

FUTURE ROLE OF FAITH IN BANKING

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ISLAMIC BANK OF BRITAIN



The Muslim Faith

- **community orientated**
- **value creation: wealth sharing**
- **partnership**
- **riba prohibited**



Islamic Banking

- in concept, centuries old
- trades in goods, not money
- operates on the profit sharing principle
- ethical and transparent
- 17% per annum growth



Islamic Financing Principles

- **Mudaraba** **Trust financing contract**
- **Murabaha** **Cost plus financing**
- **Ijara** **Lease financing**
- **Qard** **Non profit loan**
- **Tawarruq** **Cash loan**



Conventional Banking Model

Savings



Consumer Finance



Islamic Banking Model

Savings

COMMODITY TRADE /
CONSUMER FINANCING

BANK

CUSTOMER



Islamic Banking Model

Savings

COMMODITY TRADE /
CONSUMER FINANCING

BANK

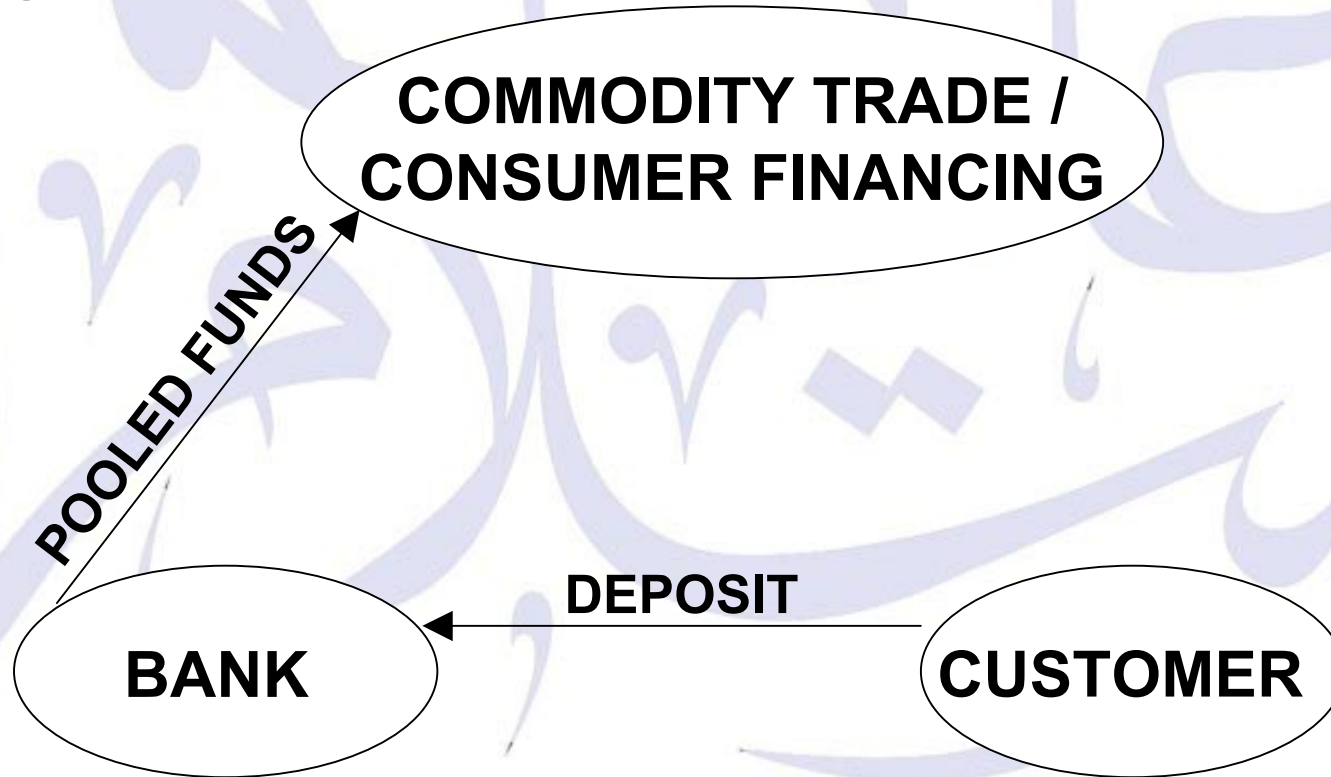
DEPOSIT

CUSTOMER



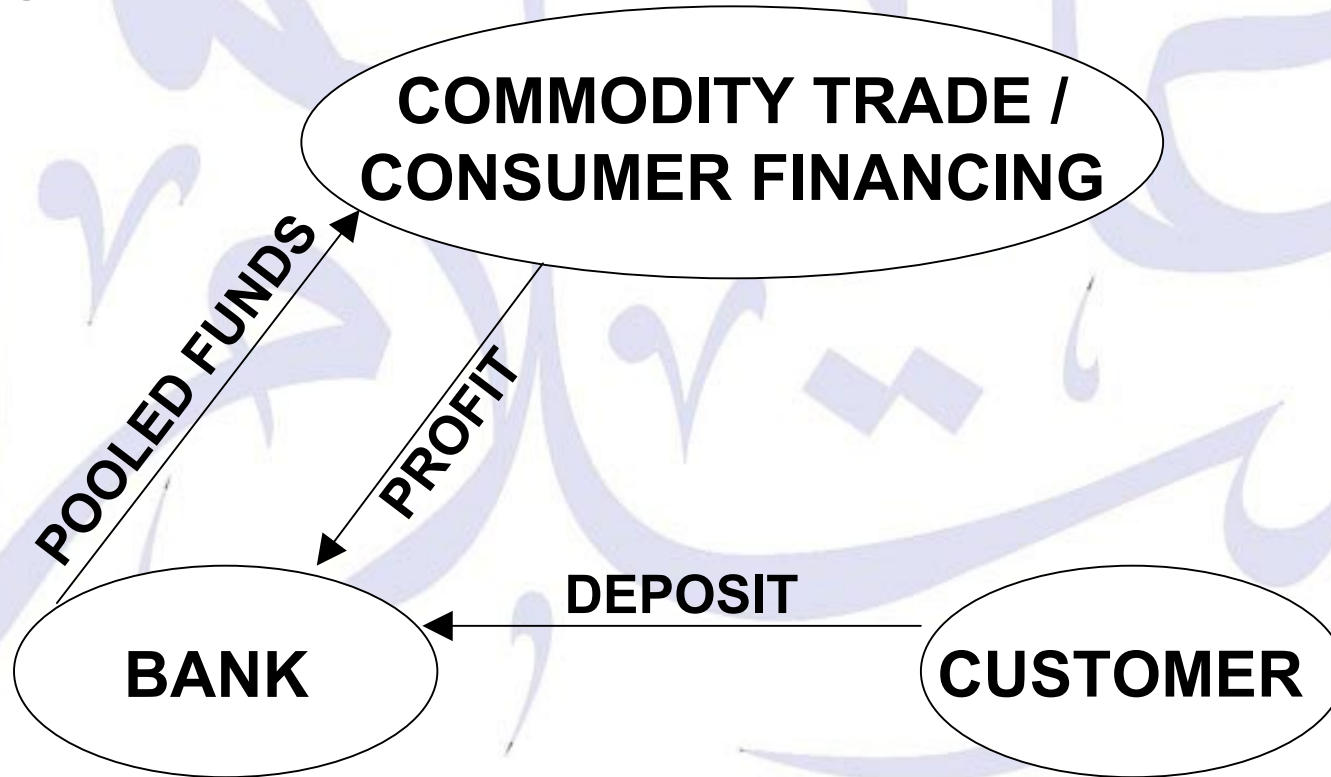
Islamic Banking Model

Savings



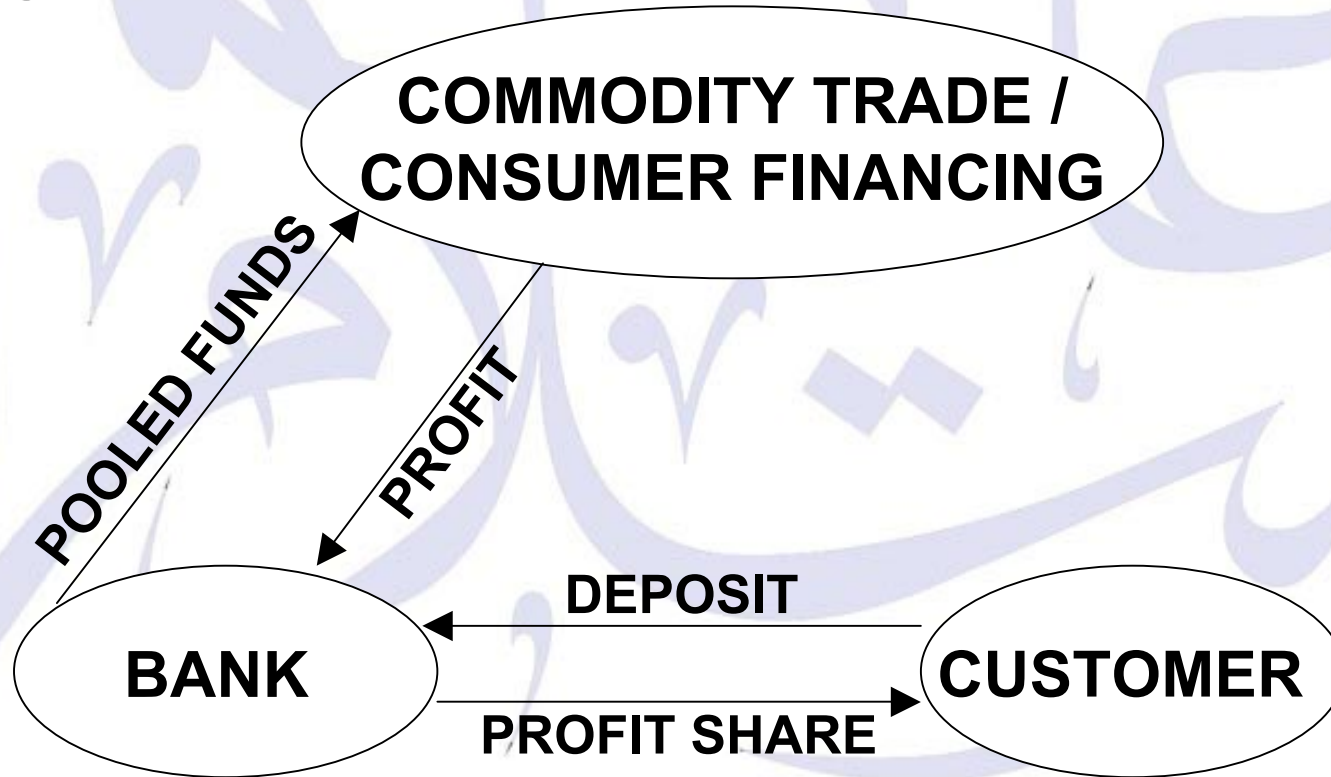
Islamic Banking Model

