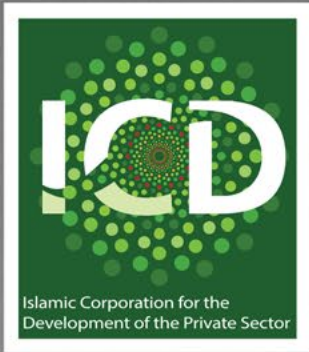


ICD - LSEG ISLAMIC FINANCE DEVELOPMENT
REPORT 2026

Growth amid headwinds



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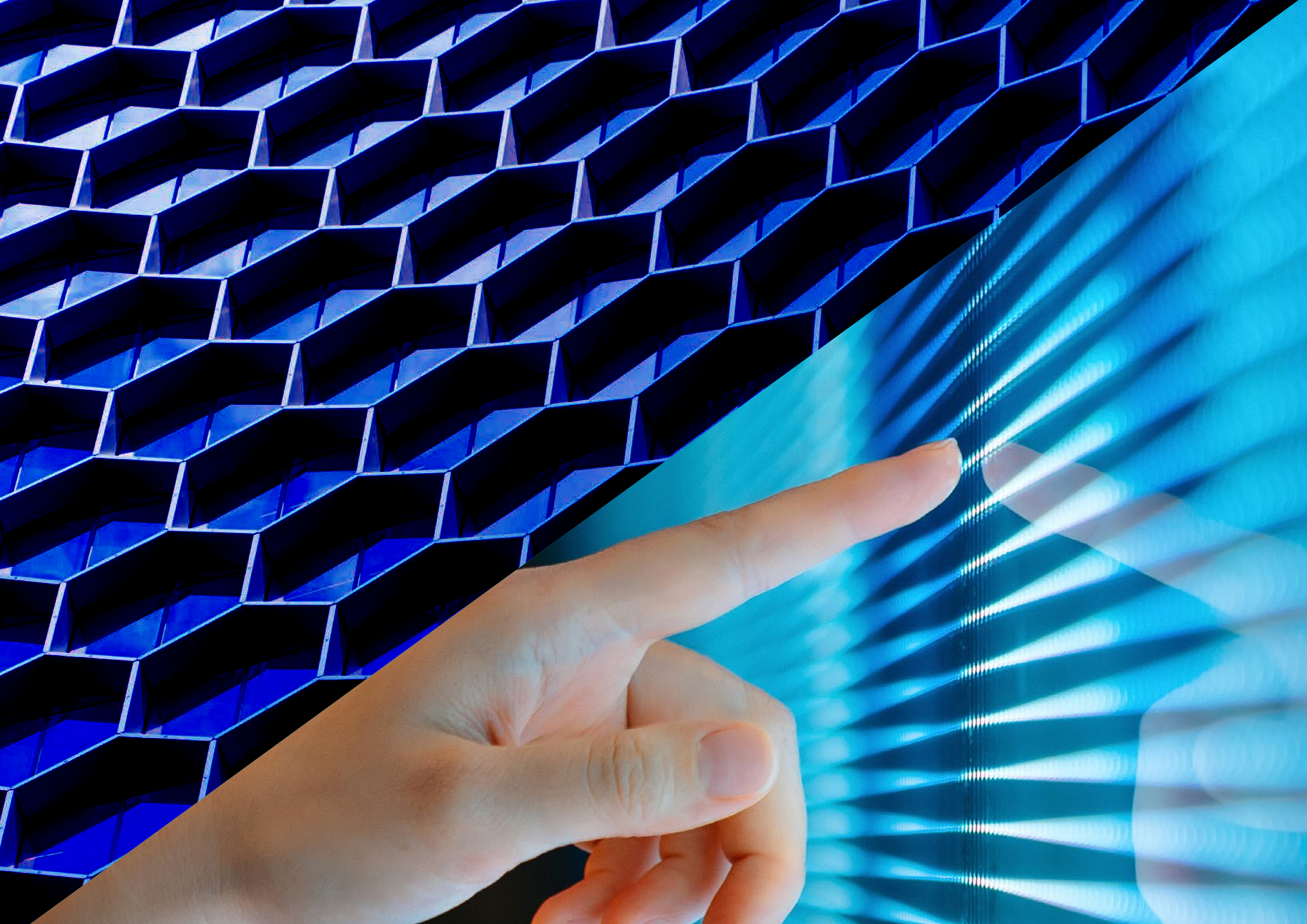
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Acronyms

AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions	IFSB	Islamic Financial Services Board
AIFC	Astana International Financial Centre	INCEIF	International Centre for Education in Islamic Finance
API	Application Programming Interface	IsDB	Islamic Development Bank
AUM	Assets Under Management	JC3	Joint Committee on Climate Change
BARMM	Bangsamoro Autonomous Region in Muslim Mindanao	KPI	Key Performance Indicator
BNM	Bank Negara Malaysia	LCTF	Low Carbon Transition Facility
COBAC	Central African Banking Commission	LSEG	London Stock Exchange Group
CSR	Corporate Social Responsibility	MENA	Middle East and North Africa
EDB	Eurasian Development Bank	NDC	Nationally Determined Contribution
ESG	Environmental, Social and Governance	NETR	National Energy Transition Roadmap
FDI	Foreign Direct Investment	OIC	Organisation of Islamic Cooperation
FP	Financial Performance	OIFI	Other Islamic Financial Institution
GCC	Gulf Cooperation Council	SC	Securities Commission Malaysia
GFANZ	Glasgow Financial Alliance for Net Zero	SECP	Securities and Exchange Commission of Pakistan
GIFF	Global Islamic Finance Forum	SME	Small and Medium-sized Enterprise
GTFS	Green Technology Financing Scheme	TCFD	Task Force on Climate-related Financial Disclosures
IFDI	Islamic Finance Development Indicator	VBI	Value-Based Intermediation
IFI	Islamic Financial Institution		



Foreword

The global Islamic finance industry continued to demonstrate its resilience and growing relevance in 2025, with total assets increasing by 9% year on year to reach US\$6.5 trillion. This sustained momentum reflects the industry's expanding role in supporting economic development, financial inclusion, private-sector growth, and sustainable finance across a widening range of markets.

The 2026 edition of the Islamic Finance Development Report demonstrates that industry development extends well beyond asset growth. Through the Islamic Finance Development Indicator (IFDI), which evaluates 140 countries across five key dimensions and 45 underlying metrics, the report provides a comprehensive, evidence-based view of the progress of Islamic finance worldwide. It remains an important reference for policymakers, regulators, financial institutions, investors, and development partners seeking to understand both the industry's current position and its future potential.



The global Islamic finance industry continued its growth trajectory in 2025 as total assets grew to

US\$6.5
trillion

While established markets such as Malaysia, Saudi Arabia, the UAE, Indonesia, and Pakistan continue to lead the industry, according to IFDI metrics, this year's report also highlights notable progress in emerging markets. Regulatory reforms, new market entrants, and stronger industry ecosystems across Africa and Central Asia are broadening the reach of Islamic finance and creating new opportunities for growth. Developments in countries such as Uzbekistan, Tanzania, Ghana, Uganda, and Somalia illustrate the growing international appeal of Shariah-compliant finance and the importance of enabling regulatory and institutional frameworks.

