QUARTERLY REPORT ON ISLAMIC BANKING IN BANGLADESH

APRIL-JUNE 2026[1]

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Quarterly Report on Islamic Banking in Bangladesh

April-June 2026

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Highlights of the Quarterly Report on Islamic Banking in Bangladesh
April-June 2026

Total Deposits	Deposits stood at BDT 4683.96 billion at end June 2026, down 2.40% QoQ (from BDT 4799.35 billion) but up 2.45% YoY. The QoQ dip reflects continued depositor caution at institutions still under BB's asset quality review, even as system wide deposits grew steadily.
Total Investment	Investment (loans and advances) stood at BDT 5367.0 billion at end June 2026, up 1.86% QoQ and 4.27% YoY. Growth held up despite national private sector credit growth slowing to just 5.5 percent, aided by BB's refinance support for priority sectors.
Investment-Deposit Ratio	Investment Deposit Ratio (IDR), excluding EDF and refinance, rose to 1.0 at end June 2026 from 0.90 in March 2026. The rise reflects investment growth against a deposit base that contracted over the quarter.
Excess Liquidity	Excess liquidity rose 15.20% QoQ to BDT 221.24 billion (up 84.53% YoY), despite a decline at full fledged banks. Consistent with BB's SDF rate cut to ease idle liquidity, though system liquidity stays highly polarized across banks.
Exports	Export receipts fell 1.42% quarter on quarter and 26.14% year on year to BDT 298.91 billion. The decline mirrors the national slowdown in ready made garment shipments amid weak EU demand and intensified price competition.
Imports	Import payments fell 6.37% quarter on quarter and 25.06% year on year to BDT 389.46 billion. This contrasts with the national increase in import payments, driven by higher global energy, fertilizer and commodity prices following the Middle East conflict.
Total Remittances	Remittances fell 12.95% QoQ and 18.02% YoY to BDT 217.71 billion. A sharp divergence from FY26's robust system wide remittance growth of around 19 percent.
Branches and Windows	Branches rose to 1753 and windows to 990 at end June 2026, from 1749 and 975 in March 2026. Continues gradual network expansion aligned with BB's financial inclusion priorities.
Manpower	Employment fell 0.79% QoQ and 6.21% YoY to 48,548. Partly reflects workforce rationalization at banks undergoing resolution and consolidation.

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Islamic banking is a financial framework that operates according to the principles and guidelines of Islamic Shariah. Unlike conventional banks, the core principles of Islamic banking are risk-sharing and profit-sharing, where both risks and returns from investments are distributed fairly among the concerned parties. In Bangladesh, this sector has expanded steadily, driven by the rising public demand of Shariah-based financial services.

Shariah-based banking system accounted for 22.53 percent deposits and 29.19 percent investments in the banking sector in Bangladesh as on June 2026, reflecting demand for Shariah-compliant financial services among the country's population. Despite facing recent challenges due to irregularities and loss of customer confidence, the sector remains resilient, supported by ongoing reforms and improved monitoring to strengthen institutional stability.

Table 1: Number of Islamic Banks, Branches and Windows

SL	Full-fledged Islamic Banks	No. of Branch	Conventional Banks having Islamic Branches	No. of Branch	Conventional Banks having Islamic Windows	No. of Window
1	Islami Bank Bangladesh PLC (IBBPLC)	400	Prime Bank PLC	5	NRBC Bank PLC	410
2	Al-Arafah Islami Bank PLC	226	Southeast Bank PLC	5	Agrani Bank PLC	60
3	First Security Islami Bank PLC (FSIBPLC)	206	Bengal Commercial Bank PLC	3	City Bank PLC	60
4	Social Islami Bank PLC	181	Pubali Bank PLC	18	United Commercial Bank PLC	100
5	EXIM Bank PLC	155	Dhaka Bank PLC	2	Sonali Bank PLC	58
6	Shahjalal Islami Bank PLC (SJIBPLC)	142	Premier Bank PLC	2	Mercantile Bank PLC	45
7	Standard Bank PLC	138	Jamuna Bank PLC	2	Trust Bank PLC	45
8	Union Bank PLC	114	One Bank PLC	2	NRB Bank Limited	28
9	Global Islami Bank PLC	105	Bangladesh Commerce Bank Limited	2	Premier Bank PLC	25
10	ICB Islamic Bank Limited	33	City Bank PLC	1	Pubali Bank PLC	21
11			AB Bank PLC	1	Eastern Bank PLC	20
12			Bank Al-Falah Limited	1	Mutual Trust Bank PLC	15
13			NRB Bank Limited	1	One Bank PLC	24
14			United Commercial Bank PLC	1	Meghna Bank PLC	10
15			National Credit & Commerce Bank PLC	4	SBAC Bank PLC	10
16			Mercantile Bank PLC	2	Bank Asia PLC	15
17			IFIC Bank PLC	1	Rupali Bank PLC	2
18					Standard Chartered Bank	1
19					Midland Bank PLC	1
20					AB Bank PLC	8
21					National Credit & Commerce Bank PLC	32
22					IFIC Bank PLC	5
23					Janata Bank PLC*	
Total	**10**	**1700**	**17**	**53**	**23**	**990**

Sources: Respective Banks.

Note: *Janata Bank PLC is permitted to start Islamic banking window operation, but not started yet.

1. Brief Overview

Islamic banking continues to occupy a systemically important space within Bangladesh's financial sector, reflecting sustained depositor and investor confidence in Shari'ah-compliant financial services. There are 10 full-fledged Islamic banks in Bangladesh operating with 1700 branches amongst total 11425 branches in the whole banking system up to June 2026. In addition to that, 53 Islamic banking branches of 17 conventional commercial banks and 990 Islamic banking windows of 22 conventional commercial banks are also providing Shariah financial services (Table-1). Basic information on Islamic banking sector is provided in Appendix.

1.1: Developments of Islamic Banking in Bangladesh

As of end June 2026, Islamic banking sector represents 22.53 percent share in terms of deposits in the total banking industry while it accounted for 29.19 percent share in terms of investments. During the April-June quarter of 2026, remittance share by Islamic banks among entire banking network was recorded 18.89 percent, and Islamic banking also contributed to the total agricultural credit with a share of 36.59 percent (Table 2).