Savings



Islamic Banking Model

Savings



Islamic Banking Model

Consumer Finance

**COMMODITY /
GOODS PURCHASE**

BANK

CUSTOMER



Islamic Banking Model

Consumer Finance

**COMMODITY /
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BANK

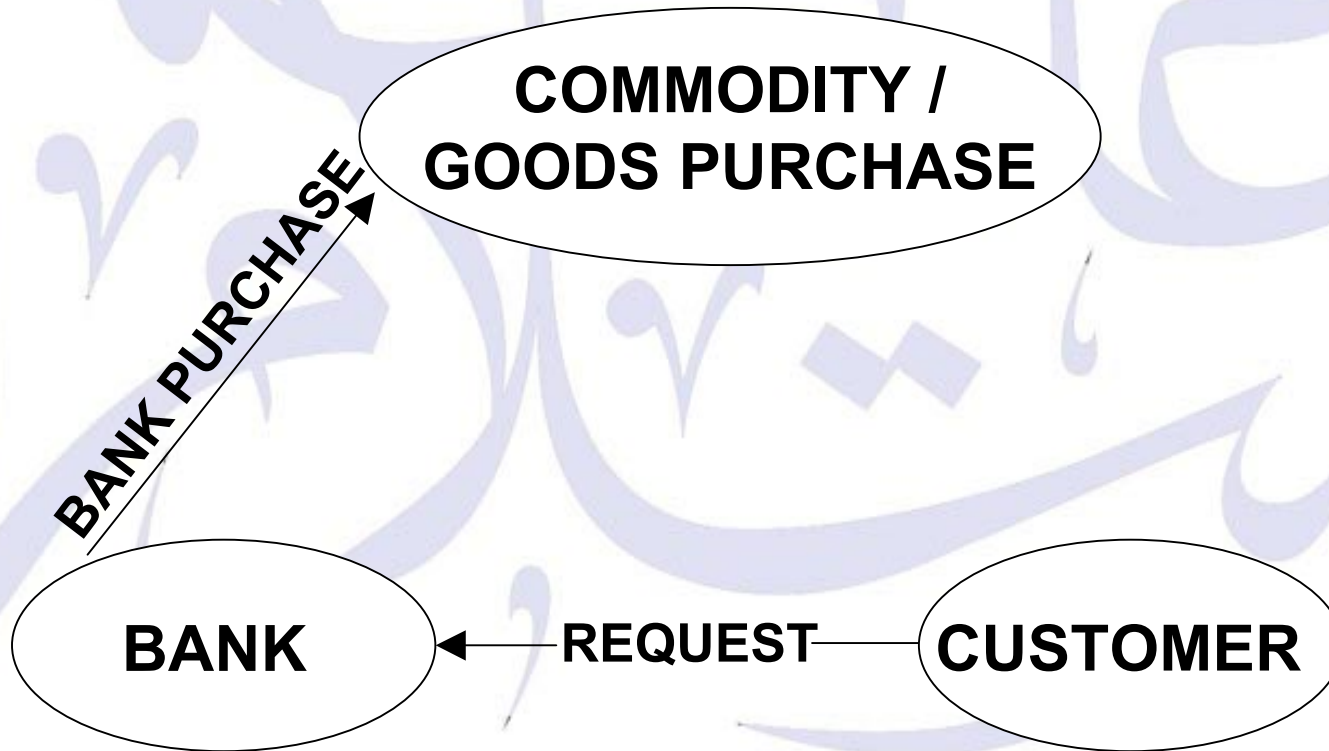
REQUEST

CUSTOMER



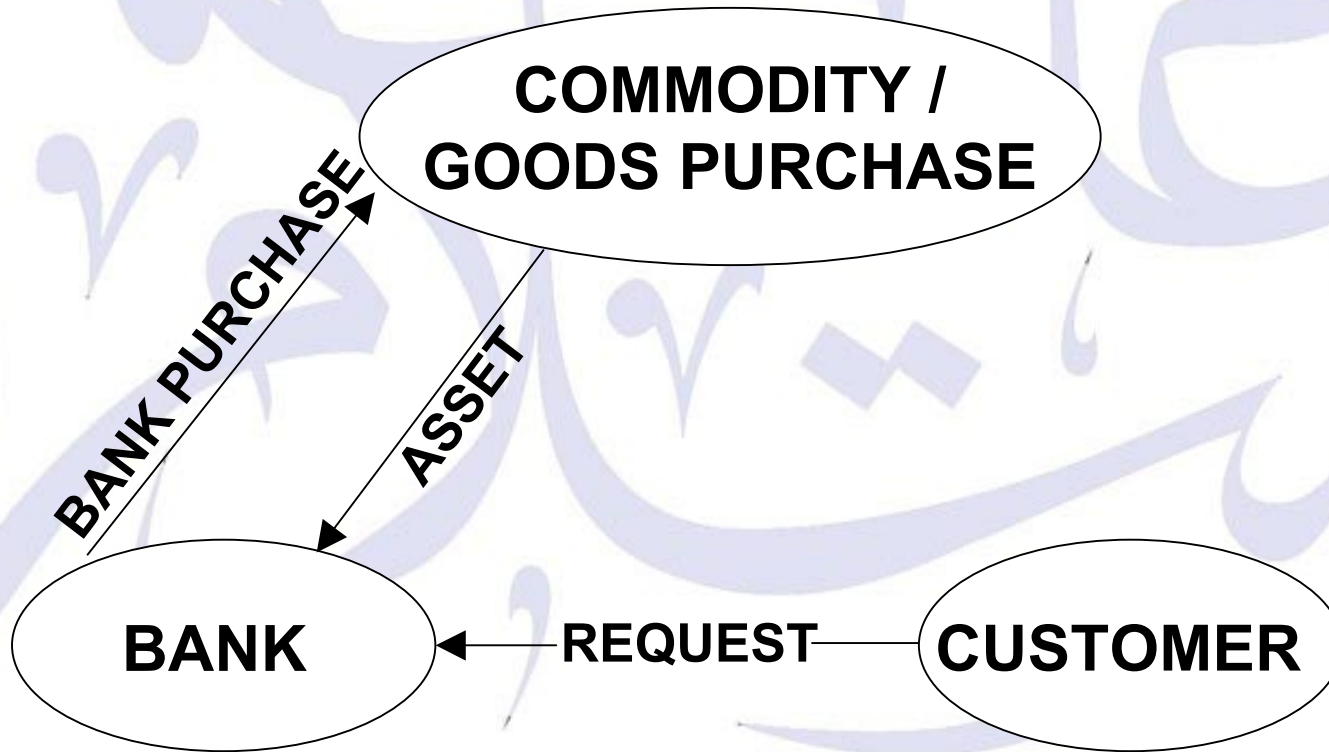
