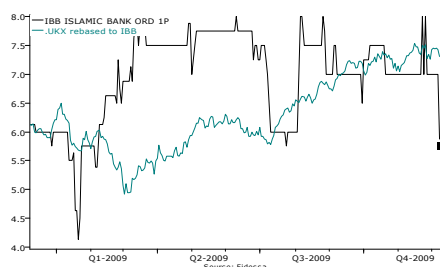


Islamic Bank of Britain 6.75p

Opportunities from Possible Capital Raising

14 December 2009

Share Price: 6.75p



12m High: 8p

12m Low: 4p

Market Cap: £37m, £105m after possible £50m capital raise

Shares in Issue: 546.7m, 1.55bn after possible £50m capital raise

NAV/Share: 4p at 30.6.2009

Core Tier 1 Ratio: 11%

EPIC Code: IBB.L

Sector: Financials

Market: London AIM

Broker: Keith, Bayley, Rogers

+44 (0)203 100 8000

Website: www.islamic-bank.com

Description: IBB is the UK's first and only Sharia compliant retail bank. It has gross footings of £200m and its nine branches, UK telephone centre and online banking facility currently service 50,000 customers.

Analysts: Roger Hardman/Sonia Kaur

Tel: +44 (0)20 7929 3399

Email: research@hardmanandco.com

The Islamic Bank of Britain is the only independent retail bank in Britain with a portfolio of products that are fully Sharia compliant.

Its c. £200m of gross footings and AIM market cap of £37m mean it is London's smallest quoted bank and its size at present is sub-critical mass. The Board has signalled that a major capital raising is under way, however, that will mean a quantum leap in size, raising the prospect of much greater market penetration and a first profit in financial year 2012.

Key points are:

- A new Home Purchase Plan product has for the first time given IBB a genuinely exclusive product with high margins that is in demand by its target market. It recently topped the 'One Year Mortgage' league tables and is selling as rapidly as the capital base permits.
- The target customer group is being refocused upwards from the mass market to affluent and high net worth individuals.
- For the first time, wealthy Muslim visitors to the UK are being treated as a target customer group.
- A series of initiatives are planned for 2010 that will better leverage the Bank's capital base.
- IBB came through the 2008-9 banking crisis in good shape; impairments have been well below the industry average, there was no involvement in the sub-prime market and involvement in the Bank of England lifeboat was never even remotely in question.
- The Muslim population of the UK is becoming increasingly affluent, and customers attracted by Sharia compliance are likely to be much more 'sticky' than normal bank customers in an otherwise increasingly fickle banking marketplace.

We believe IBB could absorb up to £50m of new capital. This would more than treble the equity base and give the bank critical mass to drive into profit. All the time IBB is building a market presence that will have great value on a trade sale to any major bank wanting a presence in this increasingly important niche.

| Y/E | Gross Income | Declared Profit/(Loss) | Adjusted Profit/(Loss) | Adjusted Diluted EPS | P/E ratio | Divi | Yield |
|----------|--------------|------------------------|------------------------|----------------------|-----------|------|-------|
| December | £m | £m | £m | p. | | p. | % |
| 2008A | 4.3 | -5.9 | -5.9 | -1.4 | - | 0 | - |
| 2009E | 3.1 | -9.3 | -9.3 | -1.7 | - | 0 | - |
| 2010E | 6.4 | -7.5 | -7.5 | -0.6 | - | 0 | - |
| 2011E | 15.4 | -3.2 | -3.1 | -0.2 | - | 0 | - |
| 2012E | 27.5 | +0.8 | +0.8 | +0.1 | 67.5 | 0 | - |

SWOT Analysis

Strengths

- IBB is one of only a handful of fully Sharia compliant banks in the UK.
- Competition is benign and this industry has high barriers to entry.
- Significant shareholdings by prominent Qatari individuals including those close to the Government and Royal Family.
- Relatively modest impairments incurred to date.
- IBB's addressable market is large and becoming increasingly affluent.
- Market awareness in the UK and parts of Europe is good. In terms of market perception, IBB punches above its weight.
- New IT systems provide the platform for easy scale up both within the UK and in other countries.
- Sharia compliance adds 'stickiness' to the customer base in an otherwise increasingly fickle banking marketplace.

"IBB's addressable market is large and becoming increasingly affluent"

Weaknesses

- IBB has yet to achieve critical mass, and is unlikely to do so without a further significant capital injection.
- Poor financial track record. IBB has reported five consecutive years of losses since launch, and according to our estimates a further three years of losses are likely before the first profit is earned.
- Sound capital adequacy ratios are being eroded by continuing losses and additional capital is needed for regulatory purposes.
- Every capital addition leads to dilution for existing shareholders who do not participate.
- Some recent changes to the business model, while theoretically a considerable improvement, are as yet unproven.
- Gross margins are low for the industry, even on the new, higher margin products.
- Sharia compliance adds to the costs of new products, reducing competitiveness against conventional banking products.
- This is not one of the banks that is 'too big to fail'.
- There are no UK financial institutions on the shareholder register and IBB has yet to establish a meaningful relationship with UK based financial institutions.

"Sound capital adequacy ratios are being eroded by continuing losses and additional capital is needed for regulatory purposes"

Opportunities

- Rapid expansion is possible once constraints to the capital base are removed.
- Inroads have already been made into the Home Purchase Plan market in a very short time, and much greater penetration is possible.
- Opportunities exist for the Bank to act as an agent for products of other providers at very little up front cost. This would also provide scope for cross selling to the existing client base.
- Opportunities to have IBB products sold by Sharia compliant banks abroad, and also in the UK for financial organisations in need of Sharia compliant products.
- Potential to expand in France and other EU countries with large and relatively affluent Muslim populations.
- IBB could become a take-over target for any one of the major banks looking for a foothold in this increasingly important niche.

Threats

- Failure to raise additional capital would leave the bank sub-critical and before long lead to regulatory issues.
- Large, more established banks with a lower cost of capital may invade this "space".
- Foreign Islamic banks, for instance the large established Pakistani and Bangladeshi retail banks, may expand their existing branch networks to the point where they become a threat.

Islamic Finance – The Philosophy and Rules

Islamic finance is a system of finance that adheres to the principles of Sharia, or Islamic law, as contained in the Qur'an. Its key principles are as follows:

- **Prohibition of interest (riba, usury)** – Muslims are forbidden from entering into any monetary transaction in exchange for interest. Whilst it is acceptable for financiers to make a profit in Islam, these profits must be linked to an underlying asset or service and not simply from owning capital.
- **Risk sharing** – All gains relating to a trade must be shared between the lender and borrower.
- **Prohibition of speculative behaviour** – All parties to a transaction must be able to make informed decisions and there must be complete transparency between contracting parties about all aspects of the transaction. Futures, options, and forward foreign exchange transactions are therefore widely considered to be un-Islamic by most Muslim scholars.
- **No financing of sinful (haram) activities** – Investment in areas considered socially detrimental – including gambling, pornography, armaments and alcohol - is forbidden. Due to the prevalence of these activities in the modern day economy, Islamic scholars now accept that if an investment generates less than 30% of its income from sinful activities it can be included as part of a Sharia-compliant portfolio provided it is cleansed of that income i.e. the profit earned on the sinful element is donated to charity.

“Earning interest is forbidden in Islam”

All Islamic financial institutions are required to have their products approved by a Supervisory Committee of Islamic scholars. Whilst this obviously adds to the costs of new product launches and reduces competitiveness against conventional banking products, such vetting is absolutely essential if the confidence of the target customer market is to be maintained.

Islamic Retail Finance - How does it work?

Modern Islamic banking has evolved in such a way so as to replace interest income with cash flows from productive sources such as rental income.

In lieu of interest on products such as savings accounts, for example, Islamic financial institutions like IBB place customer deposits in Sharia compliant investment pools which aim to generate returns comparable to those achieved by the conventional banks. Customers are then paid a share of these profits. As with interest payable on conventional savings products, the annual target profit rate on Sharia savings accounts varies according to both the size and term of deposit.

Current accounts are based on the Sharia principle of Qard. A Qard is a loan, free of any benefit. In practice this means that current account holders are depositing their money in a bank that invests solely in activities that adhere to Sharia principles. No interest is paid on deposit balances and there is no overdraft facility thereby avoiding the need to levy interest charges.

The Islamic home finance (Home Purchase Plan) is based in its structure on the Islamic financial principles of Diminishing Musharaka (Diminishing Ownership) with Ijara (Lease). This is where the customer chooses to purchase a property in the normal way and applies to the Bank to buy the house. Simultaneously the Bank enters into two agreements with the customer; the first is the Diminishing Musharaka Agreement where the bank agrees to sell its share of the property to the customer at the same purchase price for an agreed monthly amount. The customer's equity in the property increases with every payment made towards acquiring the Bank's share. The second is the Ijara agreement under which the bank agrees to let its share in the property to the customer for an agreed term, during which rent is paid on a monthly basis (with the rent amount reviewed every three to six months). Thus, the customer makes one monthly payment comprised of two payments - the rent and the acquisition payment. The amount of rent payable by the customer is reduced as the

“Islamic financial institutions aim to generate returns comparable to their conventional banking counterparts”

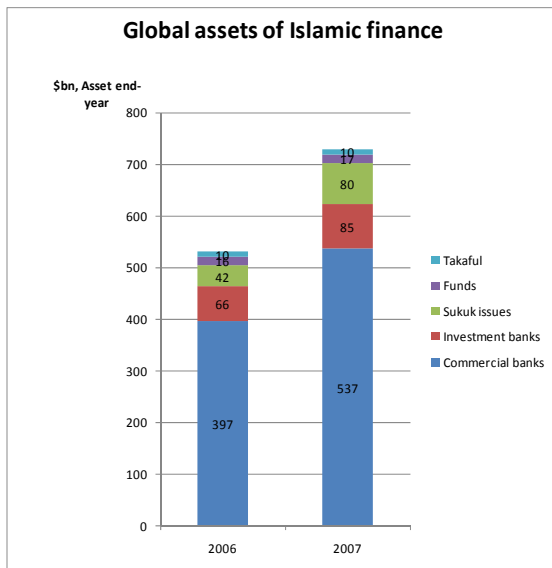
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customer's share increases. In due course, after the Bank's entire share has been bought and all the rent has been paid under the lease, the Bank transfers the legal title of the property to the customer. The customer also agrees to a charge on the lease in favour of the Bank to secure the rental payments and the Bank's outstanding finance amount. Commercial property transactions are structured along similar lines.

