

Quarterly Report on Islamic Banking in Bangladesh¹

October-December 2025



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October-December 2025

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Highlights of the Quarterly Report on Islamic Banking in Bangladesh October-December 2025

Total Deposits	Deposits of Islamic banking system stood at BDT 4811.92 billion at the end of December 2025 with an increase of BDT 108.76 billion or 2.31 percent as compared to BDT 4703.16 billion at the end of September 2025. It was higher by BDT 414.34 billion or 9.42 percent as compared to the same quarter of the last year. Share of deposits of Islamic banks accounted for 24.38 percent of total deposits of the entire banking sector during the period under report.
Total Investment	At the end of December 2025, Investment (loans & advances) of Islamic banking system stood at BDT 5250.71 billion with an increase of BDT 74.89 billion or 1.45 percent as compared to BDT 5175.82 billion at the end of September 2025. It was also higher by BDT 457.61 billion or 9.55 percent as compared to the same quarter of the last year. Share of investment of Islamic banks accounted for 29.10 percent of total loans & advances of the whole banking sector at the end of December 2025.
Investment-Deposit Ratio	Investment-Deposit Ratio (IDR) of the Islamic banks stood at 0.94 (excluding EDF and refinance) at the end of December 2025 which was 0.96 at the end of September 2025 and 0.97 the end of December 2024.
Excess Liquidity	Excess liquidity of Islamic banks increased by BDT 37.46 billion and stood at BDT 193.92 billion at the end of December 2025 from BDT 156.46 billion of end September 2025. It was higher by BDT 99.57 billion than that of the same period of the last year.
Exports	Export receipts by Islamic banks decreased by BDT 39.97 billion or 11.25 percent to BDT 315.31 billion during October-December quarter of 2025 from BDT 355.28 billion during July-September quarter of 2025.
Imports	Import payments by Islamic banking system decreased by 4.42 percent to BDT 470.07 billion during October-December quarter of 2025 as compared to previous quarter.
Total Remittances	Remittances mobilized by Islamic banks stood at BDT 275.38 billion during October-December quarter of 2025 which was higher by 5.36 percent as compared to the previous quarter.
Branches and Windows	The number of branches of Islamic banks including Islamic branches of conventional commercial banks extended to 1743 at the end of December 2025. At the same time, the number of Islamic banking windows also enhanced to 976 at the end of December 2025.
Manpower	Total employment in Islamic banking system dropped to 47460 at the end of December 2025, down from 50944 at the end of September 2025 and 52565 at the end of December 2024.

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Quarterly Report on Islamic Banking in Bangladesh

October-December 2025

Islamic banking has experienced notable global expansion, driven by its ethical principles, risk-sharing mechanism, and asset-backed financing framework. In Bangladesh, the sector has expanded steadily with strong support from the Government and Bangladesh Bank (BB), as well as increasing public demand for Shariah-compliant financial products and services. Islamic banking facilities are currently provided through full-fledged Islamic banks, Islamic banking branches, and Islamic banking windows of the conventional banks. Recently, structural reforms including the formation of “Sommilito Islami Bank PLC” through the consolidation of five weak Islamic banks² have been initiated to strengthen governance and stability in this sector.

Table-1: Number of Islamic Banks, Branches and Windows

SL	Full-fledged Islamic Banks	No. of Branches	Conventional Banks having Islamic Branches	No. of Branches	Conventional Banks having Islamic Windows	No. of Windows
1	Islami Bank Bangladesh PLC	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	206	Bengal Commercial Bank PLC	3	City Bank PLC	60
4	Social Islami Bank PLC	181	Pubali Bank PLC	8	United Commercial Bank PLC	100
5	EXIM Bank PLC	155	Dhaka Bank PLC	2	Sonali Bank PLC	58
6	Shahjalal Islami Bank PLC	142	Premier Bank PLC	2	Mercantile Bank PLC	45
7	Standard Bank PLC	138	Jamuna Bank PLC	2	Trust Bank PLC	30
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	22
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					Janata Bank PLC *	
Total	10	1700	17	43	21	976

Sources: Respective Banks. *Janata Bank PLC has obtained permission for starting Islamic Banking window from Bangladesh Bank, but not yet started operation.

² EXIM Bank PLC., First Security Islami Bank PLC., Global Islami Bank PLC., Social Islami Bank PLC., Union Bank PLC.

1. Brief Overview

There were 10 full-fledged Islamic banks in Bangladesh operating with 1700 branches amongst total 11422 branches in the whole banking system up to September 2025. In addition, 43 Islamic banking branches of 17 conventional commercial banks and 976 Islamic banking windows of 21 conventional commercial banks are also providing Islamic financial services (Table-1).

Basic information on Islamic banking is provided in Appendix.

1.1: Developments of Islamic Banking in Bangladesh

Islamic Banking system has significant contributions in terms of deposits, investment, exports, imports, remittances mobilization and employment generation in the financial sector of Bangladesh.

At the end of December 2025, Islamic banking system represents 24.38 percent share in terms of deposits in the total banking industry while it accounted for 29.10 percent share in terms of investments. The share of remittance of Islamic banking system among entire banking industry recorded 25.97 percent during the October- December quarter of 2025. Islamic Banking system has contributed 12.25 percent share in of the agricultural credit of the banking industry as of end December 2025 (Table 2).