Table 2: Performances of Islamic Banking Compared to All Banks in Bangladesh

(In Billion BDT)

	End June 2026P			End March 2026			Quarterly Growth	
	All banks	Islamic banking **	Share of Islamic banking among all banks (percent)	All banks	Islamic banking **	Share of Islamic banking among all banks (percent)	All banks	Islamic banking **
	1	2	3*	4	5	6*	7*	8*
Total deposits	20792.97	4683.96	22.53	20320.37	4799.35	23.62	2.33	-2.40
Total investment (loans & advances in conventional banking system)	18387.25	5367.00	29.19	18110.11	5268.89	29.09	1.53	1.86
Remittances	1152.49	217.71	18.89	1217.37	250.11	20.54	-5.33	-12.95
Total excess liquidity	3368.47	221.24	6.57	3859.92	192.04	4.98	-12.73	15.20
Total number of bank branches***	11425	1753	15.34	11422	1749	15.31	0.03	0.23
Total agricultural credit	67.27	122.35	20.12	95.91	17.98	18.74	27.57	36.96

Source: ACD, BRPD, MPD and Statistics Department of Bangladesh Bank.

Note: Stock figures are provided on end period basis; Remittances and Total agricultural credit data reported during the quarter.

*3=(2/1)*100, 6=(4/5)*100, 7=((1-4)/4)*100, 8=((2-5)/5)*100

**= Islamic banking includes full-fledged Shariah banks, branches and windows of the Conventional banks,

*** =Total number of branches include Islamic banking branches of the Conventional banks, P=Provisional.

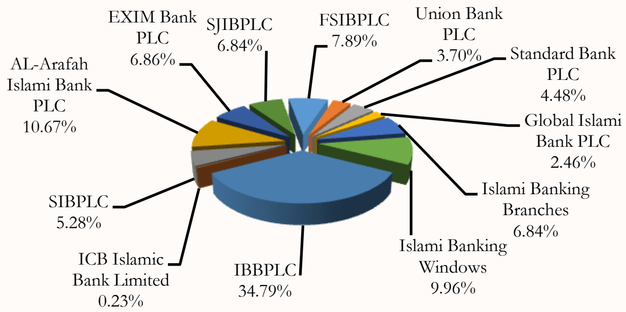
2. Deposit Mobilization

System wide bank deposits grew steadily in H2FY26 amid ample banking sector liquidity, yet Islamic banks' deposit base eased on the quarter, consistent with continued depositor caution at institutions still under Bangladesh Bank's asset quality review and resolution process. Deposits of Islamic banking system stood at BDT 4683.96 billion at the end of June 2026 with a decrease of 2.40 percent as compared to BDT 4799.35 billion at the end of March 2026 (Table-3). It was higher by 2.45

percent as compared to the end of June 2025. Islamic banks' deposits share accounted for 22.53 percent of total deposits of the entire banking sector at the end of June 2026. Bangladesh deposit market for Islamic banks is highly concentrated with Islami Bank Bangladesh PLC (IBBPLC) holding the largest share (34.79 percent) with BDT 1629.54 billion deposit and playing a dominant role in the sector. Al-Arafah Islami Bank PLC follows with 10.67 percent, while First Security Islami Bank PLC (FSIBPLC) (7.89 percent), EXIM Bank PLC (6.86 percent), and Shahjalal Islami Bank PLC (SJIBPLC) (6.84 percent) maintain moderate shares [Chart-1].

Besides, small-scale banks like Global Islami Bank PLC and ICB Islamic Bank Limited hold minimal shares. Islamic banking windows and branches of conventional banks contribute a considerable portion of the deposit (9.96 percent and 6.84 percent respectively), implying growing competition in the market. Overall, Chart-1 reflects a strong market concentration where depositor trust and institutional scale play a major role in deposit mobilization. While, full-fledged Islamic banks have borne the brunt of the deposit exodus, Islamic windows and branches operated by conventional banks have actually seen a rise in deposits.

Chart-1: Share of Deposits of all Islamic Banks (End June 2026)



Source: Respective Banks

Table 3: Deposit Situation in Islamic Banking in Bangladesh

(In Billion BDT)

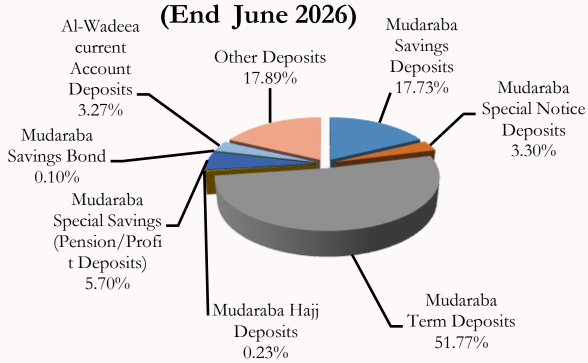
	End Jun 2026p	End Mar 2026	End Jun 2025	Changes (In Billion BDT)		Growth (percent)	
				Quarterly	Annual	Quarterly	Annual
1	2	3	4	5=2-3	6=2-4	7*	8*
Total Deposits*(Outstanding)	4683.96	4799.35	4572.07	-115.39	111.89	-2.40	2.45
a) Full-fledged Islamic Banks	3897.25	4092.68	3977.91	-195.43	-80.66	-4.78	-2.03
b) Islamic Banking Branches of CB	320.40	293.46	253.33	26.94	67.07	9.18	26.47
c) Islamic Banking Windows of CB	466.31	413.21	340.83	53.10	125.49	12.85	36.82

Source: Respective Banks.
*Note: 7=(5/3)*100, 8=(6/4)*100

2.1: Types of Deposits

Mudaraba Term Deposits topped the Islamic deposit structure amounting to BDT 2424.94 billion, representing 51.77 percent of the total deposits. This indicates a stronger customer preference for relatively higher returns by fixed-term deposits. The trend is followed by Mudaraba Savings Deposits (17.73 percent) and Other

Chart-2: Types of Deposits (End June 2026)



Source: Respective Banks

Deposits (17.89 percent). Overall, the deposit composition suggests that Islamic banking depends heavily on long-term profit-oriented deposits, which may improve fund stability but could also increase withdrawal pressure during liquidity stress [Chart-2].