For the Islamic Corporation for the Development of the Private Sector (ICD), these developments reinforce the importance of ensuring that Islamic finance serves as a practical instrument for inclusive and sustainable economic transformation. ICD remains committed to advancing private-sector development across its member countries through targeted financing, advisory support, and the promotion of Islamic financial solutions. By expanding access to capital, supporting SMEs, and strengthening financial ecosystems, we seek to help businesses grow, create jobs, and contribute to more resilient economies.

The report also highlights sustainability as an increasingly important dimension of Islamic finance development. Growth in ESG sukuk, sustainable investment funds, social finance initiatives, and sustainability-related regulations reflect the strong alignment between Islamic finance principles and broader environmental and social objectives. Realising this potential will require continued investment in human capital, research, professional training, and market awareness. It will also require the industry to harness the opportunities

presented by digitalisation, fintech innovation, and artificial intelligence, which are beginning to shape the next phase of its development.

Complementing the report's findings are exclusive insights from leading industry stakeholders on the evolution of Islamic finance in Central Asia. These perspectives provide valuable insight into the industry's emerging priorities and the opportunities arising across new and rapidly developing markets.

Recent geopolitical developments and continuing economic uncertainty have also highlighted the importance of resilience within the Islamic finance industry. While the sector has generally entered this period of uncertainty from a position of strength, developments surrounding the Middle East conflict demonstrate how external economic shocks – including energy price volatility, inflationary pressures, and disruptions to trade and investment flows – can affect industry performance across countries and sectors. These developments reinforce the importance of strong governance, sound risk management, and diversified growth strategies.

Looking ahead, Islamic finance is well positioned to play an even greater role in supporting sustainable development, infrastructure financing, financial inclusion, and economic transformation. Unlocking this potential will require continued collaboration between industry stakeholders, regulators, development institutions, and market participants.

We hope this report contributes to these efforts by offering reliable data, practical insights, and a clearer understanding of the opportunities and priorities shaping the future of Islamic finance.



Dr. Khalid Khalafalla

Acting Chief Executive Officer
Islamic Corporation for the Development
of the Private Sector



Mustafa Adil

Head of Islamic Finance
London Stock Exchange Group

Executive summary

The global Islamic finance industry continued to demonstrate strong growth and resilience in 2025, with total assets reaching US\$6.5 trillion, representing annual growth of 9%. Growth was supported by the continued expansion of Islamic financial institutions and Islamic capital markets. The industry is now present in 98 countries, reflecting its growing relevance as a component of the global financial system and its increasing role in supporting financial inclusion, sustainable development, and economic diversification.

The industry's assets is concentrated in the GCC, Southeast Asia, and the wider MENA region. Together, these regions account for most global Islamic finance assets. However, new growth frontiers are emerging. Across Africa, countries have introduced new frameworks to launch their Islamic finance industries. In Central Asia, countries are accelerating industry development through legislative reforms, institutional capacity-building, and greater regional cooperation.

Global IFDI improves as Islamic finance ecosystems strengthen across markets

The Islamic Finance Development Indicator (IFDI) 2026 evaluates the level of Islamic finance development across 140 countries through five key dimensions: Financial Performance, Governance, Sustainability, Knowledge, and Awareness. The global IFDI score improved from 11 to 12, with 71% of covered countries recording higher scores compared to 2025. The strongest improvements were observed in Awareness, Governance, and Sustainability, highlighting the industry's continued progress beyond financial growth and into areas that support the long-term maturity of the Islamic finance ecosystem.

Malaysia, Saudi Arabia, the United Arab Emirates, Indonesia, and Pakistan retained their positions as the world's most developed Islamic finance markets. These countries continue to benefit from comprehensive regulatory frameworks, strong institutional development, active financial markets, and well-established knowledge ecosystems. Outside the top five, several countries recorded notable gains, including Türkiye, Tanzania, Kenya, Benin, Azerbaijan, and Uzbekistan, reflecting the increasing dynamism of both established and emerging markets.

Expansion across core sectors and new markets reinforces industry's strength as it navigates evolving geopolitical uncertainty

Islamic banking remained the dominant component of the industry, accounting for 71% of global Islamic finance assets and reaching US\$4.6 trillion. Growth was driven largely by the GCC, Southeast Asia, Türkiye and Pakistan, while emerging markets such as Nigeria, Ethiopia and the Maldives also recorded robust expansion. The industry continued to broaden its geographic footprint, with countries such as Ghana and Uzbekistan advancing regulatory frameworks to support the future growth of Islamic banking.

Takaful assets increased by 9% to US\$146 billion, supported by growing demand for Sharia-compliant protection products, wider adoption of digital distribution channels, and the continued importance of bancatakaful partnerships. The GCC remained the largest regional contributor to takaful growth, benefiting from economic diversification initiatives, population growth and expanding insurance penetration. New regulatory frameworks in countries such as Uganda and Somalia also helped extend takaful's presence across Africa, highlighting the sector's growing role in supporting financial inclusion.

The Other Islamic Financial Institutions (OIFI) sector expanded by 12% to US\$217 billion. Growth was supported by financing companies, Islamic fintech firms, leasing companies and microfinance institutions, particularly in Saudi Arabia and Pakistan. Digitalisation, Open Banking initiatives, fintech innovation and increased focus on SME financing continued to support the sector's development, demonstrating the growing importance of non-bank Islamic financial services within the broader industry.

The sukuk market maintained strong momentum in 2025, with outstanding sukuk surpassing US\$1.1 trillion following 11% growth and issuance reaching a record US\$291.4 billion. Saudi Arabia became the world's largest sukuk market by value outstanding, while Malaysia continued to lead innovation through developments such as tokenised sukuk.

Meanwhile, Islamic funds recorded the fastest growth among the major Islamic finance sectors, with assets under management rising by 22% to US\$375 billion, supported by strong equity market performance and expanding adoption in both established and emerging markets, including Kenya, Nigeria and Singapore.

While the industry entered 2026 from a position of strength, geopolitical developments created new challenges for financial institutions. The Middle East conflict highlighted the varying exposure of Islamic finance markets to external shocks. Islamic banks in

the GCC demonstrated resilience due to strong capital and liquidity positions, while other countries are facing risks from inflationary pressures, currency volatility and tighter funding conditions. For takaful operators, direct claims exposure remained limited because war-related risks are generally excluded from coverage, although higher inflation, rising reinsurance costs and investment market volatility may create indirect pressures. Similarly, OIFIs remain exposed to weaker consumer spending, funding pressures and disruptions affecting sectors such as tourism, logistics and trade. Sukuk markets have remained broadly resilient, supported by strong funding requirements and investor demand, while Islamic funds face heightened exposure to global market volatility.

Expanding ecosystems and regulatory advancements reinforce the future of the Islamic finance industry

Governance continued to strengthen across the Islamic finance industry. Sixty countries now have at least one form of Islamic finance regulation, while new frameworks were introduced in countries such as Somalia, Tanzania and Mozambique. Sukuk regulation likewise continued to evolve, with countries such as Kuwait, the Philippines, and Uzbekistan introducing or developing legal and regulatory frameworks to facilitate sukuk issuance, broaden investor participation, and support the development of domestic Islamic capital markets.

Sharia governance also continued to evolve, with more than 1,600 scholars serving on Sharia supervisory boards globally and 23 countries maintaining centralised Sharia boards. Regulatory authorities increasingly focused on enhancing the independence, transparency, and effectiveness of Sharia oversight, as illustrated by reforms in jurisdictions such as Bangladesh, which introduced new requirements for the composition and independence of Sharia committees.