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

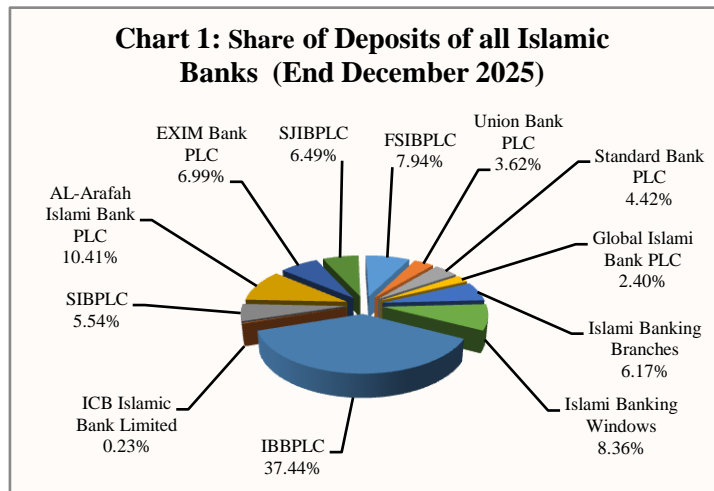
Items	End December 2025 ^P			End September 2025
	All banks	Islamic banking [*]	Share of Islamic banking among all banks (percent)	Share of Islamic banking among all banks (percent)
	1	2	3=(2/1x100)	4
Total deposits	19739.58	4811.92	24.38	24.56
Total investment (loans & advances in conventional banking system)	18044.23	5250.71	29.10	29.22
Remittances	1060.33	275.38	25.97	28.29
Total excess liquidity	3119.64 [#]	193.92	6.22	5.59
Total number of bank branches	11422	1740 ^{&}	15.23	15.30
Total agricultural credit	125.19	15.34	12.25	16.40

Source: Statistics Department, MPD, BRPD and ACD, Bangladesh Bank. Note: Stock figures are provided on end period basis. ^{*}= Islamic banking means full-fledged Shariah banks, branches and windows of Conventional banks, [#]= at the end of October 2025, [&]= including Islamic banking branches of Conventional banks as of end September 2025, ^P=Provisional, Note: Remittances are reported during the quarter.

2. Deposits Mobilization

Total deposits of Islamic banking system stood at BDT 4811.92 billion at the end of December 2025 with an increase of BDT 108.76 billion or 2.31 percent as compared to BDT 4703.16 billion at the end of September 2025.

Deposits of 10 full-fledged Islamic banks stood at BDT 4112.80 billion,

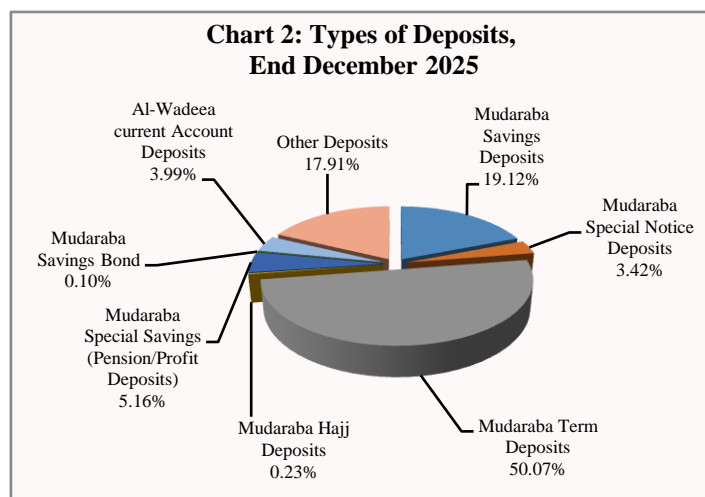


Source: Respective Banks

branches of conventional banks BDT 296.81 billion and windows of conventional banks BDT 402.31 billion at the end of December 2025. Out of total deposits of the Islamic banking system 10 full-fledged Islamic banks represented 85.47 percent of deposits where Islamic banking branches and windows represented 6.17 and 8.36 percent respectively. Among all Islamic banks, Islami Bank Bangladesh PLC received the highest amount of deposits (37.44%) followed by AL-Arafah Islami Bank PLC (10.41%), First Security Islami Bank PLC (7.94%), Exim Bank PLC (6.99%), Shahjalal Islami Bank PLC (6.49%), Social Islami Bank PLC (5.54%), Standard Bank PLC (4.42%), Union Bank PLC (3.62%), Global Islami Bank PLC (2.40%) and ICB Islamic Bank Ltd. (0.23%) [Chart-1].