The Islamic Finance Industry

According to figures compiled by IFSL research, the global Islamic marketplace grew by 37% in asset terms between 2006 and 2007 to reach c. \$729bn. Almost two-thirds of these assets were concentrated in the commercial banking sector, followed by investment banks (12%) and Sukuks, or Islamic bonds, at 11%.



Source: IFSL Research

Remarkably, the UK is the eighth largest market for Islamic finance worldwide and the only Western Country to rank in The Banker's 2007 Top Ten League Table of global Islamic Assets by Country with \$18bn in Sharia compliant assets. This was equivalent to 3% of the global marketplace.

“The UK is the eighth largest market for Islamic finance worldwide”

Although established for over 30 years, the UK Islamic finance market has only really taken off in the last five years following a range of supportive government policies. From a retail banking point of view, the most significant of these policies was the removal in 2003 of the double stamp duty tax on Islamic mortgages and the extension of tax relief on Islamic mortgages to companies.

There are currently 2.4m Muslims in the UK, representing 3.9% of the total UK population, up from 3.1% in 2004. With 37% of this population being under the age of 16, and one quarter of all UK graduates expected to be Muslim in the next couple of years, the Muslim population is also set to become increasingly affluent. These demographics point to a growing addressable market for the UK Islamic Finance Industry and in our view, customers attracted by Sharia compliant banking are likely to be much more 'sticky' than normal bank customers in an otherwise increasingly fickle banking marketplace.

Today, the UK is home to five fully Sharia compliant financial institutions, including IBB. The other four are:

- **European Islamic Investment Bank (EIIB)** - EIIB was the first independent Islamic investment bank to gain FSA accreditation in 2006 and is one of only two other Islamic financial institutions, besides IBB, to be quoted on AIM (the other is AIM quoted but US based). EIIB's speciality areas – Treasury & Capital Markets, Private Equity and Corporate Advisory and Real Estate - have very little overlap with those of IBB. FY results to end December 2008 showed a declared loss of £14.8m after heavy impairment charges and a 12% decline in the asset base to £277.7m. Whilst EIIB remains well capitalised recent statements by the Board indicate a de-listing is likely, possibly as early as next year.
- **The Bank of London and The Middle East** - BLME opened during 2007 and offers Sharia compliant investment and corporate banking services to businesses and high net worth individuals globally. Despite being relatively new to the industry, BLME appears to be the largest independent operator in the UK with gross footings of £782.9m at end June 2009, 30% up on the comparable period last year and a strong capital base of £250m.

“There are three quoted Islamic financial institutions on AIM today”

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- **European Finance House** - is a subsidiary of A- rated Qatar Islamic Bank, the largest Islamic bank in Qatar with a 57% market share. It received authorisation from the FSA to operate as an investment bank in 2008 and offers a range of Sharia compliant investment products and services to both companies and wealthy investors. Qatar Islamic Bank does not split out the financials of European Finance House making comparisons with the peer group difficult.
- **Gatehouse Bank** is a subsidiary of The Securities House KSCC, a Kuwait-listed Sharia investment company. Based in London, it received its banking licence in 2008 and is an Islamic wholesale investment bank operating in capital markets, institutional wealth management, Treasury business and advisory services. Like European Finance House, Gatehouse does not disclose its financials.

In addition to these independent institutions, there are 17 conventional banks that have set up 'windows' in the UK to provide Islamic financial services. These include Alburaq (ABC International Bank), Barclays Bank, HSBC Amanah, Standard Chartered and UBS.

In asset terms, independent Islamic financial institutions in the UK account for a very small proportion of the total identified asset base. Indeed, the largest operator in the UK appears to be HSBC Amanah, with \$15.2b of Sharia compliant assets (around 87% of the total) although as it is the only conventional bank to disclose its figures to The Banker's 2007 Study its dominance could be overstated.

No figures have been published on the growth or otherwise of the industry in 2008. However, because off-balance sheet financing and investment in morally questionable areas such as sub-prime loans are forbidden by Sharia law the Islamic finance industry is likely to have weathered the 2008-9 banking crisis much better than its Western banking peers. The big challenge for the industry now will be to minimise the impact of the latest financial calamities to hit Dubai and Saudi involving three defaulting conglomerates that owe a combined \$46b. Failure to do so could trigger a second global banking crisis.

"Independent Islamic financial institutions account for a very small proportion of the Sharia compliant asset base in the UK"

Company History

IBB was established in July 2002 by IJVP, a Venture Capital Group based in Bahrain. Two years later the group obtained FSA accreditation and began trading as the UK's first independent Sharia compliant retail Bank with all sources of capital and internal contracts meeting these requirements so that there is a 'cradle to grave' audit trail of total adherence to Sharia principles.

In August 2004 IBB floated on AIM in an oversubscribed placing that raised £40m at 25p/share. Most of the new capital was provided by prominent Qatari individuals, including the Emir and other members of the Royal Family. These shareholders, with 70% of the total number of shares in issue, continue to dominate the shareholder register today.

Between 2004-2006, IBB spearheaded an ambitious expansion strategy opening seven UK branches in Muslim hotspots in and around London and the Midlands. This built the group's brand but almost all the growth was in low margin instant access and short term deposits restricting the Bank to making its returns from the wholesale banking market. The unsecured personal finance products attracted better margins, but almost all of the returns in this business area were eroded by high arrears. Meanwhile, IBB's ability to undertake large individual commercial property transactions was hampered by the group's small equity base.

In 2007, current MD Gerry Deegan and Commercial Director Sultan Choudhury were appointed to the Board and immediately embarked on a strategic refocus of the Bank. After several years of losses it was clear that IBB needed to re-align its target customer group upwards towards affluent and high net worth individuals and invest in new systems in order to broaden the product portfolio to include higher margin, higher growth products both within the UK and abroad.

"IBB has no toxic assets and no arrears in its secured loan book"

Unlike the majority of its conventional banking peers, IBB has emerged relatively unscathed from the recent banking crisis. It has no toxic assets or securities and no arrears in its secured loan book.

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However, it is clear that at the present time IBB is operating at sub-critical mass and will remain so without a serious capital injection. A share placing at 5.875p/share in January 2009 raised £7.4m net of expenses and the Board has clearly signalled that another major fund raise is currently underway.

The Business

Today IBB operates through a network of eight branches in Edgware Road, Whitechapel, Southall & East Ham (London), Small Heath & Alum Rock (Birmingham), Leicester, Manchester and a Premier banking office in Mayfair specifically aimed at high net worth individuals from both the UK and Overseas with liquid assets in excess of £100k. Other direct distribution channels include a 25 seat telephone banking facility in Birmingham, an online banking proposition and self service branch kiosks and ATMs. These channels are complemented by an expanding intermediary network of over 2,300 brokers and 90 direct introducers.

Key operating statistics as at end June 2009 were as follows:

| | June-09 |
|------------------------|-------------|
| Customers | 48,606 |
| Accounts | 74,529 |
| Customer Assets £ | 29,857,794 |
| Customer Liabilities £ | 172,285,567 |

Source: June 2009 interim results

The Liability Product Portfolio

The liability product portfolio is dominated by instant access and short term money deposits which in combination account for 59% of total deposits and 92% of accounts by volume.

| Product Name | Deposit Balances | | Number of Accounts | |
|---------------------------|--------------------|-------------|--------------------|-------------|
| | £ | % Total | | % Total |
| Current Account | 32,732,637 | 19% | 35,136 | 48% |
| Savings Account | 46,937,669 | 27% | 22,968 | 31% |
| Direct Savings A/c | 17,437,762 | 10% | 2,122 | 3% |
| Young Persons Savings A/c | 5,868,087 | 3% | 6,969 | 10% |
| Notice Accounts | 28,680,556 | 17% | 2,168 | 3% |
| Term deposit Accounts | 15,623,269 | 9% | 3,773 | 5% |
| Treasury Accounts | 25,050,942 | 15% | 108 | 0% |
| Total | 172,330,922 | 100% | 73,244 | 100% |

Source: Management Information, data is at end June 2009

Growth in this area has slowed over the course of the past year due to the low rates of return on offer (c.0.1%) and the imposition of minimum balance requirements. This reduced rate of growth is very much in line with management's strategy as short term deposits have a disadvantage from the regulatory point of view in that it is not permissible to use them as a base for the multiplier of long term asset books such as the Home Purchase Plan.

The Mudaraba and Wakala longer term deposits are, in effect, IBB's wholesale assets, in other words funds placed with Standard & Poors graded bodies or their equivalent. These produce a very slim margin over 3 month LIBOR but on the other hand are very cheap to operate in administration terms and do not bring with them any impairment or default issues.

The table above shows the impact of the Bank's strategy to migrate customer deposits away from short term deposits towards deposits in excess of one month. The 60 Day Notice Account has grown from zero to 17% of total deposit balances in less than one year. It can also be seen that the 6-24 month fixed term deposit accounts are building up a good momentum having launched with relatively low minimum deposit requirements and very competitive target profit rates of return. For example, the initial 4.5% target rate of return on the new two year fixed term deposit was probably the highest yielding product of its class at the time and received widespread press coverage in both the ethnic and mainstream media.

"The liability product portfolio is dominated by instant access and short term deposits"

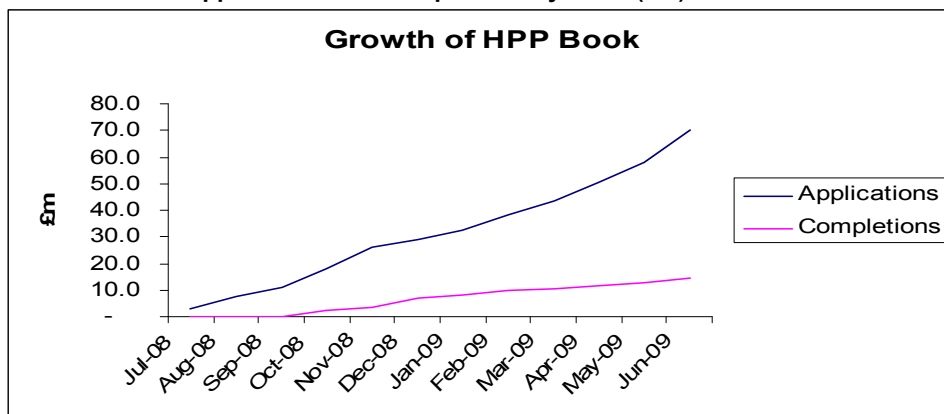
The Financing Product Portfolio

Home Purchase Plans

IBB made its first inroads into the Home Purchase Plan market towards the end of 2008 at a time when both UK house prices and the number of housing transactions were tumbling.