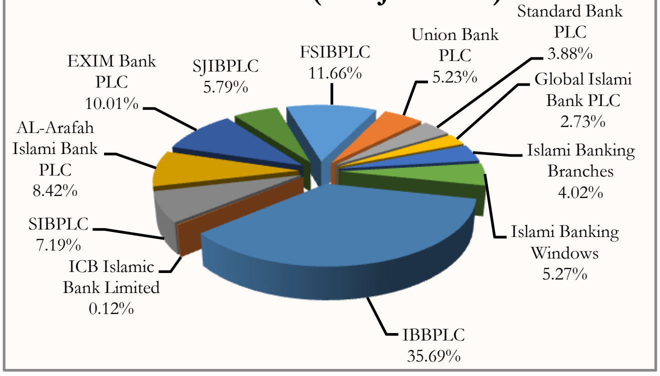
3. Investments

Investment growth held up even as national private sector credit growth slowed to just 5.5 percent in H2FY26, supported by Bangladesh Bank's refinance facilities and relaxed provisioning for priority sector lending. As of end June 2026, investment or financing[2] (loans & advances) of Islamic banking system stood at BDT 5367.0 billion with an increase of 1.86 percent as compared to BDT 5268.89 billion at the end of March 2026. It was also higher by 4.27 percent as compared to the same quarter of the last year. Islamic banks' investment share was 29.19 percent of the whole banking sector as of end June 2026. Of total investment amount, 90.71 percent was materialized by 10 full-fledged Islamic banks, 5.27 percent by the Islamic banking windows of conventional banks and the remaining 4.02 percent by the Islamic banking branches of conventional banks (Table-4). Moreover, the investment data is aggregated across the entire Islamic banking sector. Therefore, the growth generated by secure conventional parent banks offsets the contraction happening at standalone, troubled Shariah banks.

As per the latest data, Islami Bank Bangladesh PLC (IBBPLC) maintains the largest share in the market (35.69 percent) with BDT 1915.25 billion investment, followed by First Security Islami Bank PLC (FSIBPLC) (11.66 percent) and EXIM Bank PLC (10.01 percent). Al-Arafah Islami Bank PLC and Social Islami Bank PLC (SIBPLC) accounting for (8.42 percent) and (7.19 percent) respectively, emerged in the mid-range group. Whereas (SJIBPLC) and Union Bank PLC seemed to contribute lower portion (5.79 percent and 5.23 percent respectively).

In comparison, Standard Bank PLC (3.88 percent), Global Islami Bank PLC (2.73 percent), Islami Banking Branches (4.02 percent), and Islami Banking Windows (5.27 percent) represent relatively smaller shares. ICB Islamic Bank Limited has the lowest share at just 0.12 percent. Above all, the distribution shows a clear concentration of financing among a few leading banks, while the remaining banks contribute comparatively smaller portions [Chart-3].

Chart-3: Share of Investments Made by Islamic Banks (End June 2026)



Source: Respective Banks

[2] loans and advances in case of conventional banking.

Table 4: Investment Situation in Islamic Banking in Bangladesh

(In Billion BDT)

	End Jun 2026P	End Mar 2026	End Jun 2025	Changes (In Billion BDT)		Growth (percent)	
				Quarterly	Annual	Quarterly	Annual
1	2	3	4	5=2-3	6=2-4	7	8
Total Investment (Outstanding)**	5367.00	5268.89	5147.06	98.12	219.94	1.86	4.27
a) Full-fledged Islamic Banks	4868.63	4820.51	4751.91	48.12	116.72	1.00	2.46
b) Islamic Banking Branches of CB	215.62	195.96	175.65	19.65	39.97	10.03	22.75
c) Islamic Banking Windows of CB	282.76	252.41	219.51	30.35	63.25	12.02	28.82

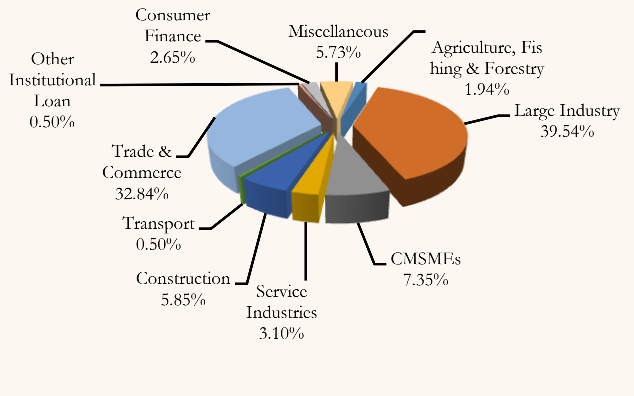
Source: Respective Banks
Note: 7=(5/3)*100, 8=(6/4)*100

3.1: Sector-wise Investment

The continued tilt toward Large Industry and Trade & Commerce reflects banks' cautious, collateral driven lending amid persistently high non performing loans, which leaves less room for broader CMSME outreach. In terms of sector-wise investment distribution, a substantial concentration is evident in two major sectors: Large Industry and Trade & Commerce. Large Industry holds the highest share at 39.54 percent with BDT 2122.01 billion investment while Trade & Commerce holds 32.84 percent share (together 72.38 percent of the total). The remaining 27.62 percent is spread across comparatively smaller sectors, such as CMSMEs at 7.35 percent, Construction at 5.85 percent, miscellaneous investments at 5.73 percent.

Lower allocations are observed in Service Industries (3.10 percent), Consumer Finance (2.65 percent), and Agriculture, Fishing & Forestry (1.94 percent). Meanwhile, Transport (0.50 percent) and other institutional loans (0.50 percent) receive limited investment focus. The distribution reflects a strong preference for industrial and trade finance, while concentrating less on more inclusive and employment generating CMSMEs [Chart-4].

Chart-4: Sector-wise Investment (End June 2026)



Source: Respective Banks

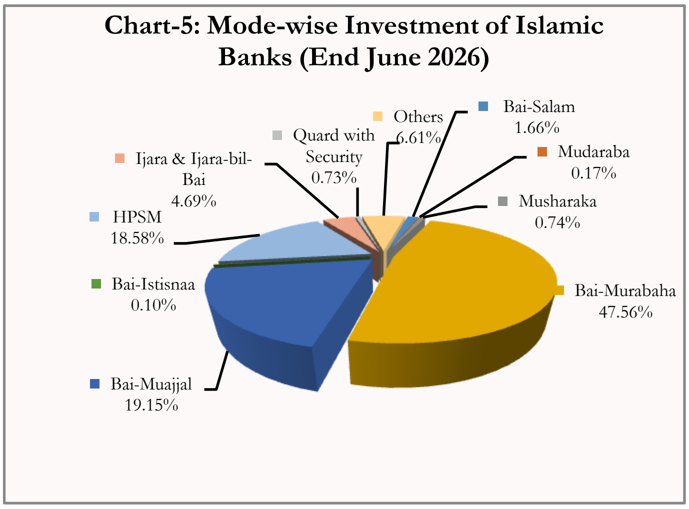
3.2: Mode-wise Investments[3]

The continued dominance of fixed return Bai modes over genuine profit and loss sharing reflects banks' preference for predictable, lower risk returns amid elevated credit risk and thin capital buffers. In Islamic banking system, the term 'Mode' refers to the various Shariah permissible contracts or

[3] In literature, Islamic financing modes are categorized into four primary functional types: Sale-based Bai modes, Partnership-based PLS modes, Lease ownership Ijara modes, and Qard-based Loan.

arrangements through which Islamic financial transactions are conducted. Based on available data through end June 2026, the mode wise investment analysis shows that the highest investment was made through Bai Murabaha mode (47.56 percent) amounting to BDT 2552.52 billion, followed by Bai Muajjal (19.15 percent), HPSM (18.58 percent), Ijara & Ijara bil Bai (4.69 percent).