2.1: Types of Deposits

Among different types of deposits of Islamic banking system, Mudaraba Term Deposits (MTD) secured the highest position (50.07%) followed by Mudaraba Savings Deposits (MSD) (19.12%), Other Deposits (17.91%), Mudaraba Special Savings (pension/profit) Deposits (5.16%),

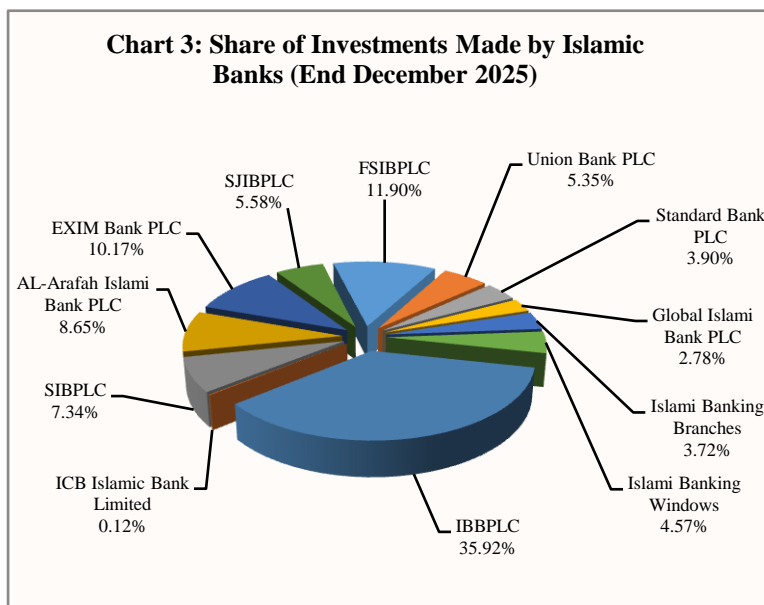


Source: Respective Banks

Al-Wadeeah Current Account Deposits (3.99%), Mudaraba Special Notice Deposits (3.42%), Mudaraba Hajj Deposits (0.23%) and Mudaraba Savings Bond (0.10%) at end December 2025 [Chart-2].

3. Investments

Total investment or financing³ of Islamic banking system stood at BDT 5250.71 billion at the end of December 2025 which was BDT 5175.82 billion at the end of September 2025 and BDT 4793.10 billion at the end of December 2024. Out of total investment of Islamic banking system, 91.71 percent was materialized by 10 full-fledged

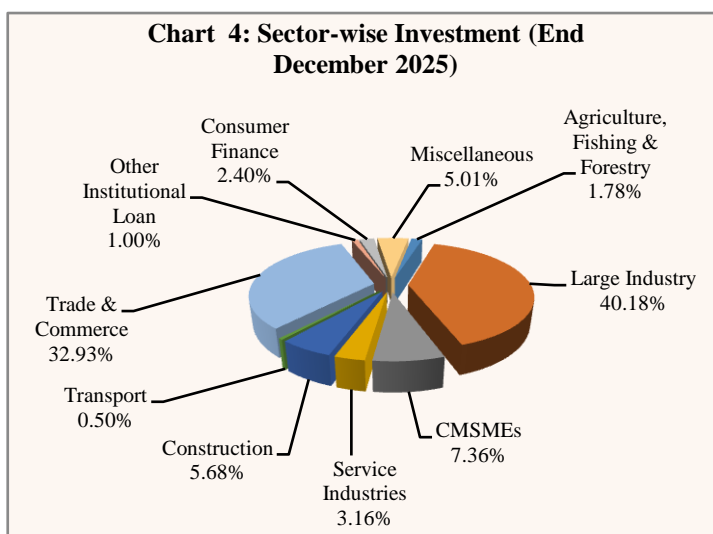


Source: Respective Banks

Islamic banks, 4.57 percent by the Islamic banking windows of conventional banks and the rest 3.72 percent by the Islamic banking branches of conventional banks. Among the 10 full-fledged Islamic banks, Islami Bank Bangladesh PLC accounted for highest investment (35.92%) at end of December 2025 followed by First Security Islami Bank PLC (11.90%), EXIM Bank PLC (10.17%), Al-Arafah Islami Bank PLC (8.65%), Social Islami Bank PLC (7.34%), Shahjalal Islami Bank PLC (5.58%), Union Bank PLC (5.35%), Standard Bank PLC (3.90%), Global Islami Bank PLC (2.78%) and ICB Islamic Bank Ltd. (0.12%) [Chart-3].

3.1: Sector-wise Investment

In case of sector-wise investment, Large Industry sector secured the highest position (40.18%) among all sectors at the end of December 2025. Followed by Trade & Commerce (32.93%), CMSMEs (Cottage, Micro, Small and Medium Enterprises) (7.36%), Construction



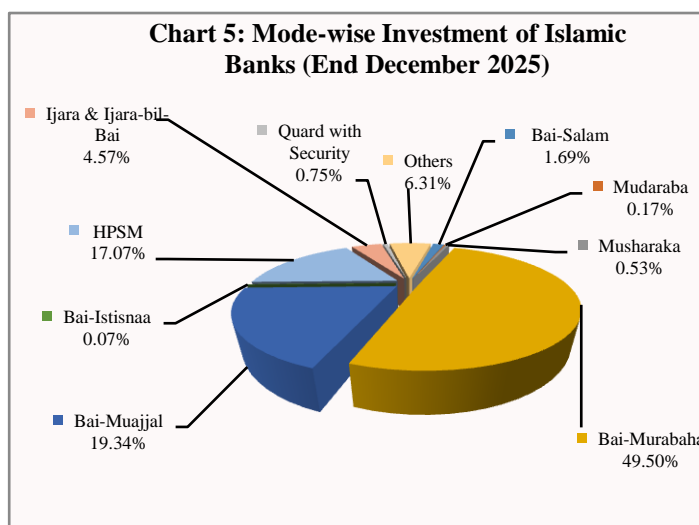
Source: Respective Banks

³ loans and advances in case of conventional banking

(5.68%), Miscellaneous (5.01%), Services Industry (3.16%), Consumer Finance (2.40%), Agriculture, Fishing and Forestry (1.78%), Other Institutional Loan (1.0%), and Transport (0.50%) [Chart-4].