Sustainability continued to gain momentum across the Islamic finance industry, supported by a growing ecosystem of ESG sukuk, sustainable investment funds, social finance initiatives and regulatory frameworks. ESG sukuk issuance reached a record US\$23.8 billion in 2025, while ESG sukuk outstanding stood at US\$73.2 billion.

Meanwhile, ESG Islamic funds continued to expand and sustainability guidelines were present in 60 countries. Markets such as Malaysia and Saudi Arabia maintained leadership positions through sustainability-related regulations, ESG-focused capital market activity and the growing integration of sustainable finance principles into Islamic financial services.

The Islamic finance ecosystem is also supported by a growing knowledge and awareness infrastructure comprising more than 1,100 education providers, over 5,600 research papers, hundreds of specialised journals, more than 15,000 news articles, and over 1,000 industry events globally. Indonesia remained the leading country across education, research, and broader knowledge development.

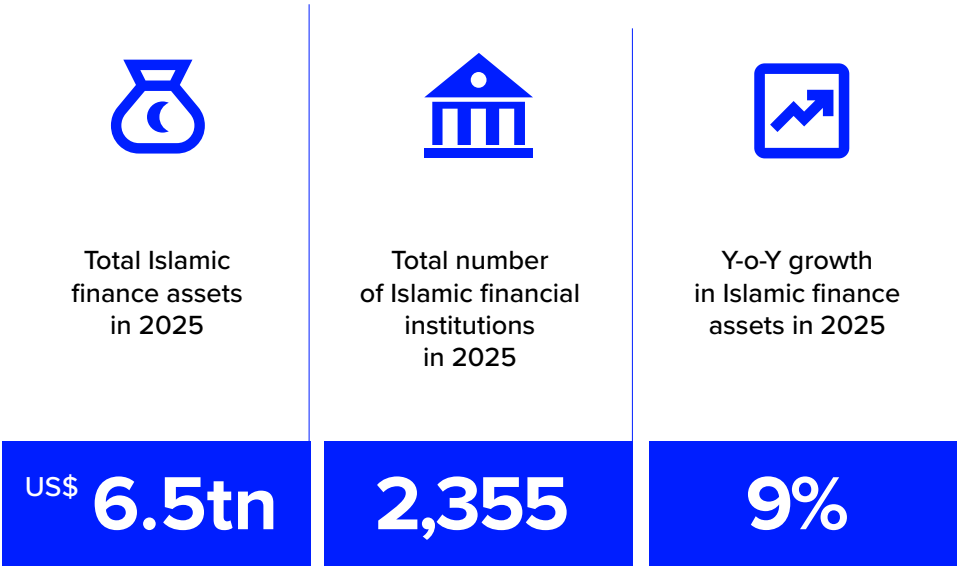
At the same time, significant talent and capacity gaps remain, particularly in sub-Saharan Africa and other emerging markets where industry growth is outpacing the development of local expertise. Addressing these challenges will require continued investment in education, professional training, research, and industry collaboration.

Looking ahead, several themes are expected to shape the next phase of Islamic finance development. These include the growing integration of sustainability considerations, the adoption of artificial intelligence and digital technologies, the expansion of Islamic finance

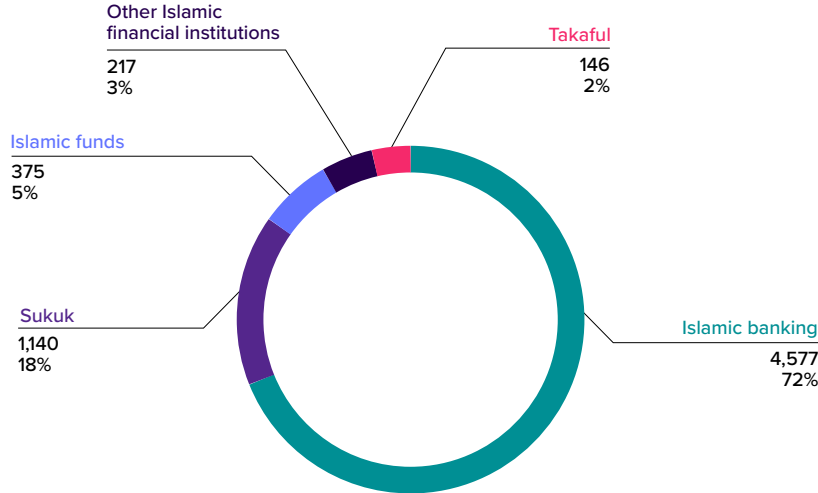
into new frontier markets, and the industry's response to an increasingly complex geopolitical environment. Together, these trends will influence the future direction of Islamic finance as it continues to evolve into a more diversified, innovative, and globally connected industry. The global Islamic finance assets are expected to exceed US\$10.5 trillion by 2030, implying an average annual growth rate of around 9% over the next five years. Growth is expected to be supported by continued expansion in Islamic banking, increasing sukuk issuance and stronger adoption of Islamic finance in emerging markets. The industry's long-term prospects are also being reinforced by growing demand for sustainable and digital financial solutions and supportive regulatory reforms.



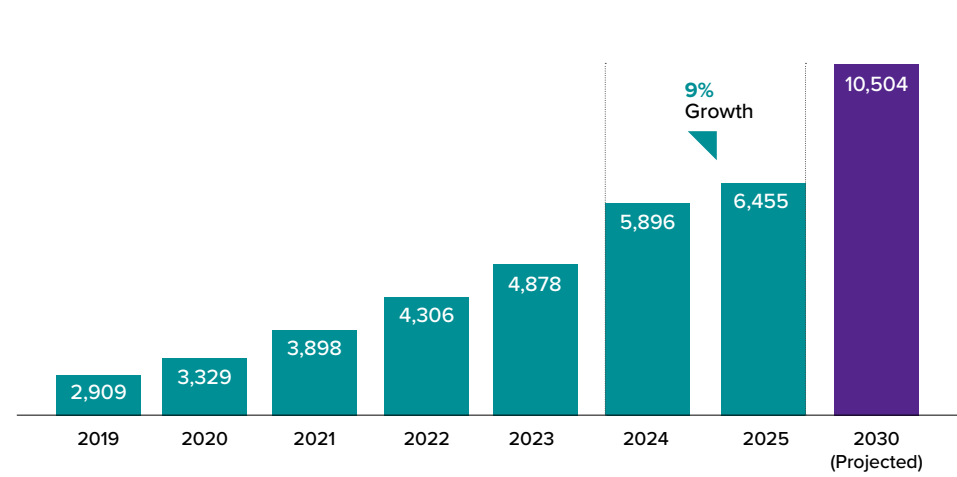
Global Islamic finance industry at a glance in 2025



