



Islamic Banking Developments in the Domestic UK Market

Islamic Finance & Real Estate Forum,
Frankfurt, 4 – 5 November 2008

Presented by:

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Head of *alburaq*

ABC International Bank plc

4th November 2008



Introduction

ABC International Bank plc, London

- Subsidiary of the Arab Banking Corporation, Bahrain
- ABC Group includes ABC Islamic Bank, Bahrain
- Islamic Asset Management Team, London

Real estate finance and investment
Leasing
Structured finance
alburaq



Your Halal Financial world

Introduction

- *alburaq* - Specialists in Islamic retail products
 - Home finance
 - Buy-to-let
 - Commercial property finance
 - Products available directly or through
 - LloydsTSB
 - Intermediary market
- **Capital protected savings account**
 - **5 year deposit with the return linked to the performance of Shariah permissible shares**



Your Halal Financial world



Presentation Summary

- Muslims in the UK
- Products and providers
- The Government and the FSA's role
- Lessons of the past 10 years



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Muslims in the UK

- Population approaching 2 million
- 45% live in London and the South-East
- Ethnic origins
 - 43% Pakistani
 - 17% Bangladeshi
 - 9% Indian
 - 31% others

» *Census 2001*



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Muslims in the UK

- **Comparatively young population**
 - Average age 28
 - 9 in 10 under 65
 - 34% under 16 years of age
- **Most interested**
 - 2nd generation
 - Born in the UK
 - Professional careers
 - Both male and female



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Muslims in the UK

- **411,000 households (Census 2001)**
 - 183,386 in rented accommodation
 - » 73,034 Council
 - » 41,329 other
 - » 69,023 privately rented
 - 211,591 home owners
 - » 74,891 outright
 - » 133,912 mortgage
 - » 2,788 shared ownership
 - 16,438 living rent free
- **130,000 Muslim owned SMEs**



Islamic Retail Banking in UK Market Preference



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Retail products

- Home finance
- Commercial property finance
- Savings plans
- Current accounts
- Consumer finance
- Takafol



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Retail providers

- Albaraka (mortgages) early 1980's
- Halal savings / Takafol Co early 1990's
- United Bank of Kuwait (AUB) (mortgages) 1996
- HSBC (mortgages, current a/c) 2003
- ABC International Bank (*alburaq*) (mortgages) 2004
- Islamic Bank of Britain (retail banking) 2004
- Ansar Finance (community focused NFP) 2004
- RBS / Bank of Ireland (commercial property) 2004
- LloydsTSB (current a/c) 2005
- Children's Mutual (Child Trust Fund) 2005
- United National Bank (mortgages, Scotland) 2005
- Principle Insurance Holdings (Takafol) 2008
- ABC International Bank (*alburaq*) (Savings Plan) 2008



FSA-authorized Islamic institutions

- Islamic Bank of Britain
- European Islamic Investment Bank
- Bank of London and the Middle East
- European Finance House
- Gatehouse plc
- Principle Insurance Holdings – Salaam Insurance



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Government support

- 1997 Labour Government in power
- 1999 Sir Eddie George - Working Group
- 2003 Finance Act – Stamp Duty
- 2005 Islamic Bank of Britain authorised
- 2007 FSA regulation of HPP's
- 2007 Review for UK Sukuk
- 2008 Legislation to aid Sukuk issuance



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Government support

- Strongly supported by the Government

To help address financial exclusion due to religious beliefs or for other cultural reasons

and more recently

To promote 'UK plc' as a centre for Islamic finance



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Government support

- Islamic finance experts group, chaired by Economics Minister
- UK Trade and Investment, Government-supported body that promotes 'UK plc' and helps foster trade relations internationally



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10 years on

- Take-up slower than expected
- Lack of understanding on why products are Shariah compliant
- Scepticism on whether products are truly Shariah compliant
- Products generally felt to be more expensive (COBM!)



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Lessons learned

- Institutions trying to broaden their appeal
- Products must be flexible and price competitive
- More education.....
- Government and regulator's ongoing support vital
- Community 'buy-in' and support vital



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