Islamic Banking Model

Consumer Finance



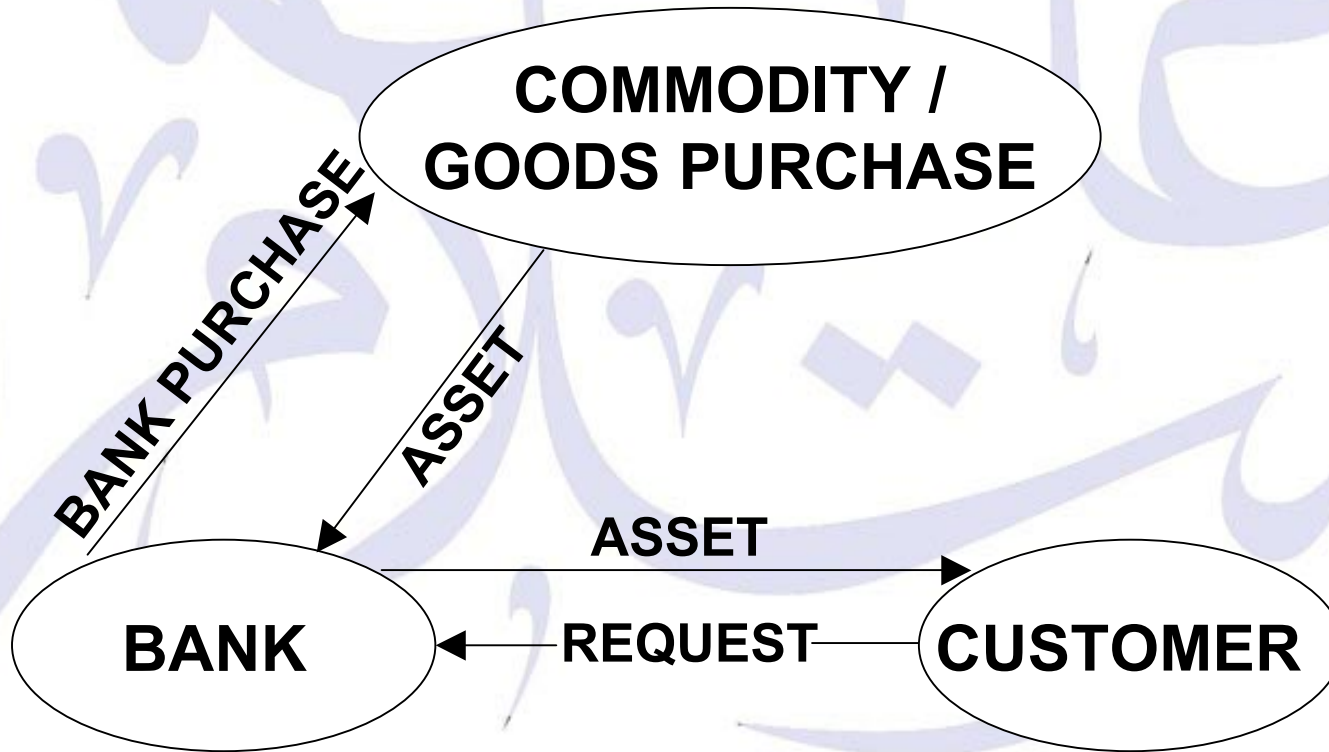
Islamic Banking Model

Consumer Finance



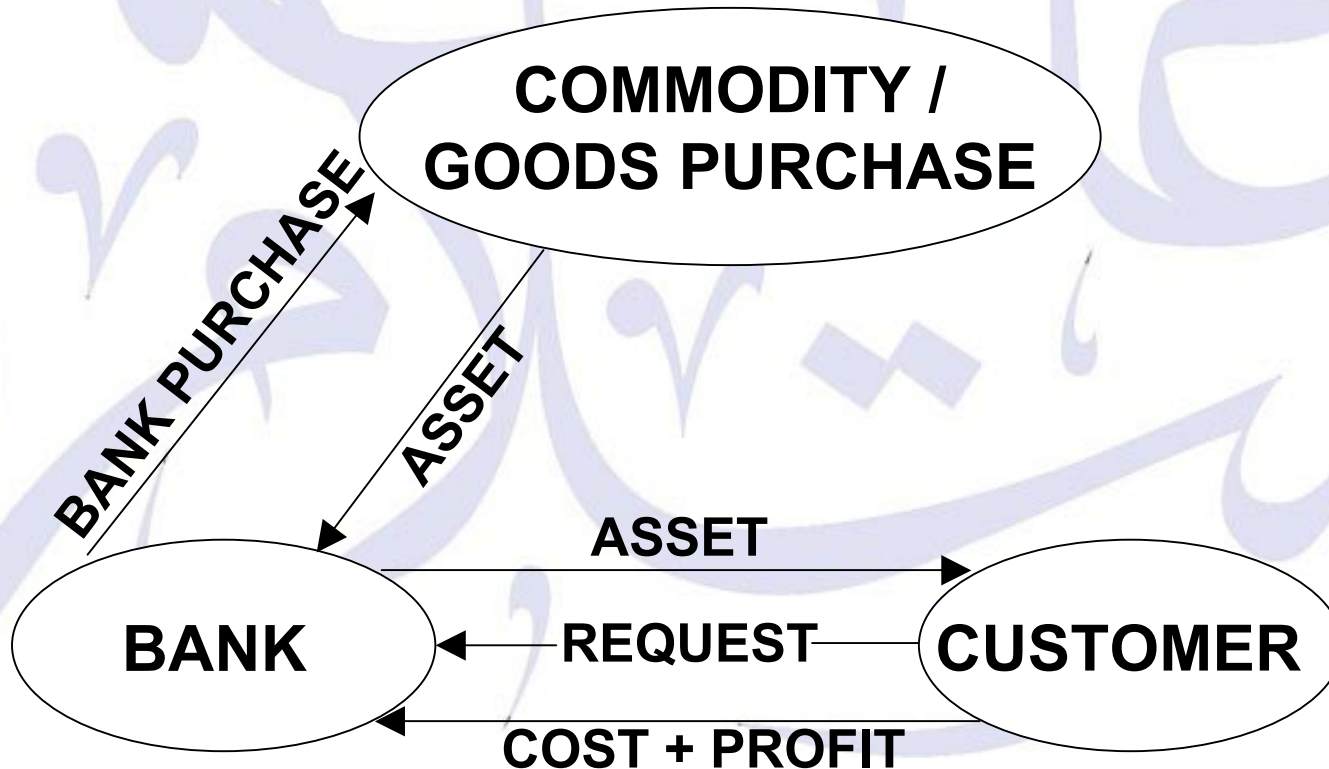
Islamic Banking Model

Consumer Finance

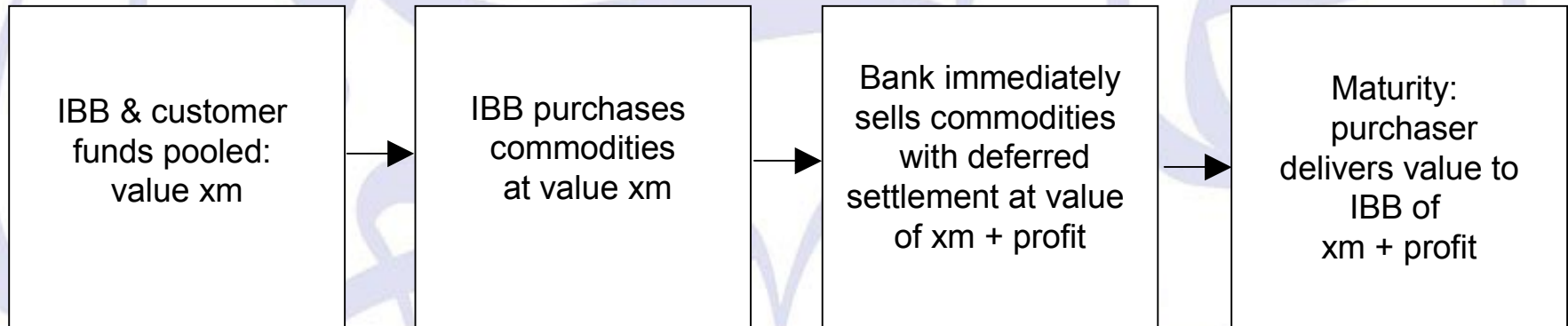


Islamic Banking Model

Consumer Finance



IBB Murabaha Commodity Transactions



The Road to Authorisation

- **Powerful sponsorship**
- **“Can do” attitude**
- **Fulfilling Regulatory requirements**
- **The problem of Islamic savings**



Islamic Savings Accounts

The problem

- Based on the principle of profit/loss sharing
- Principle not consistent within UK bank deposit
- No capital guarantee

The solution

- Layers of protection for consumers
- Offer to make good any capital loss
- Customer choice to accept/decline/offer



Other Regulatory Hurdles

- **Business Taxation**
- **Value Added Tax (VAT)**
- **Sale of Goods Act**



EU Muslim Community

UK

- circa 1.8 million
- 50% reside in the London area
- circa 500,000 regular annual visitors
- 360,000 households

