ISLAMIC BANK OF BRITAIN

Savings and Term Deposit Target Profit Rates

Payment Accounts (flexible accounts where you can access your funds immediately)	**Actual Profit Rates (Gross p.a) November 2011***
On Demand Savings Account	0.05%
Direct Savings Account	0.15%
Young Persons Savings Account	0.10%
Non Payment Accounts (restricted access accounts where you do not have immediate access to your funds)	**Actual Profit Rates (Gross p.a) November 2011***
60 Day Notice Account	1.00%
Fixed Term Deposit (3 months)	0.10% **
Fixed Term Deposit (6 months)	1.25% **
Fixed Term Deposit (12 months)	1.50% **
Fixed Term Deposit (18 months)	2.25% **
Fixed Term Deposit (24 months)	3.00% **
**For existing customers your target profit rate which you will have been advised of on opening remains unchanged.	

Please note: New expected profit rates take immediate effect for new accounts opened and rollover accounts.

* These rates may be changed at the month end when profit calculation takes place and customer share of profit is determined. The profit rate quoted is calculated in accordance with the Banks Terms and Conditions, on the daily balance on your account and presented as an annual equivalent. The payment of profit calculated for term deposit is on the maturity date of the deposit.

The target profit rates above may be subject to change due to potential volatility in Commodity Murabaha markets. IBB will notify you of any changes as soon as practically possible.

The profit distribution target rate quoted refers to the actual payment you may receive and is "before tax". As you will see from the paragraph below, your effective "after tax" return will vary depending on your individual circumstances.

Tax treatment of the profit share

Disclaimer – Islamic Bank of Britain accept no liability in respect of your use of the information provided in this statement. The information provided is generic in nature. Your own individual facts and circumstances may mean that the information provided in this section is not applicable to you. If in doubt you should contact your tax adviser or your local tax office to clarify your tax position.

Individual account holders
The profit share paid by Islamic banks is governed by specific tax legislation contained in the Finance Act 2005. This legislation provides that your profit share will be paid after the deduction of tax at the applicable rate. We will issue you with details of the amount of profit share and the tax withheld each tax year. If you pay tax at the higher rate (currently 40%) you can generally offset the withholding tax against your overall liability to tax and you will therefore generally be liable to additional tax of 20% on the total amount of the profit share (that is, before the withholding).

Under existing UK law, starting and basic rate tax payers have no further liability to UK tax. If you are eligible, you may receive your profit share gross, i.e. without deduction of tax, provided an Inland Revenue form R85 has been completed, signed by you and returned to us. To be eligible, you must:
• be resident or ordinarily resident in the UK;
• be 16 years of age or over;
• hold the account for your own benefit; and
• have a total income below the annual tax free personal allowances limit.

The profit share may also be paid gross if you are a child under 16 years of age, whether the account is held in your own name or held by another person for your benefit. To be eligible, you must:
• be resident or ordinarily resident in the UK;
• be under 16 years of age;
• have a total income below the annual tax free personal allowances limit; and
• have provided a form R85 signed by your parent or legal guardian.

You will have to sign a new R85 when you reach 16 years of age.

If we pay your profit share with tax deducted in the current tax year before processing your form R85, the tax will be refunded directly to your account at the later of:
• the beginning of the tax year (i.e. 6 April); or
• when the last section 352 certificate of tax deducted was issued.

If you and all other persons for whose benefit the account is held are not ordinarily resident in the UK, you may receive your profit share gross provided you are eligible and an Inland Revenue form R105 has been completed, signed and returned to us. Any profit share paid before we are able to process form R105 will be made after deduction of tax at the applicable rate. Please contact the Inland Revenue to find out if you are entitled to recover this tax. Please contact your local branch or call our Customer Service Centre for copies of appropriate forms.

Account holders who are companies within the charge to corporation tax
For the purposes of UK tax law, the profit share you receive is treated as a return on a loan equivalent to the amount deposited with Islamic Bank of Britain, and is taxed as if it were a return on a loan relationship under Chapter 2 of Part 4 Finance Act 1996.

All account holders If you are uncertain whether the information provided above is applicable to you, you should contact your tax adviser or your local tax office to clarify your tax position.