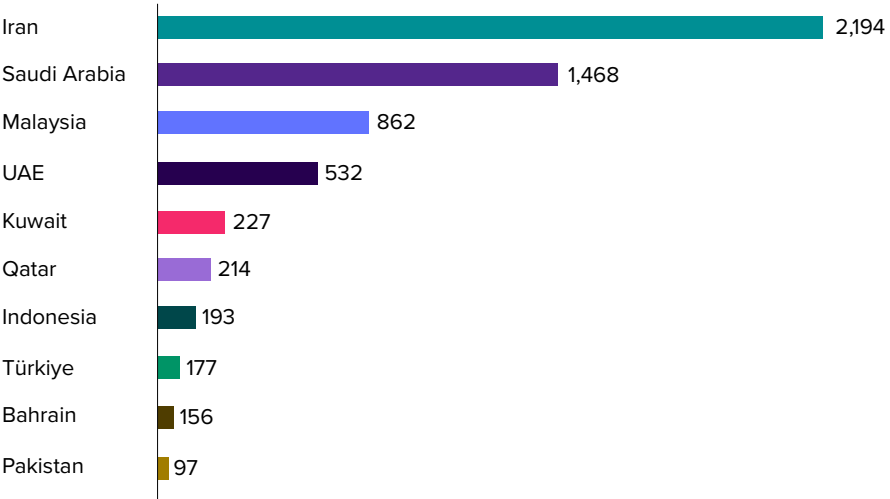
Islamic finance assets by sector (US\$ billion, 2025)



Islamic finance assets growth (US\$ billion, 2019-2025)



Top countries in Islamic finance assets (US\$ billion, 2025)



Islamic finance industry's supporting ecosystem in 2025

Governance					
					
Countries with at least one type of Islamic finance regulation	Countries with FinTech sandbox	Countries with central Shariah committee	Average disclosure index by public Islamic banks	Scholars representing Shariah boards	
60	89	23	72%	1,671	
Sustainability					
					
Total value of ESG sukuk outstanding (US\$ billion)	Total value of ESG Islamic funds outstanding (US\$ billion)	Number of countries with sustainability guidelines	Average sustainability reporting index by public Islamic banks	Total CSR funds disbursed (US\$ billion)	
73.2	10.7	60	63%	1.8	
Awareness			Knowledge		
					
Number of Islamic finance in-person events	Islamic finance virtual events	Number of Islamic finance news	Islamic finance education providers	Islamic finance research papers produced	Islamic finance journals
851	151	15,009	1,163	5,633	372
Most developed Islamic finance markets according to IFDI 2026 (Based on financial performance and supporting ecosystem metrics outlined in IFDI)		1 Malaysia 	2 Saudi Arabia 	3 UAE 	4 Indonesia 
				5 Pakistan 	



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We designed Line of Finance, an arrangement through which ICD extends Shariah compliant medium-long term financing Facilities to eligible beneficiary Financial institutions with the purpose of supporting Small & Medium enterprises operating in ICD's Member Countries.



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The background is a vibrant blue abstract composition. It features several sharp, intersecting diagonal lines that create a sense of depth and structure. Scattered throughout the background are numerous out-of-focus, circular light spots in shades of yellow and white, resembling bokeh from city lights or a starry sky. The overall effect is modern and dynamic.

01 Global Islamic finance development indicator

IFDI mapping global Islamic finance development

The Islamic Finance Development Indicator (IFDI) is a composite weighted index that measures the overall development of the Islamic finance industry by providing a comprehensive assessment of its various components. The indicator evaluates a set of instrumental factors grouped into five key dimensions of development, which serve as the main pillars of the index.

By analysing these components individually, the IFDI helps identify both the strengths and areas for improvement within the Islamic finance industry. Relying solely on measures such as asset size and financial performance may overlook other critical dimensions of industry development, including knowledge, awareness, governance, and sustainability. These elements are essential to assessing the overall health and maturity of the industry.

In particular, sustainability reinforces the Islamic finance principle of holistic accountability, reflecting the responsibility of stakeholders to contribute to broader economic, social, and environmental outcomes.

Core business components

- Industry size
- Regulations

Management components

- Governance
- Sustainability

Industry ecosystem

- Knowledge
- Market awareness

The IFDI also provides data at the global, country, and institution levels and is published annually to facilitate benchmarking and comparative analysis. The indicator is designed with four key objectives: simplification, quantification, communication, and assessment. As such, it equips Islamic finance stakeholders – including governments, regulators, and financial institutions – with detailed insights into the factors driving the development of the Islamic finance industry.



Strategic insights

Stakeholders will be able to acquire a comprehensive understanding of the industry's strengths and areas for improvement.



Global comparisons

IFDI allows comparison of progress between different countries and regions. Thus, it helps in identifying best practices and adapting strategies accordingly.



Stakeholder confidence

When stakeholders see a transparent and well-defined framework for measuring industry growth, they are more likely to invest in Islamic financial products and services.



Policy formulation

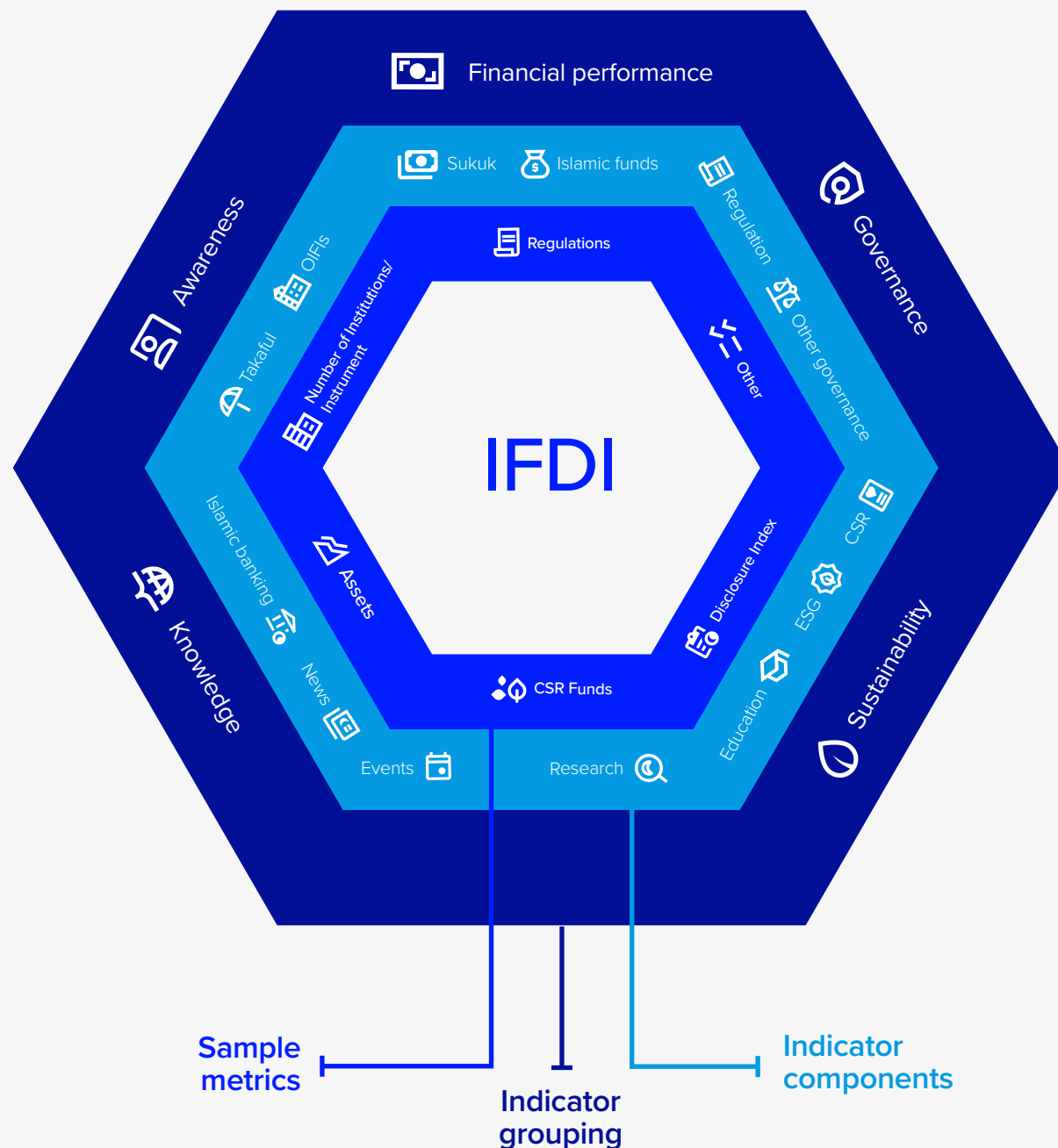
IFDI can be used by policymakers to shape regulations and policies that promote sustainable growth in the industry.