After a slow start due to market conditions, we understand applications and completions have picked up noticeably in recent months indicating that demand from the target market is strong.

The HPP Book - Applications and completions by value (£m)



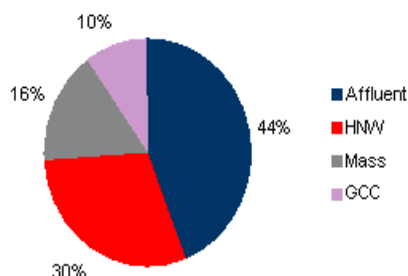
“The number of home purchase plan completions has picked up noticeably in recent months”

Source: Management information

The largest UK financial services provider in the Sharia compliant HPP market is HSBC Amanah. IBB probably ranks a close second, however, having launched a product that until recently topped the ‘One Year Mortgage’ league tables, and is rapidly building market share.

Affluent and high net worth individuals, the customer segments least likely to default on payments, make up 74% of the customer base. Also, average asset cover is a very conservative 60% (compared to a maximum available LTV of 80%) while just shy of 60% of the properties financed are located in London and the affluent South East.

HPP Book - Gross balances outstanding by client wealth segment, June 09



Source: Management Information

“Wealthy and HNWW individuals account for 74% of the HPP customer base”

Commercial Property Finance

The commercial property book was launched in 2006-07 during the height of the commercial property boom. We have been surprised both by the modest size of this book to date and the very low profit rates that IBB has been obtaining (c.3.5%). This may be a reflection of a very high quality class of business rather than (or as well as) IBB weighting the terms of the transaction too much in the favour of its customers.

Gross balances outstanding (£m), Oct 2008 – June 2009

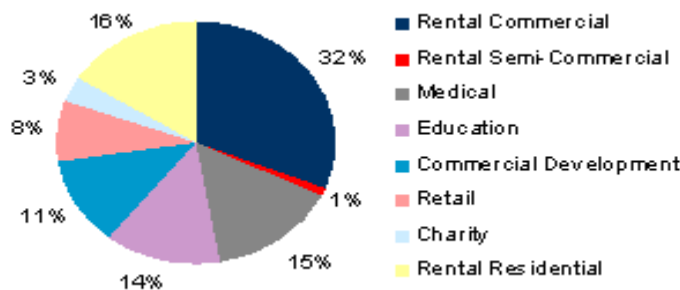


“IBB has a modest but high quality commercial property book”

Source: Management Information

As can be seen from the pie-chart, the customer profile of the commercial property book is very similar to that of the HPP book – the largest individual customer segments are medical and commercial clients and the majority of deals have been based in and around London (40%).

The Commercial Property Book: Gross balances outstanding by client sector



Source: Management information

Reassuringly, given what has happened to the commercial property market over the past year, IBB has not found impairments on this type of business to be necessary.

The Personal Finance Book

| Total A/C Balance (£000s) | Dec 06 | Dec 07 | Dec 08 | June 09 |
|---------------------------|--------|--------|--------|---------|
| Personal Finance | 8,350 | 10,351 | 8,817 | 6,598 |

Source: Management Information

“The personal finance book is being wound down”

Once a significant product for the group, IBB is currently winding down its unsecured personal finance book and this product is now being marketed on a strictly limited basis only.

Whilst high margin this product was designed for the mass market and is also highly capital consumptive compared to equally high margin but less risky HPP business. As a case in point, the unsecured personal finance book has been the only asset product in the Bank’s portfolio to encounter significant arrears (we cover this in more detail later on in this report)

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although almost all of the problem loans relate to when the previous management team was in office i.e. Q2 2005 – Q3 2006.

We expect the personal finance book at end December 2009 to be 50% lower than the position at end December 2008 but the overall profitability of the book to be significantly better following the introduction of tighter lending criteria by the current management team.

The Management Team

Gerry Deegan: Managing Director

Mr Deegan joined IBB in November 2006 as Commercial Director and was promoted to the post of Managing Director in January 2007. Prior to joining IBB, Mr Deegan spent two years developing the retail and private banking business of AhliBank Qatar as Deputy CEO. He has also held senior Retail Banking roles at both Commercial Bank of Qatar and Al Bank Al Saudi Al Fransi. Mr Deegan spent 23 years with AIB Bank in Ireland and held various managerial positions in the Retail Banking Division.

“Managing Director Mr Deegan has over 37 years of international banking experience”

Sultan Choudhury: Commercial Director

Mr Choudhury joined IBB in January 2004 and is currently responsible for strategic planning and implementation, sales and marketing. He currently sits on the Industry Panel for the Islamic Finance Qualifications of the Securities and Investment Institute and has also served on the UKTI Financial Services Sector Advisory Board sub group for Islamic Financial Services. Mr Choudhury is a Chartered Accountant and prior to joining IBB held a number of roles in mainstream financial institutions including Charles Schwab Europe, Barclays Private Bank & Deloitte.

John Mulvey: Chief Financial Officer and Company Secretary

Mr Mulvey, a Chartered Accountant, joined IBB in December 2005 from KPMG where he was a senior manager working within financial services audit for 10 years. In 2008, he was appointed Group CFO with additional responsibility for the Bank's compliance and risk management framework.

Mr Moustafa: Non-Executive Director

Mr Moustafa has been a Non-Executive Director of IBB since September 2005. He is also currently Deputy General Manager of Qatar International Islamic Bank.

Robert John Owen: Non-Executive Director

Mr Owen has been a Non-Executive Director of IBB since February 2007. He was previously Founder and Chief Executive of London Mortgage Company. Mr Owen has a BA and MBA degree and is a Fellow of the Chartered Institute of Bankers.

Mr Al-Adhamy: Non-Executive Director

A member of the Institute of Chartered Accountants in England & Wales, Mr Al-Adhamy has served as a partner in the audit and advisory department of KPMG Bahrain since 1997.

Strategy

IBB's focus over the next few years is to build critical mass and move towards breakeven. Strategically, this is expected to be achieved by:

- Expansion into Europe
- Expansion of the high margin Home Purchase Plan book
- New initiatives that deliver a high quality fee and commission income stream
- De-emphasising short term deposits in favour of longer term savings deposits
- Moving the target customer group upwards from the mass market towards more affluent and high net worth individuals.

“IBB's focus over the next few years is to build critical mass and move towards breakeven”

Expansion into Europe

With a potential customer base of 14 to 15 million relatively affluent Muslims, expansion into Europe is seen as key to the group's long-term future. We expect the first stop to be France, home to almost three times the number of Muslims in the UK (over 6 million) following the decision by regulators to remove the regulatory and taxation barriers currently hampering the country's development of Sharia compliant retail banking.

IBB has good market awareness in France and we believe expansion into this new market could take place as early as December 2010. Encouragingly the initial capital requirements are expected to be low, at c. £500k. This is partly because IBB's upgraded banking system is multi-currency and currently working at less than 25% utilisation and partly because the intention is to concentrate distribution through online channels with a single, flagship Paris branch acting as a central sales outlet. Expansion into new markets can often backfire horribly but IBB's low entry costs combined with the Bank's experience of the UK market ought to limit the downside risks.

“Expansion into Europe is seen as key to the group's long-term future”

A December 2010 launch would give IBB a first mover advantage in France but not for long. Both of France's main banks, BNP Paribas and Societe Generale, have experience of Islamic banking in the Middle East and North Africa and are expected to launch their own Sharia windows in the French market as soon as the regulatory environment allows.

Growing the HPP Book

According to a recent *Datamonitor* report, the Islamic mortgage market was worth c. £500m in 2008. This, of course, is a very modest proportion of the overall mortgage market in the UK (at c. £250bn) but importantly it is also a very modest proportion of the potential Muslim mortgage market, at c.5%.

Put another way, *Datamonitor* estimates that there are 400,000 Muslim homeowners in the UK. Assuming a) only 20% of Muslims are Islamically-inclined and b) the average size of a Muslim home loan is £120k would suggest the market in Sharia-compliant HPP products is worth a massive £9.6b (around 3.8% of total gross lending) in the UK alone. Adding France and potential interest from non-Muslim customers further underlines the huge opportunities for growth in this marketplace.

“The Islamic mortgage market was worth c.£500m in 2008”

In recent months, IBB has upped the ante on its competition by becoming the first Muslim bank to distribute its product through the all-important intermediary/broker channel. Current tie-ups give the group access to over 2,300 brokers and 90 direct introducers in addition to leads from key consumer comparison websites such as confused.com.

Assuming a fund raise of £50m we estimate IBB's HPP book could grow sixfold to £210m over the next three years. This will include HPP business in Europe, as well as Britain.

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New Initiatives

One of the key initiatives planned for 2010 that will better leverage the bank's capital base is the move into wealth management. We understand this would involve IBB offering a vetted restricted universe of Sharia only funds with added value cleansing and charitable donation functionality (for those investments involved in haram activities).

A wealth management platform would enable IBB to leverage its two biggest strengths - its brand/distribution capability and Sharia credibility at very little cost as the current intention is for all advice to be outsourced to partnering IFA networks. IBB would then take a commission on all annual management and advisory fees in addition to making a margin on the cash element of the funds under management.

Focusing on longer term deposits

Short term deposits by their nature cannot easily be used to fund higher margin business such as the group's house purchase plan.

Consequently, the current management team has embarked upon a strategy of re-aligning the customer base towards longer term savings deposits.

A 60 day notice account was launched in December 2008 and longer maturity term deposits of 12, 18 and 24 months have launched with competitive rates in 2009. The take-up of these new products has generally been good although inevitably at the expense of existing commodity murabaha and wakala deposit accounts.

By end December 2010 we expect longer term deposits to overtake instant access deposits as the Bank's most popular account by volume.