3.2: Mode⁴-wise Investments

The analysis of mode-wise investment revealed that the highest investment was made through Bai-Murabaha mode (49.50%) at the end of December 2025 followed by Bai-Muajjal (19.34%), HPSM (17.07%), Ijara & Ijara-bil Bai (4.57%), Bai-Salam (1.69%), Qard with Security (0.75%), Musharaka (0.53%), Mudaraba (0.17%), Bai-Istisnaa (0.07%) and Others (6.31%) [Chart-5].



Source: Respective Banks

3.3: Investment in the Agricultural Sector

Islamic banking system has made significant contributions to financing different sub-sectors of agricultural and rural credit programs. Summary of investments in agricultural sector by Islamic banking is shown in Table-3.

Table-3: Summary of Investment in Agricultural Sector

Period	Investment in Agricultural Sector (In Billion BDT)						
	Investment Target	Actual Investment	Target Achieved (%)	Recovery	Outstanding Investment	Overdue Investment	Classified Investment
1	2	3	4	5	6	7	8
End December 2025 ^P	19.44	15.34	78.90	15.63	65.65	6.48	6.35
End September 2025	19.19	13.93	72.56	14.95	60.99	4.75	7.92
End December 2024	24.49	17.11	69.86	16.27	62.47	3.87	33.74
Quarterly Changes	0.25	1.41	6.34	0.68	4.66	1.73	-1.56
Annual Changes	-5.05	-1.77	9.04	-0.64	3.17	2.61	-27.38

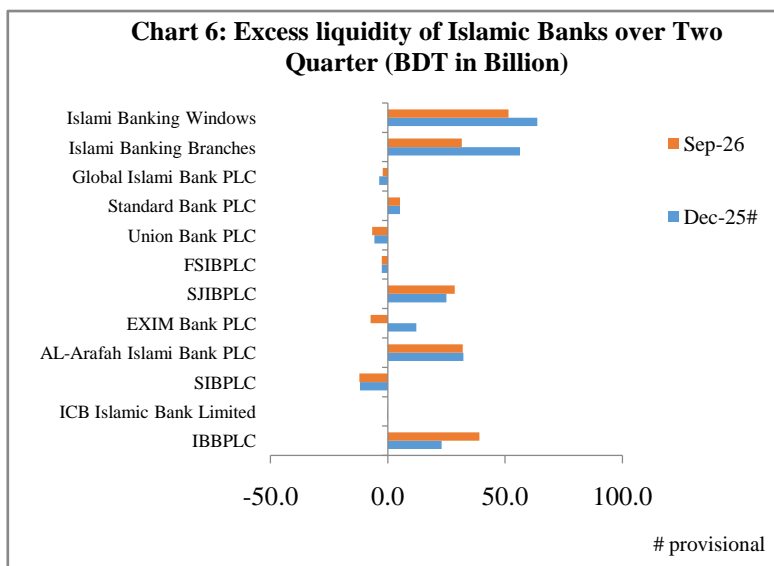
Source: Islamic banks, branches and windows of conventional banks. P= Provisional.

⁴ In Islamic banking, the term "mode" refers to the various Islamic Shariah permissible contracts or arrangements through which Islamic financial transactions are conducted.

At the end of the quarter under review, investment in agricultural sector financed by the Islamic banking system stood at BDT 15.34 billion which was higher by BDT 1.41 billion and lower by BDT 1.77 billion respectively as comparing the previous quarter and the corresponding quarter of the last year.

4. Liquidity Situation

Excess liquidity of Islamic banking system stood at BDT 193.92 billion at the end of December 2025. Excess liquidity of full-fledged Islamic banks, Islamic banking branches and windows of conventional banks stood at BDT 73.75 billion, 56.39 billion



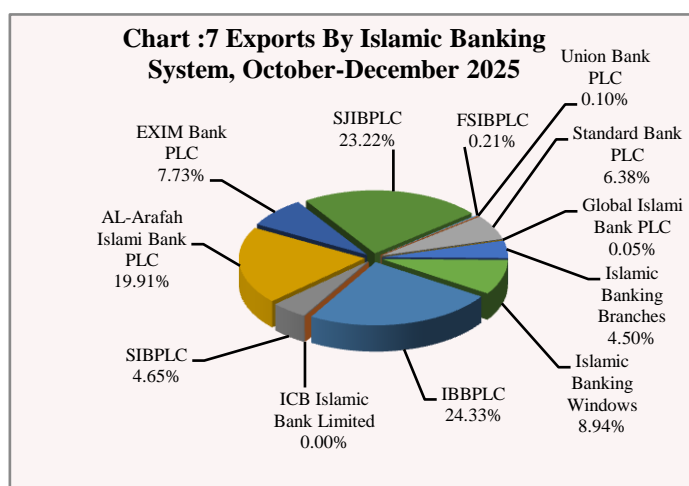
Source: Respective Banks

and 63.78 billion respectively. Quarter-wise comparisons of liquidity situation of Islamic banking system are depicted in Chart-6.