The 2026 IFDI evaluates the industry's level of development based on 2025 data, covering 140 countries and incorporating 45 metrics across its key dimensions. This comprehensive approach enables stakeholders to monitor progress, identify gaps, and formulate strategies to support the sustainable growth of the Islamic finance ecosystem.

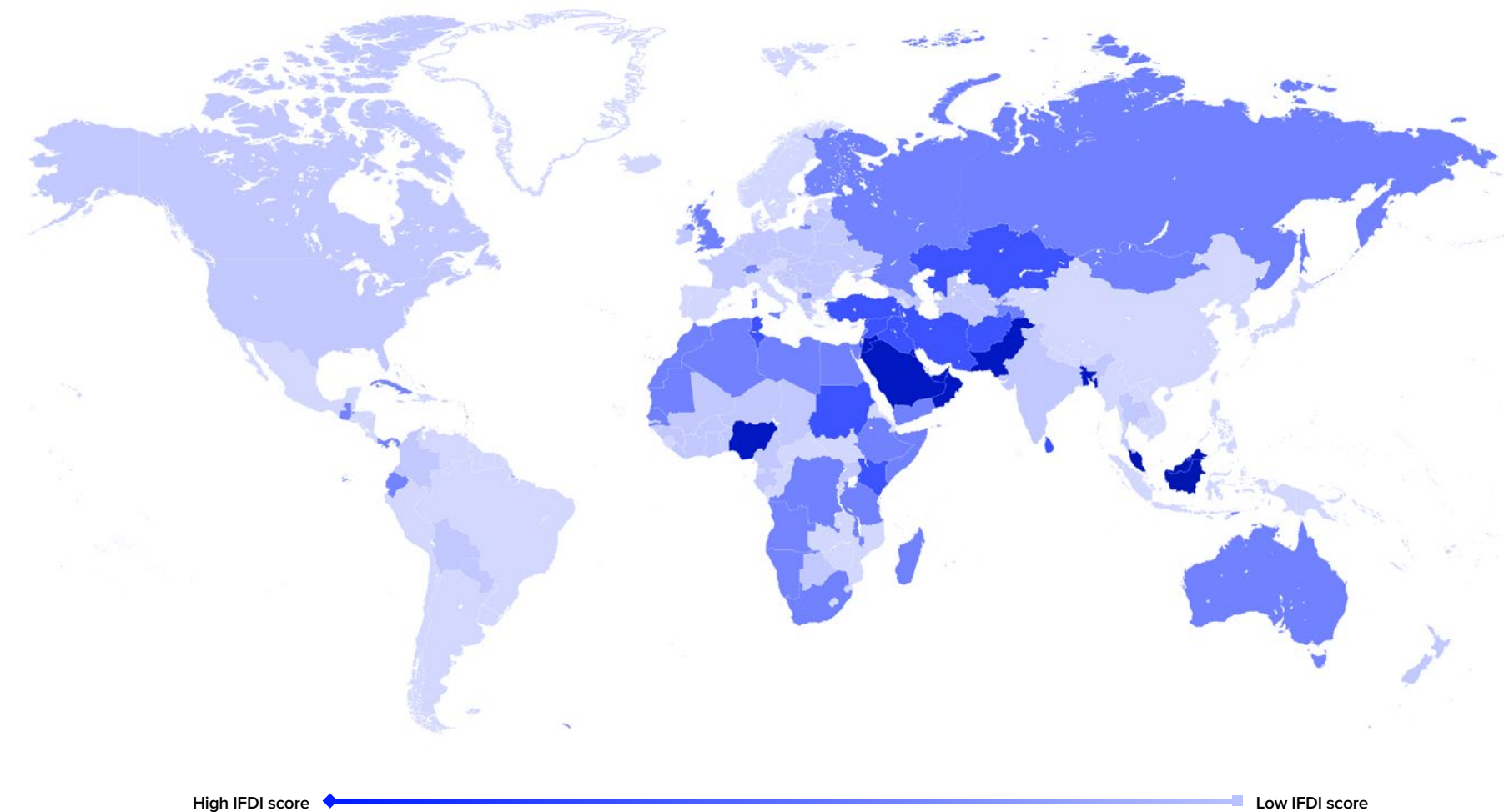
The IFDI is built around five key dimensions that drive the development of the Islamic finance industry, with each indicator assigned a weighting based on its relative importance. Financial Performance accounts for 40% of the overall score, while Governance accounts for 25%. Sustainability, Awareness, and Knowledge collectively account for the remaining 35%. These indicators reflect the fundamental components of the Islamic finance ecosystem and are aligned with contemporary priorities, including regulatory development, sustainability, and stakeholder engagement. Each dimension plays a critical role in supporting the industry's evolution as a globally recognised financial system.

The detailed composition of these indicators, including their respective sub-indicators and underlying metrics, is presented in the following pages, together with highlights of the top-ranked countries and an analysis of the results.

In addition, the IFDI applies rationalising coefficients to adjust indicator values according to the relative size of each country, ensuring more meaningful comparisons across markets. Further details on the methodology are provided in the appendix, while a comprehensive explanation of the framework can be found in the IFDI Rulebook, on LSEG Workspace, or upon request. Readers may also access the underlying IFDI database through LSEG Workspace, which provides extensive information on the indicator, its methodology, and country rankings.