“By end December 2010 we expect longer term deposits to overtake instant access deposits as the Bank's most popular account by volume”

Refocusing the target customer group upwards

The UK Muslim population is becoming increasingly affluent and if IBB is to generate returns comparable to its traditional banking counterparts then focusing its new customer acquisition in this area will be absolutely essential.

As part of this process, counter charges have been introduced at all of the Bank's branches to allow staff to dedicate their time to selling the Bank's higher margin products as opposed to order taking. At the product level, the priority has been to promote HPP and the new Premier Banking Office in Mayfair targeting wealthy Muslims at home and from overseas.

It should be noted that IBB has no intention of abandoning its loyal, mass market client base as these customers tend to be more 'sticky' than high net worth and institutional depositors and there will also be an element of sowing the seeds for the next few years in this segment.

Regulatory Requirements

Hybrid Capital

IBB has no hybrid capital or other qualifying capital for regulatory purposes, such as preference shares or subordinated debt. This is because no satisfactory solution has been found to encompassing this type of capital within a Sharia compliant framework. This is true also of other banks worldwide operating within a strict Sharia framework. IBB therefore is likely to be reliant solely upon ordinary shareholders' funds for its capital base until either a new form of capital is invented that satisfies Sharia concepts or the opinion of theologians changes in this respect.

“Like other Islamic financial institutions, IBB is reliant solely upon ordinary shareholders' funds for its capital base”

Core Tier 1 Ratio

| Bank | Core Tier 1 Capital Ratio | Notes |
|----------------------|---------------------------|--|
| Barclays | 9.2% | December 2009, after sale of Barclays Global Investors and exercise of options |
| HSBC | 9.0% | November 2009 Interim Management Statement |
| Lloyds | 8.6% | November 2009 after latest rights issue |
| RBS | 11.1% | November 2009, after UK Government Asset Protection Scheme and B share issuance. Before potential losses in Dubai. |
| Standard & Chartered | 8.7% | BNP Paribas estimate allowing for Dubai losses, Nov 2009. |

There is no direct peer group comparison to use when examining operating ratios at IBB, and even if there were they would be of limited relevance. IBB's ratios need to be compared to those of the UK's leading retail banks, and indeed those of the EU as a whole because these are the banks IBB will be measured against when it eventually applies for Standard & Poors, Moodys and Fitch ratings. These are also the banks it will be measured against by the international investment community when its shareholder base broadens beyond its current tightly held base. These ratios for the major UK banks are in the range of 8% to 11%.

Of course, a £50m capital increase at IBB (this is our assumption, not the company's) will boost its Core Tier 1 ratio hugely, to the point where it will clearly be in considerable need of expanding its invested asset base and its investment in products that would in other banking circumstances be termed its loan book.

“A £50m capital raise at IBB would hugely improve its Core Tier 1 ratio”

Impairments

To date IBB has predominantly placed its customer deposits in the wholesale banking market. Consequently its impairments have been minimal, and compare favourably with the impairments at other banks.

IBB's impairments are rather less favourable if expressed as a percentage of asset class. All the impairments relate to unsecured personal finance, a class of activity which current management has discontinued. In relation to this particular asset class the impairments have been:

| 6m to | 6/08 | 12/08 | 6/09 |
|------------------------|------|-------|------|
| Personal Finance £m | 10.1 | 8.8 | 6.6 |
| Impairments £'000 | 0.16 | 0.14 | 0.20 |
| Impairments as % of PF | 1.6% | 1.6% | 3.0% |

Source: Management Information

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We expect impairments to be in the region of £200,000 - £250,000 for the six months to end-December 2009, resulting in a charge for the full year of £450,000 - £500,000. Thereafter, impairments should decline slightly in 2010 and very significantly in 2011, as the personal finance asset book runs down and the principal is repaid.

To date no impairments have been necessary on the Home Purchase Plan book, and remarkably this area of business does not have any arrears. All plans are paid up to date by customers. As this area of business was only begun in September 2008, impairments and arrears would in any case be expected to be low, and it is inevitable that by 2011 some impairment provision will have to be made in this area. In practice, however, as IBB insists on very conservative asset cover, it is in our view unlikely that any actual losses will result.

Effects On Capital Requirements Of The Changing Business Mix

The discontinuation of Personal Finance Assets as a class of business, the twin expansion into both Home Purchase Plans and term deposits, and the de-emphasising of instant and very short term (one month or less) deposits are radically changing IBB's capacity to undertake profitable business, even before the forthcoming additional equity capital.

For regulatory purposes, IBB's Personal Finance Book requires 100% cover from Tier 1 Capital – because of the absence of hybrid capital at IBB, this means 100% cover from shareholders' funds. Personal Finance, therefore, is a hungry user of regulatory capital.

Home Purchase Plans, however, require only 35% cover from IBB's regulatory capital. Every Pound freed from the PF book of business, therefore, can be recirculated into £3 of Home Purchase Plan business.

Also, Home Purchase Plan business must be 100% backed by deposits with terms of one month or more or from shareholders' funds. For this particular purpose, therefore, the instant access and one month withdrawal deposits in which IBB used to specialise were useless, because they couldn't be used as a source of finance for this particular asset class. As the deposit base changes, this restriction becomes less relevant.

A further issue is that no single asset transaction can account for more than 10% of the Tier 1 Capital. While the equity base of IBB is, as at present, £21m, this means that no single asset transaction may involve more than £2.1m. This cuts out IBB from a number of interested secured commercial finance deals, and also some of the Home Purchase Plan business from foreign nationals purchasing houses in the UK. To date, IBB has been forced to refer this business on to other providers, and hope for some satisfactory referrals back in exchange – not entirely a satisfactory state of affairs. And to try and syndicate business of this size simply would not work – other banks would not wish to spread risk by cutting individual items this small.

With an expanded capital base, IBB will be able to undertake larger individual transactions. This will be particularly important in the Central London housing market, which is a prime focus of the new office for high net worth individuals in Berkeley Square.

The Future Shape Of The Business

Home Purchase Plans

We look for rapid growth in the Home Purchase Plan area. From a standing start in September 2008, we expect 41% of the asset book to be accounted for by Home Purchase Plans by end-December 2012. By end 2012 we expect IBB to have £210m invested in this market. This will not all be in Britain. Some of the investment will be in European countries with an established Muslim culture, and a relatively affluent Muslim population.

Because of the shortage of mortgage finance caused by the banking crisis, IBB is running its Home Purchase Plan book at a premium of over 3% to 3 month LIBOR, and we expect this margin to continue (although obviously, for most comparison purposes a longer term rate would be the ideal comparator). We think this class of asset will be producing 48% of the Bank's Gross Margin by the end of 2012.

“Home purchase plans only require 35% cover from IBB's regulatory capital”

“We look for rapid growth in the Home Purchase Plan book”

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Personal Finance Book

IBB is in the process of running down its Personal Finance book. This stood at £6.06m at end-June 2009, which was equivalent to 3% of Total Assets. We expect this book of business to be gradually run off until by the end of 2012 it has virtually disappeared. The product was designed for the mass market, a demographic that is no longer the main focus for IBB.

It will need a significant change of strategy to take effect before the company re-enters the Personal Finance marketplace. Impairments in this area have been the highest in any area at the bank, but at 3% per half year are still well below the 'sub-prime' loan impairments that have been experienced by the Cattles, Provident and other similar firms. The returns, however, were not sufficient to carry even this level of impairments comfortably. We suspect that IBB was undercharging for personal finance deals when they were originally written. No new financing of this nature has been written for several months.

Commercial Property Finance

We expect the Commercial Property Finance book to be dramatically expanded once more capital is made available to IBB's management team. We also expect the margin to be improved to 3.5% or more over LIBOR as the new business is written on terms more favourable to IBB. We expect this better margin to be achieved at a modest cost to the quality of the business obtained, and have factored in a modest impairment charge from H1 2010 as a result. To date, IBB has not found impairments on this type of business to be necessary.

By end-2012 we expect Commercial Property Finance to be responsible for 10% of the Bank's asset book, and to be responsible for approximately 15% of its group gross margin.

Business Finance

This book was only ever small, and a decision was taken in 2008 to discontinue it. All but the smallest residue of this business has been run off already. It can be ignored for all practical purposes.

Treasury Assets – Commodity Murabaha and Wakala

We expect Commodity Murabaha and Wakala to bear the impact of any self-limiting measures taken on growth until fresh equity capital is introduced and the Core Capital Ratio improved. The effects will be felt here rather than in any of the other asset classes because this part of the business has the lowest return.

Nevertheless, once IBB's capital has been increased, we expect the Commodity Murabaha and Wakala portfolios to increase again, but at a more modest rate and certainly more gradually than the books of Home Purchase and Commercial Property business. The Commodity Murabaha and Wakala are at present responsible for over 80% of IBB's asset book. By end-2012, we expect this to have fallen to 48%.

Liabilities

Customer Deposits are likely to considerably more than double between now and end-2012, because a stronger capital base resulting from the issue of new shares will enable IBB to carry a larger quantity of customer deposits. Also, a stronger balance sheet will enable IBB to attract more deposits – its operation as a deposit taker is at present hampered by the absence of ratings from the three major ratings agencies, Standard & Poor's, Moody's and Fitch. The larger equity base, and the establishment of the necessary five year record, should help IBB obtain the necessary gradings, although the ratings are unlikely to be anywhere near top grade.

By end-2012 we expect the make-up of the Customer Deposit business to have totally changed, with only one third being one month or less and two thirds being in excess of one month, some of it two years or more.

“We expect the Commercial Property book to dramatically expand once more capital is made available”

“Customer deposits are likely to considerably more than double between now and end-2012”

Raising The Capital – The Choices To Be Made

We have calculated different scenarios for Islamic Bank of Britain based on three capital raising assumptions. These are:

- 1) £50m of additional equity capital raised. This is our favoured option.
- 2) £20m of additional equity capital raised. This will inevitably mean a slower rate of growth.
- 3) No additional capital raised at all.

£50m of additional capital raised

Assuming an issue price for the new shares of 5p, this would require a further 1 billion shares to be created. This would treble the number of shares in issue, from 546m to 1,546m. Existing shareholders who do not contribute to the new capital raising will be heavily diluted.

However, the capital injection will immediately raise the core capital ratio from the 11.0% seen at end-June 2009 to a hugely comfortable 23.5% at June 2010. This gives management an enormous amount of room to expand its finance books. On this basis the total asset book can rise from the £197m seen at end-June 2009 to £268m by end-December 2010, £375m by end-December 2011, and £512m by end-December 2012.