Comparatively lower investment was made through Bai-Salam (1.66 percent), Musharaka (0.74 percent), Quard with Security (0.73 percent), Mudaraba (0.17 percent), Bai-Istisna (0.10 percent) and others (6.61 percent). This distribution reveals a major concern for Islamic banks, which is the persistently low concentration in Shariah-authentic PLS modes (Musharaka and Mudaraba) and likely to adopt more of buy-sale based mechanisms [Chart-5].



Source: Respective Banks

3.3: Investment in the Agricultural Sector

Agricultural investment comfortably exceeded its quarterly target, reflecting Bangladesh Bank's relaxed provisioning for priority sector lending and its Tk. 60,000 crore stimulus package aimed at agriculture and CMSMEs. The Islamic banking system has made significant contributions to financing different sub sectors of agriculture and rural credit programs. During April to June 2026, agricultural investment by Islamic banks stood at BDT 24.62 billion which was higher by BDT 6.64 billion (36.96 percent) and BDT 8.56 billion (53.27 percent) respectively compared with the previous quarter and the corresponding quarter of the last year. Agricultural investment share of Islamic banks was reported 36.59 percent of the total agricultural investment in the whole banking sector during April to June 2026. A summary of investments in agricultural sector by Islamic banking is shown in Table 5. Moreover, the value was BDT 5.08 billion (26.02 percent) more than the investment target of the quarter.

Table 5: Summary of Investment in Agricultural Sector

(In Billion BDT)

Period	Investment in Agricultural Sector					
	Investment Target	Actual Investment	Target Achieved (percent)	Recovery	Outstanding Investment	Overdue Investment
1	2	3	4	5	6	7
April-June 2026P	19.54	24.62	126.02	19.55	77.47	7.99
January-March 2026	19.25	17.98	93.37	14.77	68.25	7.37
April-June 2025	24.48	16.06	65.60	16.45	61.77	4.38
Quarterly Changes	0.28	6.64	32.65	4.77	9.22	0.63
Annual Changes	-4.95	8.56	60.42	3.10	15.70	3.61

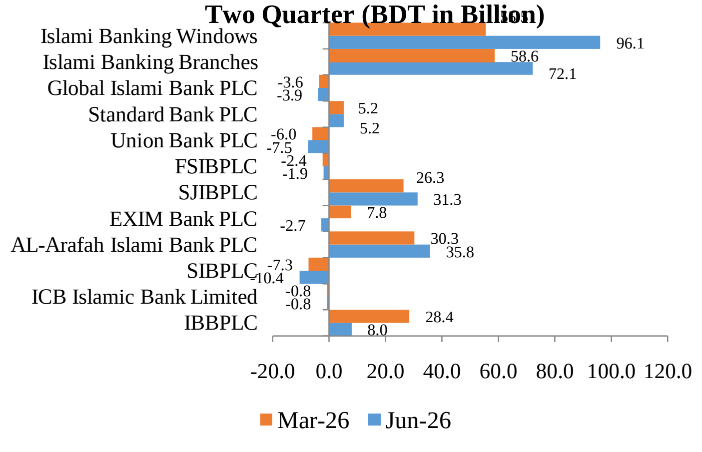
Source: Islamic banks, branches and windows of conventional banks. P= Provisional.

4. Liquidity Situation

Bangladesh Bank's latest Monetary Policy Statement notes that system liquidity remains highly polarized, with well capitalized banks flush with funds while resolution affected institutions face acute shortages, a divide also evident within Islamic banking. Bangladesh's Islamic banking sector has currently faced tremendous liquidity pressure, primarily due to weakened asset quality and limited Shariah-compliant short-term liquidity management instruments.

In response to the recent deposit withdrawals pressure in the sector, Bangladesh Bank has provided emergency liquid support to several Islamic banks and has focused on initiative for the establishment of an Islamic interbank money market to attain stability in the financial system.

Chart 6: Excess liquidity of Islamic Banks over Two Quarter (BDT in Billion)



Source: Respective Banks

As per the data, excess liquidity of Islamic banks stood at BDT 221.24 billion at the end of June 2026, of which full-fledged Islamic banks, Islamic banking branches and windows of conventional banks had BDT 52.95 billion, BDT 72.18 billion and BDT 96.11 billion respectively (Table-6). Quarter-wise comparisons depict improvement in the liquidity condition in Islamic banking system [Chart-6].

Table 6: Liquidity Situation in Islamic Banking in Bangladesh

(In Billion BDT)

	End Jun 2026ᵖ	End Mar 2026	End Jun 2025	Changes (In Billion BDT)		Growth (percent)	
				Quarterly	Annual	Quarterly	Annual
1	2	3	4	5=2-3	6=2-4	7	8
Liquidity (Excess(+) / Shortfall (-)	221.24	192.04	119.90	29.20	101.35	15.20	84.53
a) Full-fledged Islamic Banks	52.95	77.92	51.78	-24.97	1.18	-32.04	2.27
b) Islamic Banking Branches of CB	72.18	58.62	35.36	13.55	36.82	23.12	104.12
c) Islamic Banking Windows of CB	96.11	55.50	32.76	40.61	63.35	73.17	193.38

Source: Respective Banks.
Note: 7=(5/3)*100, 8=(6/4)*100

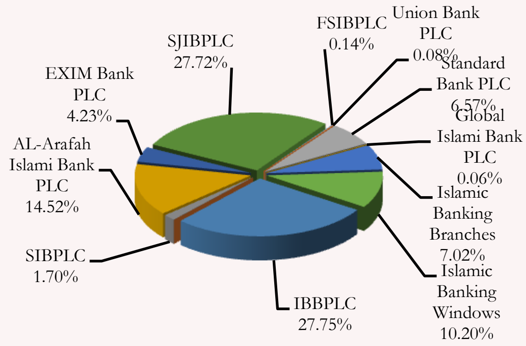
5. Foreign Trade and Remittance Mobilization

Bangladesh's external sector strengthened overall in H2FY26, with reserves rising to USD 31.74 billion on strong remittance inflows, yet Islamic banks' trade and remittance business moved against this trend, pointing to bank specific rather than economy wide headwinds. External sector performance – trade financing and remittance inflows – remains an important channel through which Islamic banks support Bangladesh's balance of payments and contribute to national foreign exchange earnings.