5. Foreign Trade and Remittance Mobilization

5.1: Exports

Total export receipts by the Islamic banks stood at BDT 315.31 billion during October-December quarter of 2025. Islami Bank Bangladesh PLC secured the top position (24.33%) in export earnings during October-December, 2025.



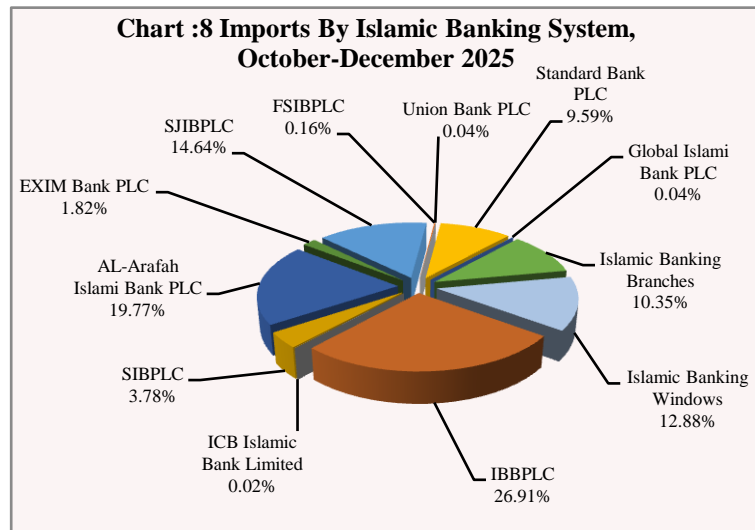
Source: Respective Banks

During the period under review, earnings ranking were followed by Shahjalal Islami Bank PLC (23.22%), AL-Arafah Islami Bank PLC (19.91%), EXIM Bank PLC (7.73%), Standard Bank PLC (6.38%), Social Islami

Bank PLC (4.65%), First Security Islami Bank PLC (0.21%), Union Bank PLC (0.10%) and Global Islami Bank PLC (0.05%). ICB Islamic Bank Ltd. has no export earnings during this quarter. However, export earnings in Islamic banking branches of conventional banks was (4.50%) and Islamic banking windows (8.94%) [Chart-7].

5.2: Imports

Total Import payments by the Islamic banking system stood at BDT 470.07 billion during October-December quarter of 2025. Islami Bank Bangladesh PLC ranked first (26.91%) in Import payments during October-December 2025, followed by AL-Arafah Islami Bank PLC (19.77%),

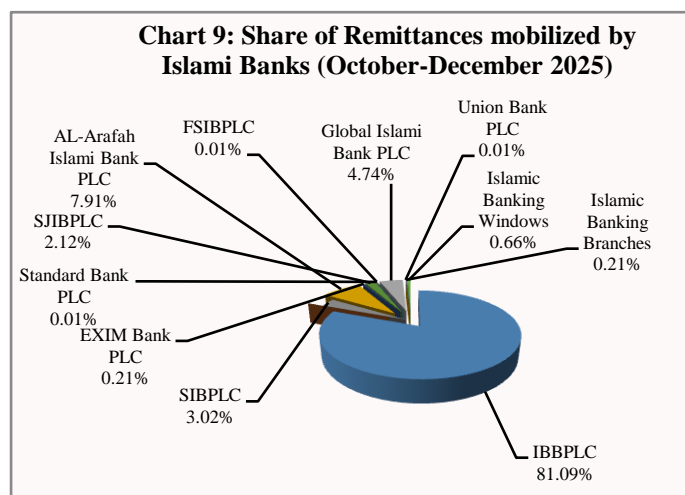


Source: Respective Banks

Shahjalal Islami Bank PLC (14.64%), Standard Bank PLC (9.59%), Social Islami Bank PLC (3.78%), EXIM Bank PLC (1.82%), First Security Islami Bank PLC (0.16%), Global Islami Bank PLC (0.04%), Union Bank PLC (0.04%) and ICB Islamic Bank Ltd. (0.02%). Import payment by Islamic banking windows was (12.88%) and Islamic banking branches of conventional banks (10.35%) [Chart-8].

5.3: Remittance Mobilization

Islamic banking system contributes highly in mobilizing foreign remittances and distributing among beneficiaries across the country. Total remittances mobilized by the Islamic banking system stood at BDT 275.38 billion during October-December 2025 which was BDT 261.38 billion in the previous quarter.



Source: Respective Banks

Islami Bank Bangladesh PLC ranked top position (81.09%) in remittance mobilization during October-December 2025, followed by Al-Arafah Islami Bank PLC (7.91%), Global Islami Bank PLC (4.74%), Social Islami Bank PLC (3.02%), Shahjalal Islami Bank PLC (2.12%), First Security Islami Bank PLC (0.01%), Union Bank PLC (0.01%) and Standard Bank PLC (0.01%). ICB Islamic Bank Ltd could not collect any remittance during this period. during this quarter. Remittance mobilization by Islamic banking windows of conventional banks was (0.66%) and Islamic banking branches of conventional banks (0.21%) [Chart-9].

6. Sustainable Financing

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 government's efforts, BB also directed all banks and finance companies to accommodate Environmental, Social and Governance (ESG) issues in their financing portfolio and credit/investment management. Islamic banking in Bangladesh also extends services through Islamic Microfinance and Women Entrepreneurs Financing.

