoint one or more persons as proxies to exercise all or any of his rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. To appoint more than one proxy, you will need to complete a separate proxy form in relation to each appointment. Additional proxy forms may be obtained by contacting the Company at its registered office, details of which appear above, or by telephone number 01624 694694 (calls cost 10p per minute plus network extras) or you may photocopy the proxy form. You will need to state clearly on each proxy form the number of shares in relation to which the proxy is appointed. A failure to specify the number of shares each proxy appointment relates to or specifying a number in excess of those held by the member may result in the proxy appointment being invalid. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. The appointment of a proxy will not preclude a member from attending and voting in person at the meeting if he or she so wishes.
3. A form of proxy is enclosed. To be valid, it must be completed, signed and returned to the Company's registered office, details of which appear above, fax 01624 624278 so as to arrive no later than 11:00am on Tuesday 12 January 2010 (or, in the event that the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting).