5.1: Exports

National export earnings also contracted over the same period, weighed down by a slowdown in ready made garment shipments, which account for around 80 percent of Bangladesh's total exports, amid receding EU demand and intensified price competition. Islamic banks' sharper quarterly decline therefore reflects the broader trade headwind rather than a sector specific setback. During April-June quarter of 2026, export receipts by Islamic banking system decreased by 1.42 percent to BDT 298.91 billion as compared to the previous quarter (Table-7). It decreased by 26.14 percent compared to April-June quarter of 2025. The decline in export receipts handled by Islamic banking system during the reporting period appeared to have been primarily associated with weakness in Bangladesh's overall export performance, particularly in the dominant RMG sector, amid subdued global demand and heightened trade and cost pressures. In addition, the Islamic banking system share of total banking-sector export receipts was lower than in the corresponding period, contributing to the decline in Islamic-bank export receipts. Moreover, the distribution reveals concentration among a few major banks. For instance, IBBPLC had the largest share 27.75 percent amounting to BDT 82.96 billion, followed by Shahjalal Islami Bank PLC (SJIBPLC) 27.72 percent, AL-Arafah Islami Bank PLC 14.52 percent and Standard Bank PLC 6.57 percent. Mentionable, top four banks collectively contributed more than three-fourths of total exports under the Islamic banking system [Chart-7]

Chart-7: Exports By Islamic Banking System (April-June 2026)



Source: Respective Banks

Table 7: Exports in Islamic Banking in Bangladesh

(In Billion BDT)

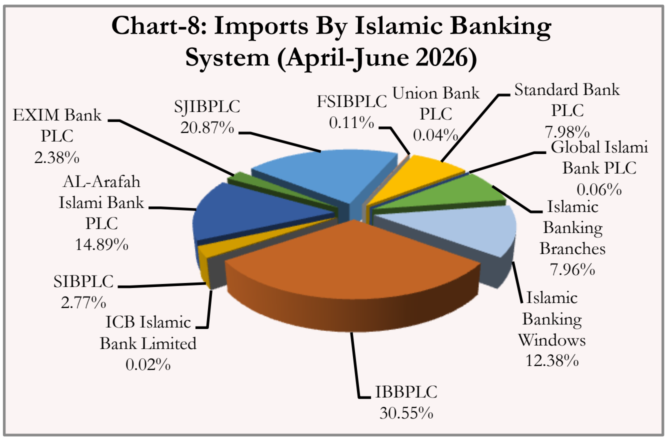
	Apr-Jun 2026P	Jan-Mar 2026	Apr-Jun 2025	Changes (In Billion BDT)		Growth (percent)	
				Quarterly	Annual	Quarterly	Annual
1	2	3	4	5=2-3	6=2-4	7	8
Total Exports	298.91	303.21	404.67	-4.30	-105.76	-1.42	-26.14
a) Full-fledged Islamic Banks	247.42	264.09	367.58	-16.67	-120.16	-6.31	-32.69
b) Islamic Banking Branches of CB	20.98	10.17	12.25	10.82	8.74	106.37	71.33
c) Islamic Banking Windows of CB	30.50	28.95	24.84	1.55	5.66	5.35	22.77

Source: Respective Banks.

Note: 7=(5/3)*100, 8=(6/4)*100

5.2: Imports

This contrasts with the national trend, where total import payments rose by nearly 6 percent year on year, driven by higher global energy, fertilizer and commodity prices following the Middle East conflict. The divergence suggests that import financing through Islamic banks eased even as economy wide import demand strengthened. Import payments through the Islamic banking system decreased by 6.37 percent to BDT 389.46 billion during April-June quarter of 2026 as compared to the previous quarter (Table-8). It decreased by 25.06 percent compared to April-June quarter of 2025. The decline in appeared to reflect a short-term volatility in import transactions, weaker activity in selected import-dependent sectors, slower LC settlement and changes in the share of import transactions handled by Islamic banks. However, the distribution reveals significant concentration among a few key institutions. To illustrate, IBBPLC recorded the largest share of 30.55 percent with BDT 118.96 billion, followed by Shahjalal Islami Bank PLC (SJIBPLC) 20.87 percent, AL-Arafah Islami Bank PLC 14.89 percent. Together, the three banks accounted for almost two-thirds of total imports [Chart-8].



Source: Respective Banks

Table 8: Imports in Islamic Banking in Bangladesh

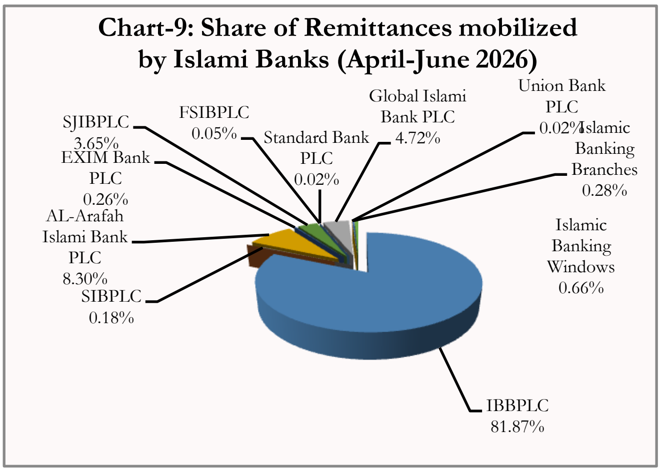
(In Billion BDT)

	Apr-Jun 2026P	Jan-Mar 2026	Apr-Jun 2025	Changes (In Billion BDT)		Growth (percent)	
				Quarterly	Annual	Quarterly	Annual
1	2	3	4	5=2-3	6=2-4	7	8
Total Imports	389.46	415.96	519.69	-26.50	-130.23	-6.37	-25.06
a) Full-fledged Islamic Banks	310.25	354.92	464.73	-44.68	-154.48	-12.59	-33.24
b) Islamic Banking Branches of CB	31.02	14.66	14.91	16.35	16.10	111.53	107.98
c) Islamic Banking Windows of CB	48.20	46.38	40.05	1.82	8.15	3.92	20.34

Source: Respective Banks.
Note: 7=(5/3)*100, 8=(6/4)*100

5.3: Remittance Mobilization

System wide remittances grew robustly by around 19 percent in FY26 on a competitive, market based exchange rate, making Islamic banks' sharp quarterly decline, concentrated in a market still dominated by a single bank, a notable divergence from the national trend. Islamic banks contribute notably to mobilizing remittance inflows and supporting economic growth and financial inclusion in Bangladesh. During April to June 2026 quarter, total remittance mobilized



Source: Respective Banks

through Islamic banks stood at BDT 217.71 billion, which reflects 18.89 percent within the entire banking channel (Table-9).