6.1: Green Financing

Alongside conventional banks, Islamic banks in Bangladesh are also playing major role in green financing, which refers to financial products and services that support environmentally sustainable projects and initiatives. Green finance under Islamic banking recorded an increase in December 2025 compared to September 2025. Green financing by full-fledged Islamic banks increased slightly from BDT 183.00 billion to BDT 186.06 billion during the period under review. Similarly, financing through Islamic banking branches grew marginally from BDT 7.36 billion to BDT 7.62 billion. In contrast, Islamic banking windows experienced a decline, decreasing from BDT 4.73 billion to BDT 3.85 billion. Consequently, the overall volume of green finance under Islamic banking increased from BDT 195.09 billion in

September to BDT 197.54 billion in December, while indicating gradual expansion of eco-friendly sustainable financing within the Islamic banking sector [Table-4].

Table-4: Green Financing by Islamic Banks

(In Billion BDT)

	End December 25	End September 25	End December 24
Full-fledged Islamic Banks	186.06	183.00	175.75
Conventional Banks having Islamic Branches	7.62	7.36	5.59
Conventional Banks having Islamic Windows	3.85	4.73	1.39
Total	197.54	195.09	182.72

Source: Respective Banks.

6.2: Corporate Social Responsibility (CSR)

Islamic banks undertake and implement various types of social programs under Corporate Social Responsibility (CSR) activities. Sources of funds of Islamic banks available for CSR activities include *Zakat*, compensation charges (penal charges from defaulting investment clients), and Shariah-permitted other sources of earnings. These funds are spent on different sub-sectors including education, training, health, and charity-based organizations. The Islamic banking system serves deprived and disadvantaged populations that are beyond the reach of conventional banking institutions owing to severe economic constraint. Islamic banking promotes the structuring of financial activities around basic human necessities and encourages investment in productive sectors to mitigate poverty. Expenditure on CSR activities during October-December quarter of 2025 stood at BDT 0.84 billion which was BDT 0.43 billion in July-September quarter of 2025

6.3: Financial Inclusion

a) Number of Account Holders (Deposits)

The number of deposit account holders expanded largely across Islamic banking. Full-fledged Islamic banks' depositors increased to 39.45 million in December 2025 from 39.01 million in September 2025. Number of accounts in Islamic banking branches also increased to 0.75 million from 0.68 million. In the same way Islamic windows increase to the account number to 0.88 million from 0.80 million. Overall, the total number of deposit accounts climbed from 40.48 million to 41.08 million, reflecting sustained confidence of customers in Islamic banking services.

b) Number of Account Holders (Investment)

The number of investment account holders continued to increase during the review period. Full-fledged Islamic banks experienced a significant expansion in investment accounts, rising from 1.43 million in September 2025 to 2.15 million in December 2025, implying more public engagement in Islamic products and services.

c) Agent Banking

Agent banking activities under Islamic banking are largely dominated by full-fledged Islamic banks. As of the end of December 2025, the number of agent banking transactions under the Islamic banking system was recorded at 17.83 million, up from 17.45 million at the end of September 2025. However, agent banking activities through Islamic banking branches and Islamic banking windows remained negligible.

6.4: Islamic Microfinance

Islamic microfinance activities showed mixed trends during the fourth quarter of 2025. Financing by full-fledged Islamic banks remained relatively stable, increasing slightly from BDT 75.27 billion in September to BDT 75.61 billion in December. In contrast, Islamic banking branches recorded a slight decline, from BDT 0.13 billion to BDT 0.11 billion during the same period. Meanwhile, Islamic banking windows experienced a marginal increase, rising from BDT 0.01 billion to BDT 0.02 billion. Overall, the total volume of Islamic microfinance increased modestly from BDT 75.41 billion in September to BDT 75.74 billion in December, indicating a gradual expansion in outreach for small-scale financing, as presented in Table-5.

Table-5: Islamic Micro Finance

(In Billion BDT)

	End December 25	End September 25	End December 24
Full-fledged Islamic Banks	75.61	75.27	76.95
Conventional Banks having Islamic Branches	0.11	0.13	0.10
Conventional Banks having Islamic Windows	0.02	0.01	0.01
Total	75.74	75.41	77.07

Source: Respective Banks.

6.5: Women Entrepreneurs Finance

Financing for women entrepreneurs showed positive growth in December 2025. Financing by full-fledged Islamic banks increased from BDT 46.27 billion in September to BDT 53.55 billion in December. Similarly, financing through Islamic banking branches also rose from BDT 0.04 billion to BDT 0.08 billion during the same period. Therefore, the total volume of financing for women entrepreneurs increased from BDT 46.32 billion to BDT 53.63 billion. This upward trend highlights the continued institutional commitment to fostering women-led enterprises and promoting inclusive economic growth, as presented in Table-6.

Table-6: Women Entrepreneurs Finance

(In Billion BDT)

	End December 25	End September 25	End December 24
Full-fledged Islamic Banks	53.55	46.27	41.73
Conventional Banks having Islamic Branches	0.08	0.04	0.03
Conventional Banks having Islamic Windows	0.003	0.004	0.00
Total	53.63	46.32	41.76

Source: Respective Banks.

