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BLME grows despite crunch

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Bank of London and the Middle East, the UK's largest Islamic bank, is growing strongly in spite of deteriorating financial conditions that have wiped billions off the balance sheets of the conventional banks.

The London-based bank made pre-tax profits of £1,734,888 in the six months to June, demonstrating its financial health since it was launched in July last year - one month before the liquidity crisis hit.

Pre-tax profits for the start of the year are more than five times greater than the £332,389 made during the bank's inaugural period when it was setting up operations between August 2006 and December 2007.

Humphrey Percy, chief executive of **BLME,** said: "Our profits are growing at a stronger pace than we envisaged at our launch, showing not only the strength of the bank's strategy but also the resilience of the Islamic finance sector in spite of the difficult times in the broader markets.

"The bank is well positioned, with a strong balance sheet and we are confident we will be able to benefit from the growth of the Islamic finance market in the UK and internationally."

The Islamic banking sector has grown by about 20 per cent over the same period last year to an estimated $500bn, according to Moody's, the US ratings agency. London has led the way in developing Islamic finance in the west. Five Islamic banks are based in the UK - the only ones in Western Europe. Islamic finance, which avoids the payment of interest because it is banned by the Koran, has been relatively sheltered from the credit crisis as the banks and institutions in the sector were not exposed to asset-backed securities that have plummeted in value. It has also been helped by the wealth of Middle East funds and institutions, which use the Islamic banks in London.

Separately, the *sukuk*, or Islamic bond, market has begun to pick up sharply after a slow start to the year, according to Standard & Poor's.

It said total issuance stood at about $12bn in the seven months to July 31, down from about $22bn during the same period in 2007. The lower level of issuance is mainly due to the global credit crunch, although a number of deals have been priced in recent months in spite of continuing financial problems.

The agency estimates that issuance will exceed $25bn in 2008 and overall issuance will top $100bn in 2009.