Bankwise data identifies IBBPLC as the leading player, mobilizing BDT 178.20 billion which is 81.87 percent of the total inflows, while the remaining 18.13 percent was jointly mobilized by AL-Arafah Islami Bank PLC, Global Islami Bank PLC and Shahjalal Islami Bank PLC (SJIBPLC) [Chart-9]

Table 9: Remittance in Islamic Banking in Bangladesh

(In Billion BDT)

	Apr-Jun 2026P	Jan-Mar 2026	Apr-Jun 2025	Changes (In Billion BDT)		Growth (percent)	
				Quarterly	Annual	Quarterly	Annual
1	2	3	4	5=2-3	6=2-4	7	8
Total Remittances	217.71	250.11	265.57	-32.39	-47.86	-12.95	-18.02
a) Full-fledged Islamic Banks	215.65	245.10	263.55	-29.45	-47.90	-12.01	-18.17
b) Islamic Banking Branches of CB	0.62	3.68	0.99	-3.06	-0.37	-83.18	-37.29
c) Islamic Banking Windows of CB	1.44	1.33	1.03	0.12	0.41	8.93	39.76

Source: Respective Banks.
Note: 7=(5/3)*100, 8=(6/4)*100

6. Sustainable Financing

Bangladesh Bank continues to steer credit toward ESG aligned and priority sector lending through refinance windows and relaxed provisioning, reinforcing Islamic banks' role in green, inclusive and women focused financing even as overall credit growth stays subdued. Sustainable Finance aims at introducing environmental, social, and governance standards, as well as risk management of lending practices of banks and finance companies to promote the ability of financial systems in a developing country. This approach facilitates green banking, sustainable agriculture, SME-financing and socially responsible initiatives through the promotion of eco-friendly sustainable projects and the enhancement climate resilience.

The Government of Bangladesh introduced the Green Financing Policy and encouraged banks and finance companies to participate in offering green financing to promote environment-friendly economic activities for sustainable economic development. In line with the efforts, Bangladesh Bank also directed all banks and finance companies to accommodate Environmental, Social and Governance (ESG) issues in their financing portfolio and credit management. Accordingly, Islamic banks in Bangladesh also extend services through Islamic Microfinance and Women Entrepreneurs Financing.

6.1: Green Financing

The modest overall increase, alongside a shift toward branches and windows, reflects Bangladesh Bank's continued push for ESG aligned lending even as full-fledged banks' broader investment capacity remains constrained by capital and asset quality pressures. Along with conventional banks, Islamic banks play a crucial role in green financing, which refers to financial products and services supporting environmentally sustainable projects and initiatives. During the period under review, green finance under Islamic banking showed a marginal increase to BDT 202.12 billion in April-June 2026 compared to BDT 197.72 billion in January-March 2026. Financing by full-fledged Islamic banks decreased to BDT 191.06 billion in April-June 2026 from BDT 191.79 in January-March 2026. Green financing by Islamic banking branches increased to BDT 7.82 billion in April-June from BDT 1.65 billion in January-March 2026 (Table-10).

Table 10: Green Financing by Islamic Banks

(In Billion BDT)

	End June 26	End March 26	End June 25
Full-fledged Islamic Banks	191.06	191.79	181.39
Conventional Banks having Islamic Branches	7.82	1.65	21.21
Conventional Banks having Islamic Windows	3.23	4.28	1.70
Total	202.12	197.72	204.29

Source: Respective Banks.

6.2: Corporate Social Responsibility (CSR)

CSR spending, funded mainly through Zakat and penal charges, continues to support financial inclusion goals that align with Bangladesh Bank's broader social protection agenda for vulnerable groups. The primary sources of Corporate Social Responsibility (CSR) funds include Zakat, compensation charges (penal charges from defaulting investment clients), and other Shariah-compliant income sources. These funds are allocated across various sectors such as education, training, healthcare, and charitable organizations, primarily benefiting deprived populations often excluded from conventional banking services due to severe economic constraints. Total expenditure on CSR activities was BDT 0.09 billion during April–June 2026.

6.3: Financial Inclusion

a) Number of Account Holders (Deposits)

The sharp rise in deposit accountholders is consistent with Bangladesh Bank's continued financial inclusion push and the expanding reach of Islamic banking windows and branches into previously underserved segments. Total number of deposit account holders in the Islamic banking system increased to 42.55 million at the end of April-June 2026 from 38.47 million in the previous quarter according to the data received from banks. Depositors in full-fledged Islamic banks, Islamic banking branches as well as Islamic windows also recorded a rise.

b) Number of Account Holders (Investment)

Total number of investment account holders in the Islamic banking system increased to 1.53 million at the end of April-June 2026 compared to 1.49 million in the previous quarter according to the data received from banks. Accounts with full-fledged Islamic banks recorded a slight decline. This suggested a stable trend, with only a marginal variation in customer participation in Islamic investment products.

6.4: Islamic Microfinance

Stability in full fledged banks' microfinance portfolios reflects a cautious lending stance consistent with the sector's broader asset quality concerns, even as Bangladesh Bank continues to prioritize inclusive credit. As of end June 2026, microfinance by full-fledged Islamic banks remained largely stable (Table-11).

Table 11: Islamic Micro Finance

(In Billion BDT)

	End June 26	End March 26	End June 25
Full-fledged Islamic Banks	77.47	76.44	76.62
Conventional Banks having Islamic Branches	0.11	0.09	13.77
Conventional Banks having Islamic Windows	0.03	0.01	0.02
Total	77.60	76.55	90.42

Source: Respective Banks.