7. Islamic Securities

This section focuses on Bangladesh Government Islamic Securities comprise of Sovereign Investment Sukuk and Bangladesh Government Islamic Investment Bond (BGIIB).

7.1: Sovereign Investment Sukuk

BB on behalf of the Government has issued maiden sovereign investment Sukuk on 28 December, 2020 to raise BDT 80.00 billion for the implementation of the safe water supply project across the country. The overall cost of the project was estimated at BDT 88.51 billion of which BDT 8.51 billion has been provided by the Government⁵. The Ministry of Finance and BB are playing the role of originator and the Special Purpose Vehicle (SPV) respectively for the Sukuk. In first phase, the Government collected BDT 40.00 billion for the projects through the auction held on 28 December, 2020 at 4.69 percent profit rate. The second Sukuk

⁵ https://www.bb.org.bd/mediaroom/notice/sukuk_prospectus.pdf

auction raised BDT 40.00 billion at 4.69 percent profit rate. In this sequence, the third auction raised BDT 50.00 billion at 4.65 percent profit rate, and the fourth raised BDT 50.00 billion at 4.75 percent profit rate. Gradually, the fifth Sukuk auction was held in 5th June, 2024 to raise BDT 10.00 billion for “CDWSP Social Impact Sukuk” based on Istisna and Ijarah mode for the project named “Chattogram Division Upazila & Union Road Widening & Strengthening Project (CDWSP) at 10.40 percent profit rate. For financing the ‘Construction of Important Bridges on Rural Roads (Phase-II) (CIBRR-2)’ project, the 7 Year Socio Economic Sukuk auction was held in 12th March, 2025 to raise BDT 30 billion at 9.25 percent profit rate. Besides, for financing the ‘Rajshahi Division Important Upazila & Union Road Widening & Strengthening Project (RDIRWSP)’, the 7 Year Socio-Economic Development Sukuk auction was held on 20th May, 2025 to raise BDT 20 billion at a 10.50 percent profit rate.

The outstanding amount of Sukuk issued stood at BDT 240.00 billion till end of December 2025.

Profits of the Sukuk are paid to the investors on half-yearly basis. An investor needs to invest a minimum of BDT 10,000 in this security. Banks, corporate institutions and individuals are permitted to invest in the Sukuk.

7.2: Bangladesh Government Islamic Investment Bond (BGIIB)

Bangladesh Government Islamic Investment Bond (BGIIB) was introduced in 2004. It was the only approved Shariah compliant securities other than the Sukuk to maintain the SLR by the Islamic banks. However, the limitation of the BGIIB is that, Government cannot borrow from BGIIB fund due to absence of Shariah compliant projects. Given this, only Islamic banks can borrow from this fund in case of liquidity shortage which is mobilized through selling of the BGIIB securities based on mudarabah principle. Islamic banks avail this fund at a provisional rate of profit based on its mudarabah short notice deposit accounts which are adjusted after finalization of accounts and rate of profit of the concerned Islamic banks. Table-7 shows the trend of sale, financing and net balance of BGIIB from FY10 to FY25.

Table-7: Bangladesh Government Islamic Investment Bond

(In Billion BDT)

Year	Sale	Financing	Net Balance
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, Bangladesh Bank.

8. Recommendations

Islamic banking system has been playing significant role in mobilizing deposits and financing in various economic activities in Bangladesh since its inception. At present, Islamic banking system is representing 24.38 percent share of deposit and 29.10 percent share of investment of the whole banking sector. The other systems of Islamic financial sector such as Islamic capital market, Islamic insurance (Takaful) and microfinance sector may also flourish systematically if supportive policies are adopted and implemented.

- Although Islamic banking activities are growing in Bangladesh, the number of rural branches of full-fledged Islamic banks has not grown in line with demand. They may focus more on expanding their outreach into rural areas.
- Islamic banks may invest more in socially beneficial industries, particularly in agriculture and small businesses. The investments made by Islamic banks in ideal Islamic modes like Mudaraba and Musharaka are still at a minimal level. In view of this, the Islamic banking system should prioritize the development of proper guidelines and policies to facilitate investments under Mudaraba and Musharaka modes.
- Islamic banks may also explore new customers in microfinance projects, supporting woman entrepreneurs and meeting the financial needs for government agencies, which may give Islamic banks a great advantage to flourish.
- Islamic banks can play more effective role in financial markets and can deepen financial inclusion by researching, introducing and offering new modes of financing

and thus attracting unbanked populations that has not yet been participated in the financial system.

- The needs for creating new Islamic financial instruments and modes, and developing the current ones can only be met by amelioration of employees' skills and knowledge through scientific research, and capacity building and training arrangements.
- Green financing of Islamic banking is not significant relative to their total financing. In order to contribute in green financing efficiently, Islamic banking in Bangladesh may align strategies and operations with properly following the guidelines of BB as well.
- Islamic banks may enhance their CSR activities for socio-economic development aiming to serve humanity through different philanthropic activities giving emphasis on health, education, disaster management, rehabilitation, poverty eradication and so on.
- It is observed that, some full-fledged Islamic banks have been facing severe liquidity crisis due to lack of some sort of irregularities and good governance in recent past. So it is essential to establish good governance in Islamic banking system, as good governance and accountability are key to navigating the current crisis and ensuring sustainable growth of this sector.