A ~£500m finance book gives IBB critical mass. By this time our projections show that the company should be making a profit, even allowing for a rise in the cost base as expansion of the business into mainland Europe takes place. Crucially, by end-December 2012 the Core Capital Ratio will still be very healthy, and if management decides to undertake further capital raising from this point in order to maintain the pace of expansion, it will be doing so from a position of strength. By second half 2012, profits will be earned at a rate that will put IBB shares on a single figure price earnings ratio – there will be no tax charge and accumulated tax losses by that time will see the company through many years of tax free operation.

“A £50m capital injection would enable IBB to expand its finance book to £512m by end 2012 and give the Bank critical mass”

By end 2012, we see the finance book being heavily property based. The combined Home Purchase Plans in Britain and Europe, on our assumptions, will account for approximately 40% of the assets. We have not split out these two regions in our model. A further 10% will be in commercial property. At present over 80% of assets are in the Murabaha and Wakala Treasury placements, which have a modest rate of return. By end-2012, the proportion of funds in these low profit homes will have halved.

£20m of additional capital raised

If market conditions restrict the amount of additional capital capable of being raised to £20m, then this will force the board of directors to be somewhat more inventive.

The number of shares in issue will rise from 546m to 946m, which is less dilutive. The Core Capital Ratio will be raised from 11.0% at end-June 2009 to 13.8% at end-June 2010; this new ratio will be eminently satisfactory for the next two years as long as losses are strictly controlled.

“A £20m fund raise will inevitably lead to slower growth”

Management will have to make choices almost immediately about how to utilise this new capital, however. We expect the low profit Treasury Commodity Murabaha and Wakala asset books to show little or no growth, and the focus of management attentions to be the Home Purchase Plans within Britain; these should return 3.5% in excess of LIBOR, rather than the 0.5% in excess of LIBOR of the Commodity Murabaha and Wakala accounts. In order to keep its capital ratios at acceptable levels, total assets, and also deposits taken, will have to be limited. We believe that by end-2012 the Home Purchase Plan asset class will total only £125m by end-2012, compared to the £210m we envisage if £50m of additional equity is raised.

The requirement to squeeze as much gross profit as possible out of limited resources would lead to a balance sheet that was dominated by Home Purchase Plans. These would rise to

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47% of the total asset book by end-2012. This in turn would place a requirement on management to chase term deposits, and reduce short term customer deposits in absolute terms as well as percentage terms.

Operating with a serious limit on potential growth will have one useful advantage, in that margins will be higher towards the end of the period because management can be more selective about the business taken on. It should also result in lower impairments as a proportion of the total asset book – our assumptions here may be too conservative. On the assumptions we have made, however, IBB could still be trading at no more than breakeven by H2 2012, and indeed may still be operating at a small loss. The end-2012 core capital ratio of 8.6% would indicate a further capital raising desirable at that stage, even if future growth expectations were being severely limited.

No Capital Injection

If Islamic Bank of Britain does not receive additional equity capital by end-June 2010, then the board of directors will be required to take some tough decisions. This is because the core capital ratio will be down to 8.3% by end-December 2009, and the bank will still be losing money at a significant rate.

If no extra capital is raised, we envisage IBB rapidly shifting its business model to more of an agency basis, licensing its products (i.e. its intellectual property) to other financial organisations that have capital in plenty but a shortage of attractive banking products. This is very much the business model that has been adopted by Shariah Capital Inc., which also has an AIM share quote but which is based in the USA. Moving to this business model would entail redundancies and sale or closure of some bank branches. The business would continue to exist, and indeed might even thrive, but it would not be the business that its original shareholders expected when the Bank originally floated the bank on AIM in 2004.

“If no additional equity capital is raised, we envisage IBB rapidly shifting its business model to more of an agency basis”

Forecasts

We expect IBB to record a loss of in the region of £9.3m for the year to December 2009. The loss per share to be in the region of 1.7p. This year was exceptionally difficult for the bank, because of the low level of LIBOR and the difficulty of making a profit on the margin between profits earned from treasury placements and profits paid on customer deposits.

We have produced our forecasts on the assumption of a £50m capital raise at 5p/share in March/April 2010. For the year to December 2010, we expect a reduced loss of £7.5m. The loss per share will be very much reduced, we estimate to 0.6p, because of the increased number of shares in issue following the capital raising.

“On the assumption of a £50m capital raise, we expect a reduced loss of £7.5m in FY10”

For 2011 the loss will be more than halved at £3.1m and the loss per share will be minimal, at 0.2p. For 2012, the company will tip into profit, with a surplus of £0.8m and positive eps of 0.1p.

Valuation

The most recent comparative valuation in terms of a corporate transaction has been the purchase of Standard Life Bank Plc by Barclays Bank. At end October 2009, Barclays paid £226m for this business.

The attraction for Barclays was gaining a savings book of £5.5bn, a mortgage book with outstanding balances of £8.8bn and an averaged indexed loan to value ratio of 48% at that date. Also Standard Life was profitable – the underlying profit before tax for the six months to end-June 2009 was £15m, suggesting an annualised rate of profitability of £30m or £21.6m after tax if the standard UK Corporation Tax rate is applied. Its net book value was £293m.

Barclays therefore paid 10.4 times current year earnings for the business. In terms of balance sheet metrics, it paid 4.1% of customer deposits, or 2.6% of the mortgage book. We suspect the mortgage book was the bigger attraction for Barclays, because this business is ‘sticky’ and the structure of the book gave it high security and a very low late

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payment/default rate. The deposit book will be less stable, because Standard Life Bank did not have a big current account exposure (customers are reluctant to move current accounts because of the complications of changing standing orders and direct debits, and the payment of salaries direct into the account). Barclays, as the UK's second largest bank, will have a cheaper cost of capital than Standard Life Bank anyway, and will probably want to shake off some of its acquisition's more expensive funding sources. The deal is subject to regulatory approval and is expected to be finalised in Q1 2010.

Interestingly, Barclays paid less than book value for Standard Life Bank. If this were a true value of the underlying worth of the banking industry generally, then of course no investor would ever put more money into bank equity financings. In practice every investment fund that backed bank capital raisings during the course of 2009 has made a fortune from it.

Major British Bank Capital Raisings In The Last Twelve Months

| Bank | Date Raised | Issue Price p. | Current Share Price p. | % Gain | Annualised Rate of Return % |
|---------------------------------|---------------|-------------------|---------------------------|--------|-----------------------------|
| Barclays | June 2009 | 228p | 283p | 24% | 57% |
| Lloyds | November 2009 | 37p | 55p | 48% | 288% |
| HSBC | March 2009 | 245p | 708p | 188% | 251% |
| Standard & Chartered | December 2008 | 390p | 1472p | 277% | 277% |

The other major banking acquisition since financial conditions returned to normal is Yorkshire Building Society's rescue of Chelsea Building Society. Both companies are mutuals – owned by the customers who put money in one particular type of savings account, so valuation methods don't follow quite the same methodology. The 'shares' are always worth 100p in the £. There has not been a single case of a bone fide building society changing hands at anything other than 100p per 'share' since the second world war, or of one being permitted to default.

The pain in the case of Chelsea Building Society is being taken by the subordinated bondholders, the Society's wholesale money source. The bondholders have agreed to take 50% of face value in new Yorkshire bonds, although these will pay an interest rate of 13.5% so presumably will immediately start trading in the 'grey market' at a premium to their face value. Overall, though, the haircut taken by the subordinated bondholders means that Yorkshire will be 'buying' Chelsea at less than nav.

Barclays Bank is the central comparative for all UK quoted bank valuations. It is trading on a market consensus p/e ratio one year out of approximately 10. The consensus 2009 estimates are meaningless because the financial research community is treating the major exceptionals of the year – the purchase of the Lehman Brothers assets and the sale of Barclays Global Investors to BlackRock – in different ways. Barclays is certainly not valued as a yield stock, which used to be one of the core methods of bank valuation in the 20 years up until 2008. On consensus 2010 dividend estimates Barclays shares yield only 2%.

When taking balance sheet comparisons, the statistics become interesting. The pro forma net asset value per share at end-June 2009 was 391p – the shares are trading at a 13% discount to that, although stripping out intangibles it trades at a premium to nav. It trades at 2.2% of total assets as at end-June 2009.

Valuation Relative To Asset Base

A valuation of the asset base – for example taking the market average percentage for each asset class (such as Home Purchase Plans) and applying it to IBB would produce a low valuation, even in 2012, because even in three years' time this will still be an immature business with huge growth potential. We do not believe this an appropriate measure for IBB.

“Every investment fund that backed bank capital raisings during the course of 2009 has made a fortune from it”

“Barclays Bank, trading on a prospective p/e of 10, is the central comparative for all UK quoted bank valuations”

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Valuation Relative to Profit and eps

It is quite possible to examine IBB and look at its profit on a 'run rate' of profit earned in H2 2012, according to our projections. This suggests a rate of profit generation of 0.8p/share. On the current share price this suggests a p/e ratio of 7, and that in our view is quite acceptable even three years forward for a company with such interesting growth potential.

Valuation Relative To Peer Group

Neither European Islamic Investment Bank nor Shariah Capital Inc. are strictly comparable to Islamic Bank of Britain. EIIB is capitalised at £53m, Shariah Capital Inc. at £55m. Both are loss-making.

Conclusion

The investment case for a capital raising at Islamic Bank of Britain are interesting, and well worth examining for professional investors with a three to five year time frame. Arguably, no serious money should be invested in equity markets on a shorter timescale anyway.

The real case for holding new shares issued by Islamic Bank of Britain, however, is that it gives access to a banking market whose needs have not yet been properly met, either in the UK or in mainland Europe, and which could have large growth potential.

This is a fascinating company, and the new management deserves backing for its vision and business plan as well as for its commitment to the wider Islamic community.