Global overview of Islamic finance development (based on IFDI scores)



Leading 10 countries in Islamic finance development

1	2	3	4	5	6	7	8	9	10
Malaysia	Saudi Arabia	UAE	Indonesia	Pakistan	Bahrain	Kuwait	Iran	Türkiye	Qatar

Leading countries by IFDI score in 2026

Country	# Ranking	 IFDI score	 Financial Performance	 Governance	 Sustainability	 Knowledge	 Awareness
Malaysia	1	136	150	98	156	87	200
Saudi Arabia	2	113	136	73	98	49	200
United Arab Emirates	3	95	97	85	53	50	200
Indonesia	4	80	58	77	36	200	91
Pakistan	5	74	46	79	25	80	200
Bahrain	6	68	49	85	30	21	183
Kuwait	7	67	45	78	38	13	200
Iran	8	62	114	55	0	16	7
Türkiye	9	46	38	65	25	41	58
Qatar	10	45	31	65	28	9	107
Bangladesh	11	41	31	78	21	12	43
Oman	12	39	17	74	26	16	73
Brunei Darussalam	13	36	8	73	14	20	85
Iraq	14	30	31	54	15	4	18
Jordan	15	29	16	52	39	25	15
Global average		12	8	22	9	6	15

*Scores are rounded up to whole figures, except for 200, which is the maximum attainable score

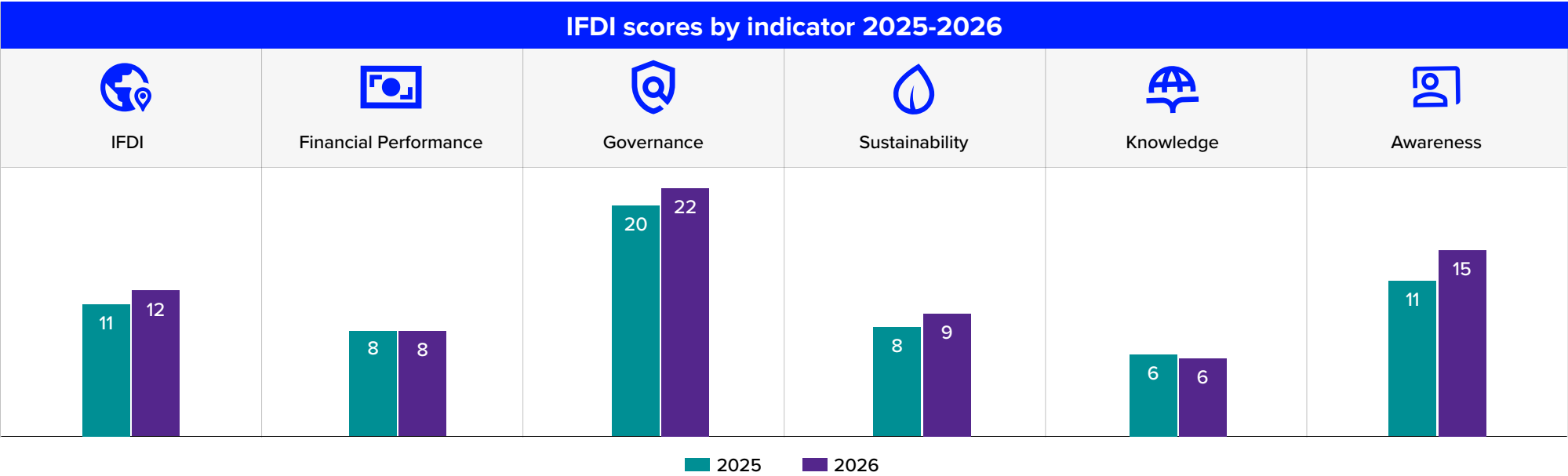
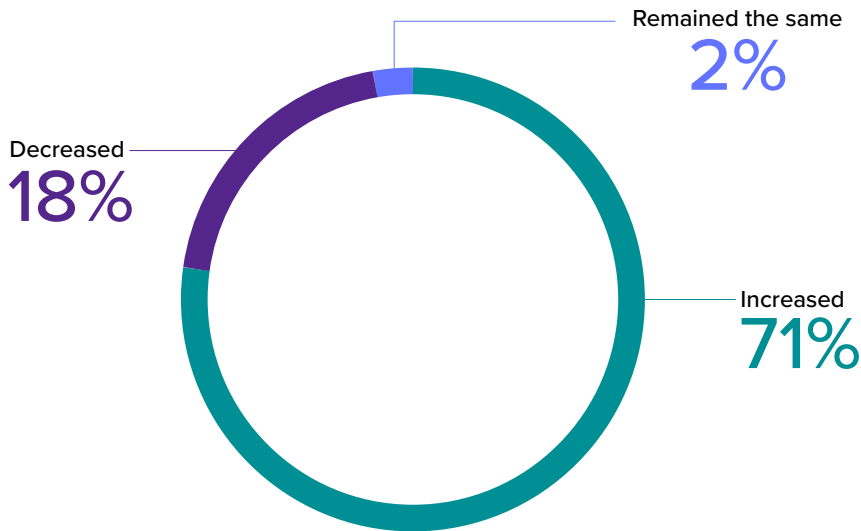
Improved IFDI performance across different countries and indicators

The global IFDI score reached 12 in 2026, driven by the performance of 140 countries across the five main indicators. The improvement from a 2025 score of 11 reflects stronger performances across the industry, with 71% of countries covered by the IFDI recording higher scores.

At the indicator level, Awareness improved the most, followed by Governance and Sustainability. Financial Performance improved only marginally, while Knowledge recorded a slight decline.

A detailed assessment of each indicator’s performance is presented in the individual sections that follow.

Breakdown of IFDI performance
(Share of countries, 2026)



The top five countries retained their positions in the rankings. Meanwhile, in the second half of the top ten, Bahrain, Türkiye, and Qatar all recorded notable score improvements, while Kuwait grew more modestly. Among these countries, Türkiye achieved the largest increase in score and was also the strongest improver within the top 10 rankings. Its performance was primarily supported by higher Awareness and Financial Performance scores, driven by increased sukuk issuance activity. This contributed to greater news coverage as well as growth in the number and value of sukuk issuances and outstanding sukuk.

Outside the top 10, Tanzania saw a big improvement in both ranking and score, supported by a stronger Governance score following the introduction of new regulations in 2025, as well as advances in Awareness. Other countries that achieved notable gains across a combination of indicators included Benin, Kenya, Azerbaijan, and Uzbekistan.

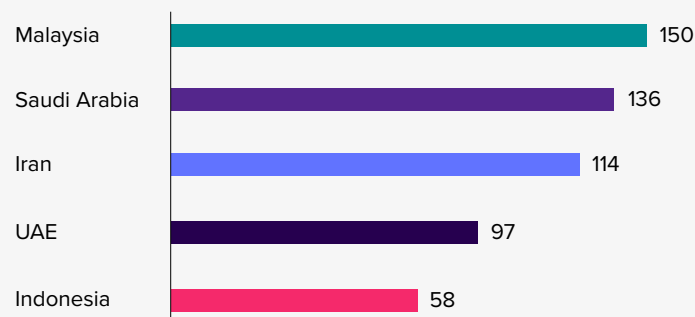




Financial performance indicator

										
Sub-indicator	Islamic financial institutions (Islamic banking, takaful, OIFIs)			Sukuk			Islamic funds			
Underlying metric	Assets (US\$ million)	No. of full-fledged institutions and windows	No. of listed institutions	No. of sukuk issued and outstanding	Value of sukuk issued and outstanding	No. of listed sukuk	No. of Islamic funds	Net asset value of Islamic funds	No. of Islamic funds launched	No. of Islamic asset managers

Top-performing countries by Financial Performance indicator score



Broader sector participation and asset growth support gains in financial performance

The Financial Performance (FP) indicator assesses the development of the Islamic finance industry across its five core sectors and asset classes. It incorporates metrics such as the total value of each sector, the number of institutions and instruments, and the volume of listed Islamic financial products and instruments.

The indicator is contributed to by the 98 countries that have one or more of the metrics listed above, representing 70% of all countries covered by the IFDI. While many markets experienced gradual increases in their FP scores due to sustained growth in assets across one or more sectors and asset classes, several countries recorded notable improvements in both rankings and scores following the introduction of new industry participants, particularly in markets with relatively small or previously non-existent FP score bases.