6.5: Women Entrepreneurs Finance

The continued rise in women entrepreneur financing aligns with Bangladesh Bank's targeted refinance support for inclusive, employment generating lending under its ongoing stimulus initiatives. Financing by full-fledged Islamic banks increased to BDT 55.93 billion in April-June 2026. Financing through Islamic banking branches increased from BDT 0.02 billion in January-March 2026 to BDT 0.06 billion in April-June 2026. The upward trend reflects continued institutional commitment of Islamic banks to fostering women-led enterprises and promoting inclusive economic growth as presented in Table-12.

Table 12: Women Entrepreneurs Finance

(In Billion BDT)

	End June 26	End March 26	End June 25
Full-fledged Islamic Banks	55.93	55.68	49.14
Conventional Banks having Islamic Branches	0.06	0.02	1.12
Conventional Banks having Islamic Windows	0.012	0.003	0.004
Total	56.00	55.71	50.27

Source: Respective Banks.

7. Islamic Securities

Islamic securities such as Sukuk and government investment bonds provide banks with vital tools for liquidity and SLR management while broadening the government's Shari'ah-compliant financing base.

7.1: Sovereign Investment Sukuk

Sukuk is a suitable investment opportunity for individuals who are looking to invest in government-backed securities but prefer to avoid conventional interest-based instruments due to the Islamic prohibition of riba. Sukuk signifies the ownership in an underlying asset, project, or investment which generates returns based on profit-sharing or rental income rather than interest. The introduction of Sukuk expands the government's financing options and improves inclusiveness by creating newer investment options. Bangladesh formally entered the sovereign Sukuk market in

December 2020 when Bangladesh Bank, on behalf of the Government of Bangladesh, issued the first government investment Sukuk to finance large-scale infrastructure development.

Since its commencement, multiple Sukuk issuances have been undertaken to finance various development projects, especially in infrastructure such as roads, bridges, water supply, and rural development. These Sukuk are mainly structured under Shariah contracts such as Ijarah (leasing) and Istisna (construction/manufacturing), with designed payments on semi-annual basis. Due to their sovereign backing and relatively stable returns, Sukuk have attracted strong participation from banks, financial institutions, corporate, and individual investors. Outstanding amount of Sukuk issued stood at BDT 535.00 billion as of end of June 2026.

During the April–June 2026 quarter, three Sukuk auctions were conducted, the first was the 7-year 'CIBRR-1 Socio-Economic Development Sukuk' worth BDT 59.00 billion, issued on 14 May 2026 with a 10.40 percent annual profit rate, for construction of important bridges on rural roads. The second was the 5-year CAFDRIRP 'Socio-Economic Development Sukuk' worth BDT 56.00 billion, issued on 23 June 2026 with a 9.75 percent annual rental rate to finance the rehabilitation of rural infrastructure damaged by Cyclone Amphan and floods. The third was 'Short Term BGIS (273 Days)' worth BDT 55.00 billion, issued on 29 June 2026 with a 9.36 percent annual rental rate to finance the Important Rural Infrastructure Development Project-2. All three auctions being oversubscribed reflect strong market demand for the Sukuk instruments. Continued development in the Sukuk market is expected to expand infrastructure financing and strengthen the Islamic financial ecosystem.

7.2: Bangladesh Government Islamic Investment Bond (BGIIB)

Introduced in 2004, Bangladesh Government Islamic Investment Bond (BGIIB) has been widely used by Islamic banks to meet their SLR requirements.

Table 13: Bangladesh Government Islamic Investment Bond

(In Billion BDT)

Year	Sale	Financing	Net Balance
FY26	120.73	147.28	77.35
FY25	174.18	138.68	35.50
FY24	126.72	125.89	0.83
FY23	81.36	72.04	9.32
FY22	86.64	33.49	53.15
FY21	170.21	12.74	157.47
FY20	131.88	67.82	64.06
FY19	107.11	84.80	22.31
FY18	92.95	81.20	11.75
FY17	84.01	54.70	29.31
FY16	122.94	37.80	85.14
FY15	135.84	25.40	110.44
FY14	121.34	24.37	96.97
FY13	107.13	67.78	39.35
FY12	31.48	31.26	0.22
FY11	25.30	22.80	2.50
FY10	23.40	15.40	8.00

Source: Annual Report, Bangladesh Bank various issues; Monetary Policy Department and Debt Management Department, Bangladesh Bank.

However, due to the absence of Shariah-compliant government projects, the government cannot directly utilize BGIIB funds. Instead, the fund serves as a liquidity support mechanism, allowing Islamic banks to borrow against Mudarabah-based BGIIB securities during liquidity shortages. Table-13 shows the trend of sale, financing and net balance of BGIIB from FY10 to FY26.

8. Recent Initiatives by Bangladesh Bank for Islamic Banks, April-June 2026

Bangladesh Bank introduced a 20,000 crore refinance scheme for large industry and service sector enterprises, particularly export oriented enterprises that are partially operating/ closed but have the capability of resuming operations to provide them working capital financing. Shariah-based banks and Islamic branches/windows of conventional banks can lend their eligible customers under this scheme provided that their own regulations and conditions of the circular are complied with. (Source: BRPD-1 Circular-13, dated 04/06/2026)

9. Recommendations

Sustaining the sector's growth momentum while restoring public confidence will require coordinated policy support across several fronts, as outlined below. Islamic banking sector and the other segments under Islamic finance such as Islamic capital market, Islamic insurance (Takaful) and microfinance sector could flourish systematically if supportive policies are adopted.

- As Islamic banks' rural branch network has not kept pace with demand, they should draw on Bangladesh Bank's One Village, One Product (OVOP) initiative (Tk. 10,000 crore channeled through 52 participating institutions) and the PKSF administered window under the Tk. 60,000 crore stimulus package to deepen rural outreach without straining their own balance sheets.

- Islamic banks should make fuller use of Bangladesh Bank's refinance and pre finance facilities, including the dedicated agriculture, CMSME and rural output windows under the Tk. 60,000 crore stimulus package, to expand socially beneficial lending at subsidized rates while easing pressure on their own capital.

- Investment in authentic PLS modes (Musharaka and Mudaraba) remains minimal; banks should prioritize genuine risk sharing products and pilot innovative, inclusive structures such as the Digital Nano Loan Refinance Scheme to extend coverage to the unbanked population.

- CSR allocations should be aligned with Bangladesh Bank's social protection priorities, including the Family Card and Farmer Card programmes, to maximize reach among the same vulnerable groups the central bank is already targeting.

- To rebuild public confidence amid liquidity pressure, Islamic banks should prioritize good governance and accountability, supported by the full and timely implementation of the Bank

Resolution Act 2026 and the Deposit Protection Act 2026, which raises deposit insurance coverage to Tk. 2 lakh.