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BALANCE SHEET

Assumption A: £50m Additional Capital

| ASSET CLASS | 6 months to | | | | | | | | | |
|------------------------------------|-------------|--------|--------|--------|--------|---------|---------|--------|--------|--------|
| | 6.08A | 12.08A | 6.09A | 12.09E | 6.10E | 12.10E | 6.11E | 12.11E | 6.12E | 12.12E |
| House Purchase Plans | | | | | | | | | | |
| Size £m | 0.00 | 6.98 | 14.41 | 35.00 | 45.00 | 65.00 | 100.00 | 145.00 | 175.00 | 210.00 |
| Growth % p.a. | | | | 401.4% | 212.3% | 85.7% | 122.2% | 123.1% | 75.0% | 44.8% |
| Gross Return Annual Rate % | 5.0% | 5.0% | 2.0% | 4.5% | 5.0% | 5.8% | 6.0% | 6.8% | 7.0% | 7.0% |
| <i>Premium over LIBOR</i> | 1.0% | 1.3% | 0.5% | 3.8% | 3.3% | 3.5% | 3.5% | 3.3% | 3.3% | 2.8% |
| Gross Return for Period £m | 0.00 | 0.17 | 0.14 | 0.79 | 1.13 | 1.87 | 3.00 | 4.89 | 6.13 | 7.35 |
| Impairment % | 0.0% | 0.0% | 0.0% | -0.1% | -0.2% | -0.2% | -0.2% | -0.2% | -0.2% | -0.2% |
| Impairment £m | 0.00 | 0.00 | 0.00 | -0.04 | -0.09 | -0.13 | -0.20 | -0.29 | -0.35 | -0.42 |
| Personal Financial Loans | | | | | | | | | | |
| Size £m | 9.26 | 7.88 | 6.06 | 5.50 | 4.75 | 3.75 | 2.50 | 1.75 | 1.00 | 0.25 |
| Growth % p.a. | | | -34.6% | -30.2% | -21.6% | -31.8% | -47.4% | -53.3% | -60.0% | -85.7% |
| Gross Return Annual Rate % | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% |
| <i>Premium over LIBOR</i> | 4.0% | 4.3% | 6.5% | 7.3% | 6.3% | 5.8% | 5.5% | 4.5% | 4.3% | 3.8% |
| Gross Return for Period £m | 0.37 | 0.32 | 0.24 | 0.22 | 0.19 | 0.15 | 0.10 | 0.07 | 0.04 | 0.01 |
| Impairment % | -1.9% | -1.9% | -3.0% | -3.0% | -3.0% | -3.0% | -3.0% | -3.0% | -3.0% | -3.0% |
| Impairment £m | -0.18 | -0.15 | -0.18 | -0.17 | -0.14 | -0.11 | -0.08 | -0.05 | -0.03 | -0.01 |
| Commercial Property Finance | | | | | | | | | | |
| Size £m | 8.52 | 8.60 | 8.77 | 9.00 | 9.00 | 15.00 | 20.00 | 30.00 | 40.00 | 50.00 |
| Growth % p.a. | | | 2.9% | 4.7% | 2.6% | 66.7% | 122.2% | 100.0% | 100.0% | 66.7% |
| Gross Return Annual Rate % | 5.5% | 5.3% | 3.5% | 3.0% | 3.3% | 5.0% | 6.0% | 7.0% | 7.3% | 7.5% |
| <i>Premium over LIBOR</i> | 1.5% | 1.5% | 2.0% | 2.3% | 1.5% | 2.8% | 3.5% | 3.5% | 3.5% | 3.3% |
| Gross Return for Period £m | 0.23 | 0.23 | 0.15 | 0.14 | 0.15 | 0.38 | 0.60 | 1.05 | 1.45 | 1.88 |
| Impairment % | 0.0% | 0.0% | 0.0% | 0.0% | -0.3% | -0.3% | -0.3% | -0.3% | -0.3% | -0.3% |
| Impairment £m | 0.00 | 0.00 | 0.00 | 0.00 | -0.03 | -0.05 | -0.06 | -0.09 | -0.12 | -0.15 |
| Business Finance | | | | | | | | | | |
| Size £m | 1.00 | 0.50 | 0.10 | 0.02 | 0.02 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Growth % p.a. | | | -90.0% | -96.0% | -80.0% | -100.0% | -100.0% | | | |
| Gross Return Annual Rate % | 12.0% | 12.0% | 12.0% | 12.0% | 12.0% | | | | | |
| <i>Premium over LIBOR</i> | 8.0% | 8.3% | 10.5% | 11.3% | 10.3% | | | | | |
| Gross Return for Period £m | 0.06 | 0.03 | 0.01 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Impairment % | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Impairment £m | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

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Assumption A: £50m Additional Capital

| ASSET CLASS continued | 6 months to | | | | | | | | | |
|--|--------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 6.08A | 12.08A | 6.09A | 12.09E | 6.10E | 12.10E | 6.11E | 12.11E | 6.12E | 12.12E |
| Murabaha and Wakala (Wholesale Money Book) | | | | | | | | | | |
| Total Size All Maturities £m | 146.75 | 151.69 | 162.78 | 150.00 | 160.00 | 180.00 | 185.00 | 194.00 | 228.00 | 247.00 |
| Growth % p.a. | | | 10.9% | -1.1% | -1.7% | 20.0% | 15.6% | 7.8% | 23.2% | 27.3% |
| Gross Return Annual Rate Earned % | 4.8% | 4.0% | 1.2% | 0.4% | 1.0% | 2.0% | 2.5% | 3.5% | 4.3% | 4.8% |
| <i>Premium over LIBOR</i> | 0.8% | 0.3% | -0.3% | -0.3% | -0.8% | -0.3% | 0.0% | 0.0% | 0.5% | 0.5% |
| Gross Return Earned for Period £m | 3.49 | 3.03 | 0.98 | 0.30 | 0.80 | 1.80 | 2.31 | 3.40 | 4.85 | 5.87 |
| Impairment % | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Impairment £m | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cash | 0.60 | 0.55 | 0.46 | 0.40 | 44.00 | 0.50 | 0.50 | 0.50 | 0.75 | 0.75 |
| Infrastructure (Other Assets) | 6.80 | 5.10 | 4.45 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| Total Assets (Gross Footings) | 172.93 | 181.30 | 197.03 | 203.92 | 266.77 | 268.25 | 312.00 | 375.25 | 448.75 | 512.00 |
| <i>Average 3m LIBOR %</i> | 4.00% | 3.75% | 1.50% | 0.70% | 1.75% | 2.25% | 2.50% | 3.50% | 3.75% | 4.25% |
| Total Gross Return | 4.15 | 3.78 | 1.52 | 1.44 | 2.26 | 4.19 | 6.01 | 9.41 | 12.46 | 15.10 |
| Total Impairments | -0.18 | -0.15 | -0.18 | -0.20 | -0.26 | -0.29 | -0.34 | -0.43 | -0.50 | -0.58 |
| Impairments as % Total Assets | -0.1% | -0.1% | -0.1% | -0.1% | -0.1% | -0.1% | -0.1% | -0.1% | -0.1% | -0.1% |
| Capital/Gross Footings (Core Capital Ratio) | 12.6% | 10.4% | 11.0% | 8.3% | 23.5% | 22.2% | 18.4% | 15.0% | 12.6% | 11.2% |
| Asset Split | | | | | | | | | | |
| House Purchase Plans | 0% | 4% | 7% | 17% | 17% | 24% | 32% | 39% | 39% | 41% |
| Personal Financial Loans | 5% | 4% | 3% | 3% | 2% | 1% | 1% | 0% | 0% | 0% |
| Commercial Property Finance | 5% | 5% | 4% | 4% | 3% | 6% | 6% | 8% | 9% | 10% |
| Business Finance | 1% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Wholesale Money Book | 85% | 84% | 83% | 74% | 60% | 67% | 59% | 52% | 51% | 48% |
| Cash | 0% | 0% | 0% | 0% | 16% | 0% | 0% | 0% | 0% | 0% |
| Infrastructure (Other Assets) | 4% | 3% | 2% | 2% | 1% | 1% | 1% | 1% | 1% | 1% |
| TOTAL | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Assumption A: £50m Additional Capital

| LIABILITIES | 6 months to | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|
| | 6.08A | 12.08A | 6.09A | 12.09E | 6.10E | 12.10E | 6.11E | 12.11E | 6.12E | 12.12E |
| Deposits from Banks | 6.24 | 5.09 | 0.97 | 0.50 | 0.50 | 0.50 | 1.00 | 0.00 | 0.00 | 0.00 |
| Customer Deposits | | | | | | | | | | |
| Customer Deposits < 1 Month | 90.74 | 93.28 | 104.36 | 106.00 | 111.00 | 100.00 | 110.00 | 145.00 | 147.00 | 149.00 |
| Customer Deposits > 1 Month | 50.00 | 60.00 | 67.00 | 77.00 | 90.00 | 105.00 | 140.00 | 170.00 | 240.00 | 300.00 |
| Total Deposits from Customers | 140.74 | 153.28 | 171.36 | 183.00 | 201.00 | 205.00 | 250.00 | 315.00 | 387.00 | 449.00 |
| Other Liabilities | 2.93 | 3.48 | 2.94 | 3.00 | 3.00 | 3.00 | 4.00 | 4.00 | 5.00 | 5.00 |
| Capital at start of period | | 21.80 | 18.94 | 21.67 | 17.01 | 62.59 | 59.51 | 57.33 | 56.33 | 56.47 |
| p & I account changes | -3.06 | -2.85 | -4.62 | -4.66 | -4.43 | -3.07 | -2.18 | -1.00 | 0.13 | 0.69 |
| Other balance sheet changes | | | | | | | | | | |
| Capital additions | 0.00 | 0.00 | 7.33 | 0.00 | 50.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Capital at end of period | 21.80 | 18.94 | 21.67 | 17.01 | 62.59 | 59.51 | 57.33 | 56.33 | 56.47 | 57.15 |
| TOTAL LIABILITIES | 171.71 | 180.79 | 196.94 | 203.51 | 267.09 | 268.01 | 312.33 | 375.33 | 448.47 | 511.15 |
| <i>Average 3 month LIBOR</i> | 4.00% | 3.75% | 1.50% | 0.70% | 1.75% | 2.25% | 2.50% | 3.50% | 3.75% | 4.25% |
| Average Cost of Non-Equity Money % | 3.00% | 2.90% | 1.30% | 1.00% | 1.50% | 2.00% | 2.20% | 3.20% | 3.50% | 3.70% |
| Average Annual Cost of Funds % | 2.53% | 2.46% | 1.02% | 0.70% | 1.20% | 1.75% | 2.00% | 2.70% | 3.15% | 3.30% |
| Returns payable to Customers and Banks £m | 1.86 | 1.95 | 0.88 | 0.64 | 1.21 | 1.80 | 2.51 | 4.25 | 6.10 | 7.41 |