For example, the Philippines recorded a 100% increase in its FP score to 2, driven by the entry of new takaful operators to the market. Other countries that improved with the establishment of new Islamic finance institutions included Cameroon, Cambodia, Azerbaijan, and Zambia.

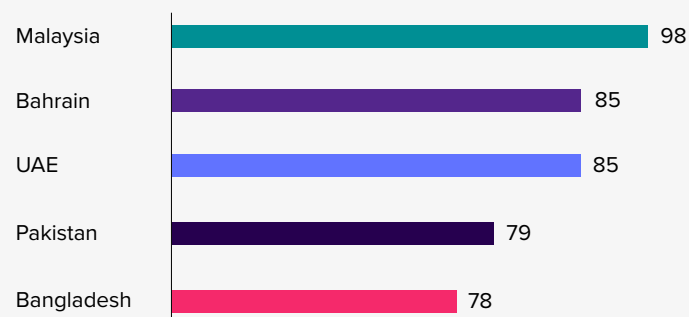
In addition, Türkiye recorded a rise in its FP score from 33 to 38, supported by increased sukuk issuance activity. Other countries where stronger sukuk market performance contributed to higher FP scores included Sri Lanka and Egypt. Meanwhile, improvements in the Islamic funds sector, through new fund launches and/or growth in assets under management, supported higher FP scores in Malaysia, Luxembourg, Pakistan, and the UAE.

Governance indicator

Sub-indicator	 Regulations							 Other governance				
	Islamic banking	Accounting and auditing	Shariah governance	Takaful and retakaful	Sukuk	Islamic funds	FinTech sandbox	Centralised Shariah committee	No. of scholars with SSB membership	No. of scholars with ≥ 5 SSB memberships	No. of IFIs with ≥ 3 SSB members or more	Disclosure index score

*SSB: Shariah Supervisory Board

Top-performing countries by Governance indicator score



Improvements in governance supported by regulatory developments and enhanced Shariah oversight

The Governance indicator comprises two equally weighted components: Regulations and Other Governance. The Regulations component assesses the existence of regulatory frameworks covering the various Islamic finance sectors and asset classes. However, it does not evaluate the effectiveness of these regulations. The Other Governance component focuses on Shariah governance and the transparency of Islamic financial institutions, as measured by the relevant governance metrics outlined above.

The Governance indicator recorded 117 countries with populated scores, reflecting the presence of one or more governance-related metrics. The highest-ranked countries generally demonstrated strong performance in the Regulations component, with strong regulatory frameworks covering multiple aspects of the Islamic finance industry. These countries also benefitted from well-established Shariah governance structures, reflected in higher numbers of Shariah scholars and strong transparency practices, as indicated by their disclosure index scores.

Bangladesh, which ranked fifth in the Governance indicator, achieved its position primarily due to strong Shariah governance metrics despite not having a comprehensive set of Islamic finance regulations. Pakistan entered the top five rankings, supported by an increase in the number of Shariah scholars serving the industry.

Several countries improved their Governance scores following the introduction of new regulatory frameworks during 2025, including Somalia, Tanzania, Cameroon, and Mozambique. Other countries that achieved notable gains through enhancements in governance-related measures, such as disclosure practices and Shariah governance metrics, included Tajikistan, Nigeria, and Bangladesh.

Underlying metrics

Disclosed funds distributed to charity, zakat and qard al-hasan (US\$ million)

No. of ESG sukuk outstanding

Value of ESG sukuk outstanding (US\$ million)

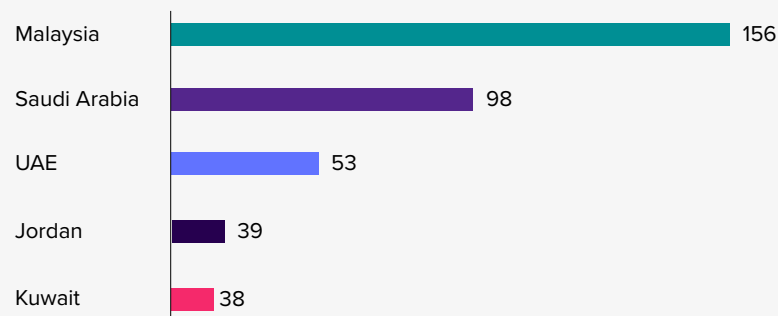
No. of ESG Islamic funds outstanding

Value of ESG Islamic funds outstanding (US\$ million)

Sustainability guidelines

Sustainability reporting index

Top-performing countries by Sustainability indicator score



Sustainability leadership remains concentrated in a few markets with mature ESG, social finance, and regulatory frameworks

The Sustainability indicator is assessed through metrics grouped into three main categories. The first draws on sustainability-related disclosures by publicly listed Islamic banks, including sustainability reporting practices and the amount of social funds disbursed by Islamic financial institutions, primarily through zakat, charity, and qardh al-hasan funds. The second category measures sustainability-related activity in Islamic capital markets through ESG sukuk and Islamic funds. The third focuses on the regulatory dimension, namely the existence of sustainability guidelines in countries where an Islamic finance industry is present.

A total of 63 countries recorded populated Sustainability scores, most of which were driven by the presence of sustainability guidelines, while other sustainability-related metrics remained absent in many markets. The second most widely populated metric was the value of social funds disbursed, followed by the sustainability reporting index. Islamic capital market metrics, such as ESG sukuk and ESG-focused Islamic funds, were present in fewer countries, reflecting the need for more developed Islamic capital markets to support such instruments.

Malaysia ranked highest in the Sustainability indicator, supported by strong performances across all measured metrics. The country recorded the highest values for both the number and value of ESG Islamic funds, as well as the largest number of ESG sukuk outstanding. Saudi Arabia also reported values across all sustainability metrics and it leads in the value of ESG sukuk outstanding and corporate social responsibility (CSR) funds disbursed. Apart from these two countries, only Türkiye and Indonesia recorded values across all sustainability metrics. Nevertheless, other countries, including the UAE, Jordan, and Kuwait, secured positions among the top performers due to strong performance in one or more sustainability-related metrics.



Knowledge indicator

Underlying metrics

No. of institutions offering training courses in Islamic finance	No. of institutions offering degrees in Islamic finance	No. of published research papers on Islamic finance	No. of Islamic finance journals
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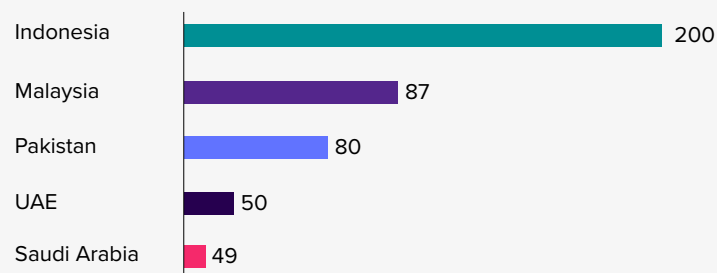


Awareness indicator

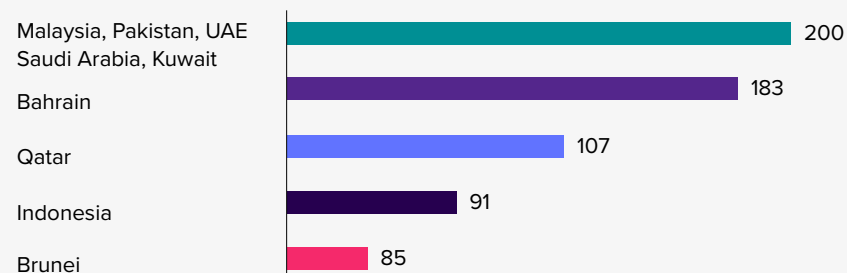
Underlying metrics

No. of in-person events	No. of virtual events	No. of finance news mentions
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Top-performing countries by Knowledge indicator score



Top-performing countries by Awareness indicator score



Knowledge and awareness initiatives continue to drive industry development, especially for niche markets

Both the Knowledge and Awareness indicators play an important role in the development of the Islamic finance industry by enhancing understanding among key stakeholders, including industry professionals and consumers. The Knowledge indicator consists of education, which provides industry professionals with a strong foundation in Islamic finance principles, and research, which contributes to the advancement of the sector through the generation of insights. The Awareness indicator focuses on initiatives that promote Islamic financial literacy, visibility, and stakeholder engagement through events and news coverage.