EU

- 12.2m, principally France & Germany

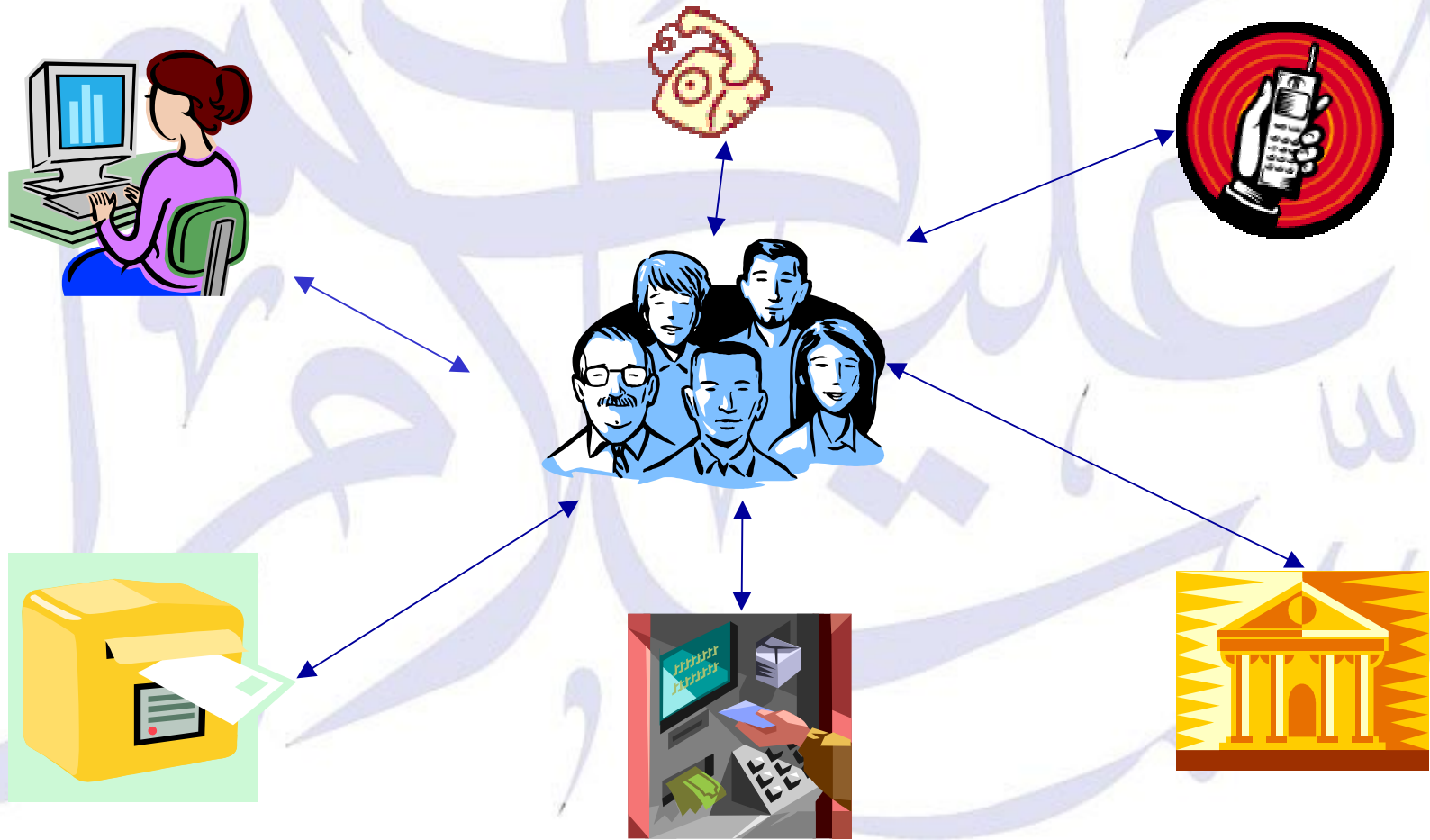


The Muslim Consumer

- **Desire to manage his life in accordance with his faith**
- **Sharia'a compliant banking welcomed but:**
 - a) Consumer has to be convinced**
 - b) Products should match the conventional**
 - c) Pricing has to be competitive**



Business Model





Banking with Sharia'a principles



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Distribution and Delivery



Banking with Sharia'a principles



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Products and Customers Propositions

Products

- current accounts
- cards - cash, debit and credit
- savings accounts
- consumer finance
- mortgages

Customer Propositions

- High Net Worth
- Small Business & Professionals
- Social Banking



Sharia'a

- Rules to ensure compliance within the Islamic faith
- Supervised by Independent Sharia'a Supervisory Committee
- Internal Sharia'a Compliance Officer



Challenges

- **Winning customers**
- **Regulatory compliance**
- **Sharia'a compliance**
- **Competition**



Mission Statement

Islamic Bank of Britain's mission is to become the leading provider of Islamic retail banking services in the United Kingdom; to achieve consumer recognition for superior service quality; and to deliver value for shareholders, customers and staff.