Islamic Bank of Britain

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P & L ACCOUNT

Assumption A: £50m Additional Capital

| 6 months to £m | 6 months to | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|
| | 6.08A | 12.08A | 6.09A | 12.09E | 6.10E | 12.10E | 6.11E | 12.11E | 6.12E | 12.12E |
| Income Receivable from Islamic Financial Transactions | 4.28 | 4.03 | 1.69 | 1.44 | 2.26 | 4.19 | 6.01 | 9.41 | 12.46 | 15.10 |
| Returns payable to customers and banks | -1.86 | -1.95 | -0.88 | -0.64 | -1.21 | -1.80 | -2.51 | -4.25 | -6.10 | -7.41 |
| Net income from Islamic financing transactions | 2.42 | 2.08 | 0.81 | 0.80 | 1.05 | 2.40 | 3.50 | 5.16 | 6.36 | 7.69 |
| Gross Margin % | 56.5% | 51.6% | 47.9% | 55.5% | 46.6% | 57.1% | 58.3% | 54.8% | 51.1% | 50.9% |
| Gross Return on Gross Assets % | 2.5% | 2.2% | 0.9% | 0.7% | 0.8% | 1.6% | 1.9% | 2.5% | 2.8% | 2.9% |
| Net Return on Gross Assets % | 1.4% | 1.1% | 0.4% | 0.4% | 0.4% | 0.9% | 1.1% | 1.4% | 1.4% | 1.5% |
| Fee and commission income | 0.23 | 0.28 | 0.23 | 0.30 | 0.30 | 0.40 | 0.40 | 0.50 | 0.60 | 0.80 |
| Fee and commission expense | -0.05 | -0.04 | -0.04 | -0.04 | -0.05 | -0.06 | -0.07 | -0.08 | -0.08 | -0.08 |
| Net fee and commission income | 0.20 | 0.23 | 0.19 | 0.26 | 0.25 | 0.34 | 0.33 | 0.42 | 0.52 | 0.72 |
| Operating Income | 2.62 | 2.31 | 1.01 | 1.06 | 1.30 | 2.74 | 3.83 | 5.58 | 6.88 | 8.41 |
| Net impairment on loss of financial assets | -0.18 | -0.15 | -0.18 | -0.20 | -0.26 | -0.29 | -0.34 | -0.43 | -0.50 | -0.58 |
| Personnel expenses | -2.39 | -2.44 | -2.60 | -2.60 | -2.50 | -2.50 | -2.60 | -2.80 | -2.90 | -3.25 |
| General and administrative expenses | -2.24 | -1.58 | -2.20 | -2.30 | -2.35 | -2.40 | -2.45 | -2.70 | -2.70 | -3.25 |
| Depreciation | -0.40 | -0.37 | -0.37 | -0.37 | -0.37 | -0.37 | -0.38 | -0.39 | -0.40 | -0.40 |
| Amortisation | -0.47 | -0.42 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 |
| Total Operating expenses | -5.68 | -5.16 | -5.63 | -5.72 | -5.73 | -5.81 | -6.02 | -6.57 | -6.75 | -7.73 |
| Profit (Loss) before Tax | -3.06 | -2.85 | -4.62 | -4.66 | -4.43 | -3.07 | -2.18 | -1.00 | 0.13 | 0.69 |
| Tax | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| After Tax Loss | -3.06 | -2.85 | -4.62 | -4.66 | -4.43 | -3.07 | -2.18 | -1.00 | 0.13 | 0.69 |
| Average No. of Shares m. | 419.00 | 419.00 | 530.27 | 546.47 | 1,046.47 | 1,546.47 | 1,546.47 | 1,546.47 | 1,546.47 | 1,546.47 |
| Earnings (Loss) per share p. | -0.73 | -0.68 | -0.87 | -0.85 | -0.42 | -0.20 | -0.14 | -0.06 | 0.01 | 0.04 |

Islamic Bank of Britain

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Islamic Bank of Britain
14.12.2009
BALANCE SHEET
Assumption b: £20m Additional Capital

| ASSET CLASS | 6 months to | | | | | | | | | |
|------------------------------------|-------------|--------|--------|--------|--------|---------|---------|--------|--------|--------|
| | 6.08A | 12.08A | 6.09A | 12.09E | 6.10E | 12.10E | 6.11E | 12.11E | 6.12E | 12.12E |
| House Purchase Plans | | | | | | | | | | |
| Size £m | 0.00 | 6.98 | 14.41 | 35.00 | 45.00 | 70.00 | 95.00 | 105.00 | 110.00 | 125.00 |
| Growth % p.a. | | | | 401.4% | 212.3% | 100.0% | 111.1% | 50.0% | 15.8% | 19.0% |
| Gross Return Annual Rate % | 5.0% | 5.0% | 2.0% | 4.5% | 5.0% | 5.8% | 6.0% | 7.0% | 7.3% | 7.3% |
| <i>Premium over LIBOR</i> | 1.0% | 1.3% | 0.5% | 3.8% | 3.3% | 3.5% | 3.5% | 3.5% | 3.5% | 3.0% |
| Gross Return for Period £m | 0.00 | 0.17 | 0.14 | 0.79 | 1.13 | 2.01 | 2.85 | 3.68 | 3.99 | 4.53 |
| Impairment % | 0.0% | 0.0% | 0.0% | -0.1% | -0.2% | -0.2% | -0.2% | -0.2% | -0.2% | -0.2% |
| Impairment £m | 0.00 | 0.00 | 0.00 | -0.04 | -0.09 | -0.14 | -0.19 | -0.21 | -0.22 | -0.25 |
| Personal Financial Loans | | | | | | | | | | |
| Size £m | 9.26 | 7.88 | 6.06 | 5.50 | 4.75 | 3.75 | 2.50 | 1.75 | 1.00 | 0.25 |
| Growth % p.a. | | | -34.6% | -30.2% | -21.6% | -31.8% | -47.4% | -53.3% | -60.0% | -85.7% |
| Gross Return Annual Rate % | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% |
| <i>Premium over LIBOR</i> | 4.0% | 4.3% | 6.5% | 7.3% | 6.3% | 5.8% | 5.5% | 4.5% | 4.3% | 3.8% |
| Gross Return for Period £m | 0.37 | 0.32 | 0.24 | 0.22 | 0.19 | 0.15 | 0.10 | 0.07 | 0.04 | 0.01 |
| Impairment % | -1.9% | -1.9% | -3.0% | -3.0% | -3.0% | -3.0% | -3.0% | -3.0% | -3.0% | -3.0% |
| Impairment £m | -0.18 | -0.15 | -0.18 | -0.17 | -0.14 | -0.11 | -0.08 | -0.05 | -0.03 | -0.01 |
| Commercial Property Finance | | | | | | | | | | |
| Size £m | 8.52 | 8.60 | 8.77 | 9.00 | 9.00 | 10.00 | 19.00 | 20.00 | 20.00 | 20.00 |
| Growth % p.a. | | | 2.9% | 4.7% | 2.6% | 11.1% | 111.1% | 100.0% | 5.3% | 0.0% |
| Gross Return Annual Rate % | 5.5% | 5.3% | 3.5% | 3.0% | 3.3% | 5.0% | 6.0% | 7.3% | 7.5% | 7.8% |
| <i>Premium over LIBOR</i> | 1.5% | 1.5% | 2.0% | 2.3% | 1.5% | 2.8% | 3.5% | 3.8% | 3.8% | 3.5% |
| Gross Return for Period £m | 0.23 | 0.23 | 0.15 | 0.14 | 0.15 | 0.25 | 0.57 | 0.73 | 0.75 | 0.78 |
| Impairment % | 0.0% | 0.0% | 0.0% | 0.0% | -0.3% | -0.3% | -0.3% | -0.3% | -0.3% | -0.3% |
| Impairment £m | 0.00 | 0.00 | 0.00 | 0.00 | -0.03 | -0.03 | -0.06 | -0.06 | -0.06 | -0.06 |
| Business Finance | | | | | | | | | | |
| Size £m | 1.00 | 0.50 | 0.10 | 0.02 | 0.02 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Growth % p.a. | | | -90.0% | -96.0% | -80.0% | -100.0% | -100.0% | | | |
| Gross Return Annual Rate % | 12.0% | 12.0% | 12.0% | 12.0% | 12.0% | | | | | |
| <i>Premium over LIBOR</i> | 8.0% | 8.3% | 10.5% | 11.3% | 10.3% | | | | | |
| Gross Return for Period £m | 0.06 | 0.03 | 0.01 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Impairment % | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Impairment £m | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

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Assumption b: £20m Additional Capital