- Given the polarized liquidity conditions flagged in Bangladesh Bank's latest Monetary Policy Statement, Islamic banks should make fuller use of dedicated Shari'ah compliant liquidity tools, Mudarabah Liquidity Support, the Islamic Banks Liquidity Facility and Special Liquidity Support, to ease institution specific shortages.
- Banks should strengthen credit risk data and early warning systems ahead of the transition to Expected Credit Loss (ECL) provisioning under IFRS 9, targeted for 2027, to ensure a smoother, better capitalized adjustment and support Bangladesh Bank's wider Risk Based Supervision agenda.

10. Conclusion

The April to June 2026 quarter shows a mixed but informative picture for Bangladesh's Islamic banking sector. The sector remained a significant part of the banking system, accounting for 22.53 percent of total deposits and 29.19 percent of total investments. Investment increased while deposits declined modestly, leaving the investment deposit ratio at 1.0. At the same time, excess liquidity increased to BDT 221.24 billion, although liquidity conditions remained uneven across institutions. These movements suggest that the sector continued to support financing activity while managing continuing balance sheet and confidence pressures.

The quarter also highlights the importance of strengthening confidence, liquidity management and the quality of intermediation. Trade financing and remittance mobilization weakened sharply within Islamic banks, even as the broader external sector showed improvement. Agricultural investment exceeded the quarterly target, while green financing, women entrepreneur financing, branch and window expansion, and depositor outreach provided continued support to inclusive finance. Bangladesh Bank's H1FY27 Monetary Policy Statement, the Tk. 60,000 crore stimulus package, the Bank Resolution and Deposit Protection Acts, and the phased transition to Expected Credit Loss provisioning under IFRS 9 provide an important policy framework for the period ahead. For the sector, the immediate priorities are stronger governance and accountability, effective use of Shariah compliant liquidity facilities, better credit risk monitoring, broader rural and CMSME outreach, and greater use of genuine profit and loss sharing modes. The quarter therefore points to a sector that is navigating significant adjustment while retaining a sizeable role in Bangladesh's banking and financial inclusion landscape.

Appendix

Table-1: Basic information on Islamic Banking: End June 2026

(In Billion BDT)

Indicators of Islamic Banking	End Jun 2026P	End Mar 2026	End Dec 2025	End Sep 2025	End Jun 2025	Growth (June 2026) (percent)	
						Quarterly	Annual
1	2	3	4	5	6	9	10
1. Total Deposits*(Outstanding)	4683.96	4799.35	4811.92	4703.16	4572.07	-2.40	2.45
a) Full-fledged Islamic Banks	3897.25	4092.68	4112.80	4050.02	3977.91	-4.78	-2.03
b) Islamic Banking Branches of CB	320.40	293.46	296.81	270.54	253.33	9.18	26.47
c) Islamic Banking Windows of CB	466.31	413.21	402.31	382.60	340.83	12.85	36.82
2. Total Investment (Outstanding)**	5367.00	5268.89	5250.71	5175.82	5147.06	1.86	4.27
a) Full-fledged Islamic Banks	4868.63	4820.51	4815.40	4754.78	4751.91	1.00	2.46
b) Islamic Banking Branches of CB	215.62	195.96	195.37	187.05	175.65	10.03	22.75
c) Islamic Banking Windows of CB	282.76	252.41	239.94	234.00	219.51	12.02	28.82
3. Investment-Deposit ratio#	1.00	0.90	0.94	0.96	0.99	11.60	1.23
a) Full-fledged Islamic Banks	1.09	0.95	1.01	1.02	1.04	14.75	4.97
b) Islamic Banking Branches of CB	0.50	0.56	0.59	0.66	0.69	-11.35	-28.57
c) Islamic Banking Windows of CB	0.56	0.57	0.56	0.57	0.59	-2.45	-5.03
4. Liquidity (Excess(+) / Shortfall (-)	221.24	192.04	193.92	156.46	119.90	15.20	84.53
a) Full-fledged Islamic Banks	52.95	77.92	73.75	73.78	51.78	-32.04	2.27
b) Islamic Banking Branches of CB	72.18	58.62	56.39	31.20	35.36	23.12	104.12
c) Islamic Banking Windows of CB	96.11	55.50	63.78	51.47	32.76	73.17	193.38
5. Total Exports	298.91	303.21	315.31	355.28	404.67	-1.42	-26.14
a) Full-fledged Islamic Banks	247.42	264.09	272.95	304.94	367.58	-6.31	-32.69
b) Islamic Banking Branches of CB	20.98	10.17	14.17	25.29	12.25	106.37	71.33
c) Islamic Banking Windows of CB	30.50	28.95	28.18	25.05	24.84	5.35	22.77
6. Total Imports	389.46	415.96	470.07	491.81	519.69	-6.37	-25.06
a) Full-fledged Islamic Banks	310.25	354.92	360.84	394.00	464.73	-12.59	-33.24
b) Islamic Banking Branches of CB	31.02	14.66	48.67	44.78	14.91	111.53	107.98
c) Islamic Banking Windows of CB	48.20	46.38	60.56	53.03	40.05	3.92	20.34
7. Total Remittances	217.71	250.11	275.38	261.38	265.57	-12.95	-18.02
a) Full-fledged Islamic Banks	215.65	245.10	272.99	257.35	263.55	-12.01	-18.17
b) Islamic Banking Branches of CB	0.62	3.68	0.58	0.84	0.99	-83.18	-37.29
c) Islamic Banking Windows of CB	1.44	1.33	1.81	3.18	1.03	8.93	39.76
8. Total Number of Branches	1753	1749	1743	1740	1740	0.23	0.75
a) Full-fledged Islamic Banks	1700	1700	1700	1699	1699	0.00	0.06
b) Islamic Banking Branches of CB	53	49	43	41	41	8.16	29.27
9. Islamic Banking Windows of CB	990	976	976	919	905	1.43	9.39
10. Total Number of Manpower	48548	48935	47460	50944	51760	-0.79	-6.21
a) Full-fledged Islamic Banks	45881	46405	45080	48826	49661	-1.13	-7.61
b) Islamic Banking Branches of CB	868	861	838	680	675	0.81	28.59
c) Islamic Banking Windows of CB	1799	1669	1542	1438	1424	7.79	26.33

Source: Respective Banks.

Note: Exports, Imports, and Remittances are reported during the quarter. * = Excluding interbank items, P= Provisional, CB= Conventional Banks, #= excluding EDF and Refinance, *=excluding bonds and securities and interbank items.