9. Conclusion

The Islamic banking system in Bangladesh has established itself as a significant component of the country's financial sector and continues to contribute meaningfully to economic development. This sector has demonstrated steady growth in deposits, investments, remittance mobilization, and sustainable financing activities. As of December 2025, Islamic banking accounted for 24.38 percent of total deposits and 29.10 percent of total investments in the overall banking industry, reflecting its growing importance in the financial system. Despite facing ongoing challenges related to liquidity and governance in certain institutions, regulatory support and restructuring initiatives such as formulating Bank Resolution Scheme, 2025, and the establishment of "Sommito Islami Bank PLC" are expected to strengthen this sector. With improved governance, innovation, and expansion of Shariah-compliant financing modes, Islamic banking is expected to play an even greater role in Bangladesh's future economic growth.

Appendix

Table-1: Basic information on Islamic Banking: End December 2025

(In Billion BDT)

Indicators of Islamic Banking	End Dec 2025 ^P	End Sept 2025	End Dec 2024	Changes		Changes (%)	
				Quarterly	Annual	Quarterly	Annual
1	2	3	4	5=2-3	6=2-4	7	8
1. Total Deposits*(Outstanding)	4811.92	4703.16	4397.58	108.76	414.34	2.31	9.42
a) Full-fledged Islamic Banks	4112.80	4050.02	3885.07	62.78	227.73	1.55	5.86
b) Islamic Banking Branches of CB	296.81	270.54	226.33	26.27	70.48	9.71	31.14
c) Islamic Banking Windows of CB	402.31	382.60	286.19	19.71	116.12	5.15	40.58
2. Total Investment** (Outstanding)	5250.71	5175.82	4793.10	74.89	457.61	1.45	9.55
a) Full-fledged Islamic Banks	4815.40	4754.78	4430.23	60.62	385.17	1.27	8.69
b) Islamic Banking Branches of CB	195.37	187.05	168.05	8.32	27.32	4.45	16.26
c) Islamic Banking Windows of CB	239.94	234.00	194.82	5.94	45.12	2.54	23.16
3. Investment-Deposit ratio[#]	0.94	0.96	0.97	-0.02	-0.03	-1.97	-3.22
a) Full-fledged Islamic Banks	1.01	1.02	1.01	-0.01	-0.01	-1.36	-0.63
b) Islamic Banking Branches of CB	0.59	0.66	0.69	-0.07	-0.10	-10.42	-15.00
c) Islamic Banking Windows of CB	0.56	0.57	0.63	-0.01	-0.07	-1.96	-11.05
4. Liquidity (Excess(+) / Shortfall (-))	193.92	156.46	94.35	37.46	99.57	23.94	105.53
a) Full-fledged Islamic Banks	73.75	73.78	57.83	-0.03	15.92	-0.04	27.54
b) Islamic Banking Branches of CB	56.39	31.20	23.40	25.19	33.00	80.73	141.03
c) Islamic Banking Windows of CB	63.78	51.47	13.13	12.31	50.65	23.91	385.83
5. Total Exports	315.31	355.28	323.59	-39.97	-8.28	-11.25	-2.56
a) Full-fledged Islamic Banks	272.95	304.94	281.37	-31.99	-8.41	-10.49	-2.99
b) Islamic Banking Branches of CB	14.17	25.29	20.88	-11.12	-6.71	-43.96	-32.12
c) Islamic Banking Windows of CB	28.18	25.05	21.34	3.13	6.85	12.49	32.08
6. Total Imports	470.07	491.81	448.19	-21.74	21.88	-4.42	4.88
a) Full-fledged Islamic Banks	360.84	394.00	364.34	-33.16	-3.50	-8.42	-0.96
b) Islamic Banking Branches of CB	48.67	44.78	35.87	3.89	12.80	8.69	35.70
c) Islamic Banking Windows of CB	60.56	53.03	47.98	7.53	12.58	14.19	26.22
7. Total Remittances	275.38	261.38	188.03	14.00	87.35	5.36	46.46
a) Full-fledged Islamic Banks	272.99	257.35	184.39	15.64	88.59	6.08	48.05
b) Islamic Banking Branches of CB	0.58	0.84	2.68	-0.27	-2.10	-31.45	-78.38
c) Islamic Banking Windows of CB	1.81	3.18	0.95	-1.37	0.86	-42.99	89.92
8. Total Number of Branches	1743	1740	1731	3	12	0.17	0.69
a) Full-fledged Islamic Banks	1700	1699	1697	1	3	0.06	0.18
b) Islamic Banking Branches of CB	43	41	34	2	9	4.88	26.47
9. Islamic Banking Windows of CB	976	919	825	57	151	6.20	18.30
10. Total Number of Manpower	47460	50944	52565	-3484	-5105	-6.84	-9.71
a) Full-fledged Islamic Banks	45080	48826	50700	-3746	-5620	-7.67	-11.08
b) Islamic Banking Branches of CB	838	680	644	158	194	23.24	30.12
c) Islamic Banking Windows of CB	1542	1438	1221	104	321	7.23	26.29

Source: Respective Banks, * = Excluding interbank items, P= Provisional, CB= Conventional Banks, #= Excluding EDF and Refinance,

**=Excluding bonds and securities and interbank items. Note: Exports, Imports, and Remittances are reported during the quarter.