| | 6 months to | | | | | | | | | |
|---|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
| ASSET CLASS continued | 6.08A | 12.08A | 6.09A | 12.09E | 6.10E | 12.10E | 6.11E | 12.11E | 6.12E | 12.12E |
| Murabaha and Wakala (Wholesale Money Book) | | | | | | | | | | |
| Total Size All Maturities £m | 146.75 | 151.69 | 162.78 | 150.00 | 160.00 | 160.00 | 150.00 | 137.00 | 132.00 | 116.00 |
| Growth % p.a. | | | 10.9% | -1.1% | -1.7% | 6.7% | -6.3% | -14.4% | -12.0% | -15.3% |
| Gross Return Annual Rate Earned % | 4.8% | 4.0% | 1.2% | 0.4% | 1.0% | 2.0% | 2.5% | 3.5% | 4.3% | 4.8% |
| <i>Premium over LIBOR</i> | 0.8% | 0.3% | -0.3% | -0.3% | -0.8% | -0.3% | 0.0% | 0.0% | 0.5% | 0.5% |
| Gross Return Earned for Period £m | 3.49 | 3.03 | 0.98 | 0.30 | 0.80 | 1.60 | 1.88 | 2.40 | 2.81 | 2.76 |
| Impairment % | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Impairment £m | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cash | 0.60 | 0.55 | 0.46 | 0.40 | 14.00 | 0.50 | 0.50 | 0.50 | 0.75 | 0.75 |
| Infrastructure (Other Assets) | 6.80 | 5.10 | 4.45 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| Total Assets (Gross Footings) | 172.93 | 181.30 | 197.03 | 203.92 | 236.77 | 248.25 | 271.00 | 268.25 | 267.75 | 266.00 |
| <i>Average 3m LIBOR %</i> | 4.00% | 3.75% | 1.50% | 0.70% | 1.75% | 2.25% | 2.50% | 3.50% | 3.75% | 4.25% |
| Total Gross Return | 4.15 | 3.78 | 1.52 | 1.44 | 2.26 | 4.01 | 5.40 | 6.87 | 7.58 | 8.07 |
| Total Impairments | -0.18 | -0.15 | -0.18 | -0.20 | -0.26 | -0.28 | -0.32 | -0.32 | -0.31 | -0.32 |
| Impairments as % Total Assets | -0.1% | -0.1% | -0.1% | -0.1% | -0.1% | -0.1% | -0.1% | -0.1% | -0.1% | -0.1% |
| Capital/Gross Footings (Core Capital Ratio) | 12.6% | 10.4% | 11.0% | 8.3% | 13.8% | 11.8% | 9.9% | 9.3% | 8.8% | 8.6% |
| Asset Split | | | | | | | | | | |
| House Purchase Plans | 0% | 4% | 7% | 17% | 19% | 28% | 35% | 39% | 41% | 47% |
| Personal Financial Loans | 5% | 4% | 3% | 3% | 2% | 2% | 1% | 1% | 0% | 0% |
| Commercial Property Finance | 5% | 5% | 4% | 4% | 4% | 4% | 7% | 7% | 7% | 8% |
| Business Finance | 1% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Wholesale Money Book | 85% | 84% | 83% | 74% | 68% | 64% | 55% | 51% | 49% | 44% |
| Cash | 0% | 0% | 0% | 0% | 6% | 0% | 0% | 0% | 0% | 0% |
| Infrastructure (Other Assets) | 4% | 3% | 2% | 2% | 2% | 2% | 1% | 1% | 1% | 2% |
| TOTAL | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

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Assumption b: £20m Additional Capital

| LIABILITIES | 6 months to | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 6.08A | 12.08A | 6.09A | 12.09E | 6.10E | 12.10E | 6.11E | 12.11E | 6.12E | 12.12E |
| Deposits from Banks | 6.24 | 5.09 | 0.97 | 0.50 | 0.50 | 0.50 | 0.00 | 0.00 | 0.00 | 0.00 |
| Customer Deposits | | | | | | | | | | |
| Customer Deposits < 1 Month | 90.74 | 93.28 | 104.36 | 106.00 | 111.00 | 111.00 | 110.00 | 99.00 | 99.00 | 98.00 |
| Customer Deposits > 1 Month | 50.00 | 60.00 | 67.00 | 77.00 | 90.00 | 105.00 | 130.00 | 140.00 | 140.00 | 140.00 |
| Total Deposits from Customers | 140.74 | 153.28 | 171.36 | 183.00 | 201.00 | 216.00 | 240.00 | 239.00 | 239.00 | 238.00 |
| Other Liabilities | 2.93 | 3.48 | 2.94 | 3.00 | 3.00 | 3.00 | 4.00 | 4.00 | 5.00 | 5.00 |
| Capital at start of period | | 21.80 | 18.94 | 21.67 | 17.01 | 32.59 | 29.24 | 26.71 | 24.91 | 23.59 |
| p & l account changes | -3.06 | -2.85 | -4.62 | -4.66 | -4.43 | -3.34 | -2.53 | -1.80 | -1.32 | -0.80 |
| Other balance sheet changes | | | | | | | | | | |
| Capital additions | 0.00 | 0.00 | 7.33 | 0.00 | 20.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Capital at end of period | 21.80 | 18.94 | 21.67 | 17.01 | 32.59 | 29.24 | 26.71 | 24.91 | 23.59 | 22.79 |
| TOTAL LIABILITIES | 171.71 | 180.79 | 196.94 | 203.51 | 237.09 | 248.74 | 270.71 | 267.91 | 267.59 | 265.79 |
| Average 3 month LIBOR | 4.00% | 3.75% | 1.50% | 0.70% | 1.75% | 2.25% | 2.50% | 3.50% | 3.75% | 4.25% |
| Average Cost of Non-Equity Money % | 3.00% | 2.90% | 1.30% | 1.00% | 1.50% | 2.00% | 2.20% | 3.20% | 3.50% | 3.70% |
| Average Annual Cost of Funds % | 2.53% | 2.46% | 1.02% | 0.70% | 1.20% | 1.75% | 2.00% | 2.70% | 3.15% | 3.30% |
| Returns payable to Customers and Banks £m | 1.86 | 1.95 | 0.88 | 0.64 | 1.21 | 1.89 | 2.40 | 3.23 | 3.76 | 3.93 |

Assumption B: £20m Additional Capital

| 6 months to £m | 6 months to | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 6.08A | 12.08A | 6.09A | 12.09E | 6.10E | 12.10E | 6.11E | 12.11E | 6.12E | 12.12E |
| Income Receivable from Islamic Financial Transactions | 4.28 | 4.03 | 1.69 | 1.44 | 2.26 | 4.01 | 5.40 | 6.87 | 7.58 | 8.07 |
| Returns payable to customers and banks | -1.86 | -1.95 | -0.88 | -0.64 | -1.21 | -1.89 | -2.40 | -3.23 | -3.76 | -3.93 |
| Net income from Islamic financing transactions | 2.42 | 2.08 | 0.81 | 0.80 | 1.05 | 2.12 | 3.00 | 3.64 | 3.82 | 4.14 |
| Gross Margin % | 56.5% | 51.6% | 47.9% | 55.5% | 46.6% | 52.8% | 55.5% | 53.0% | 50.4% | 51.3% |
| Gross Return on Gross Assets % | 2.5% | 2.2% | 0.9% | 0.7% | 1.0% | 1.6% | 2.0% | 2.6% | 2.8% | 3.0% |
| Net Return on Gross Assets % | 1.4% | 1.1% | 0.4% | 0.4% | 0.4% | 0.9% | 1.1% | 1.4% | 1.4% | 1.6% |
| Fee and commission income | 0.23 | 0.28 | 0.23 | 0.30 | 0.30 | 0.40 | 0.40 | 0.50 | 0.60 | 0.80 |
| Fee and commission expense | -0.05 | -0.04 | -0.04 | -0.04 | -0.05 | -0.06 | -0.07 | -0.08 | -0.08 | -0.08 |
| Net fee and commission income | 0.20 | 0.23 | 0.19 | 0.26 | 0.25 | 0.34 | 0.33 | 0.42 | 0.52 | 0.72 |
| Operating Income | 2.62 | 2.31 | 1.01 | 1.06 | 1.30 | 2.46 | 3.33 | 4.06 | 4.34 | 4.86 |
| Net impairment on loss of financial assets | -0.18 | -0.15 | -0.18 | -0.20 | -0.26 | -0.28 | -0.32 | -0.32 | -0.31 | -0.32 |
| Personnel expenses | -2.39 | -2.44 | -2.60 | -2.60 | -2.50 | -2.50 | -2.50 | -2.50 | -2.40 | -2.40 |
| General and administrative expenses | -2.24 | -1.58 | -2.20 | -2.30 | -2.35 | -2.40 | -2.40 | -2.40 | -2.30 | -2.30 |
| Depreciation | -0.40 | -0.37 | -0.37 | -0.37 | -0.37 | -0.37 | -0.38 | -0.39 | -0.40 | -0.40 |
| Amortisation | -0.47 | -0.42 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 | -0.25 |
| Total Operating expenses | -5.68 | -5.16 | -5.63 | -5.72 | -5.73 | -5.80 | -5.85 | -5.86 | -5.66 | -5.67 |
| Profit (Loss) before Tax | -3.06 | -2.85 | -4.62 | -4.66 | -4.43 | -3.34 | -2.53 | -1.80 | -1.32 | -0.80 |
| Tax | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| After Tax Loss | -3.06 | -2.85 | -4.62 | -4.66 | -4.43 | -3.34 | -2.53 | -1.80 | -1.32 | -0.80 |
| Average No. of Shares m. | 419.00 | 419.00 | 530.27 | 546.47 | 746.47 | 946.47 | 946.47 | 946.47 | 946.47 | 946.47 |
| Earnings (Loss) per share p. | -0.73 | -0.68 | -0.87 | -0.85 | -0.59 | -0.35 | -0.27 | -0.19 | -0.14 | -0.08 |

Islamic Bank of Britain

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| Management | Major Shareholders |
|---|---|
| <p>Non-executive Chairman: Mohsen Moustafa</p> <p>Managing Director: Gerry Deegan</p> <p>Commercial Director: Sultan Choudhury</p> <p>Non-Executive Director: Abdul Al-Adhamy</p> <p>Non-Executive Director: Robert Owen</p> <p>Chief Financial Officer: John Mulvey</p> <p>Chief Operating Officer: Mohamed Gamil</p> | <p>HE Sheikh Thani Bin Abdulla Bin Thani Jasim Al Thani*: 29.99%</p> <p>HRH Sheikh Hamad Bin Khalifa Bin Hamad Al Thani: 13.32%</p> <p>Qatar International Islamic Bank*: 11.22%</p> <p>Lynchwood Nominees Limited:** 7.10%</p> <p>Vidacos Nominees Limited: 6.64%</p> <p>DCD London and Mutual Plc:** 5.50%</p> <p>Qatar Islamic Insurance Co*: 3.78%</p> <p>HSBC Client Holdings Nominee (UK) Limited:** 3.31%</p> <p>*Related parties ** Qatar Government holdings</p> |
| Key Dates | Key Milestones |
| <p>Full year results: March 2010</p> | <p>August 2004: Received FSA accreditation and floated on AIM raising £40m at 25p/share.</p> <p>2005: Product portfolio expanded and five branches opened in areas with large Muslim populations.</p> <p>2006: A further two new branches opened taking the total to seven. Internet banking launched for the first time.</p> <p>2007: New executive team undertakes a strategic refocus of the business.</p> <p>2008: Key Home Purchase Plan (HPP) product launched</p> <p>January 2009: Share placing at 5.875p raises £7.4m net of expenses</p> <p>2009: Opens premier banking office in Berkeley Square, Mayfair servicing high net worth individuals and wealthy muslim visitors to the UK.</p> <p>December 2009: Embarks on capital raising</p> |

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