The Knowledge indicator recorded scores for 78 countries. Among its metrics, the number of institutions offering Islamic finance courses was the largest contributor to the overall score, while the number of Islamic finance journals remained the least-populated metric. Indonesia ranked highest in the Knowledge indicator, supported by strong performances across both education and research metrics. The country continues to invest in educating its population on Islamic finance as part of its broader Islamic economy development initiatives. This also contributed to Indonesia's strong ranking in the Awareness indicator, supported by the high number of industry events hosted in the country. Other countries that recorded notable improvements in their Knowledge scores included niche markets such as Hong Kong, Australia, and Senegal.

The Awareness indicator recorded scores for 107 countries, the highest coverage among all IFDI indicators, reflecting widespread reporting of Islamic finance developments and initiatives across markets. Countries that recorded notable improvements in Awareness scores due to increased news coverage included Afghanistan, Kyrgyzstan, and Ethiopia. Meanwhile, Azerbaijan, Brunei, and Türkiye achieved significant gains as a result of hosting a higher number of Islamic finance-related events.

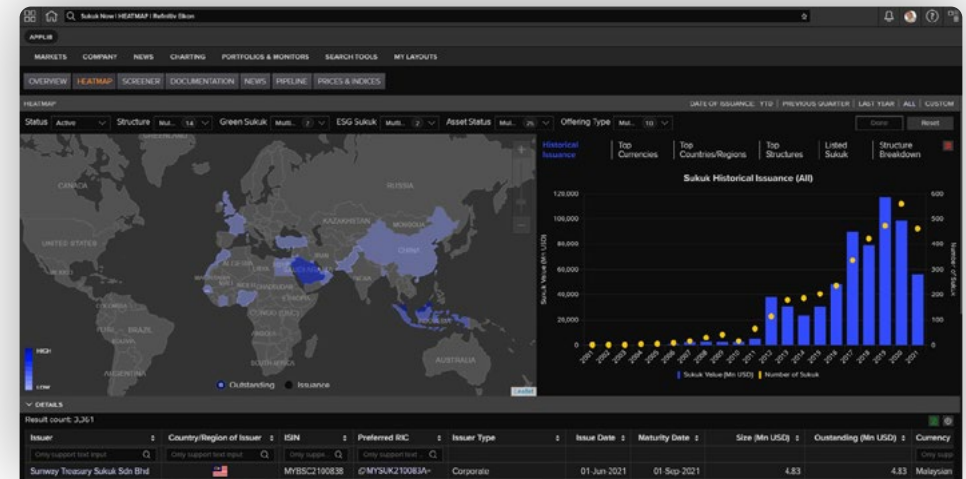
Never miss a Sukuk beat



Sukuk Now is an app on LSEG Workspace offering a 360° overview of the Sukuk market. Via an easy-to-use interface, users can perform quick analysis of the market size and trends; gain deep knowledge about the market and its various structures and transactions; and make informed decisions when it comes to investment in the most sought-after asset class in the Islamic finance industry.

Key features:

- Simplified screener with advanced analytics: list, charts and breakdown views (new)
- Interactive world heat map for outstanding and issued Sukuk (new)
- All charts and results are customisable and exportable to PDF and Excel (new)
- Breakdown analysis allows for comparison with previous period (new)
- Real-time news feed
- Research, compliance and legal documents
- Price discovery, tradability and liquidity
- League tables, indices and industry benchmarks
- Pipeline and announced Sukuk

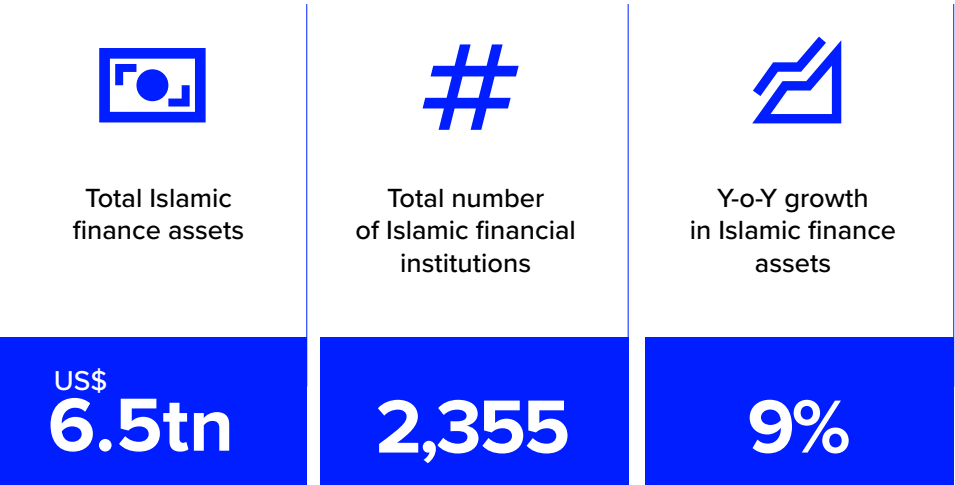


Find out more: lseg.group/Sukuk-now

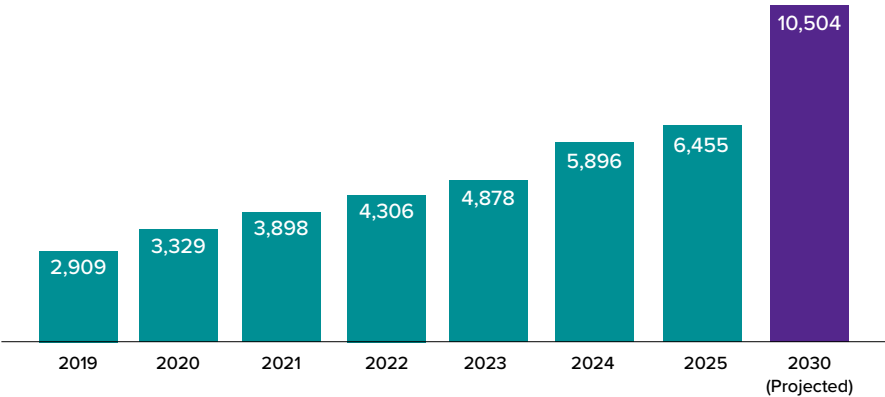
02 Financial performance



Global overview of Islamic finance industry in 2025



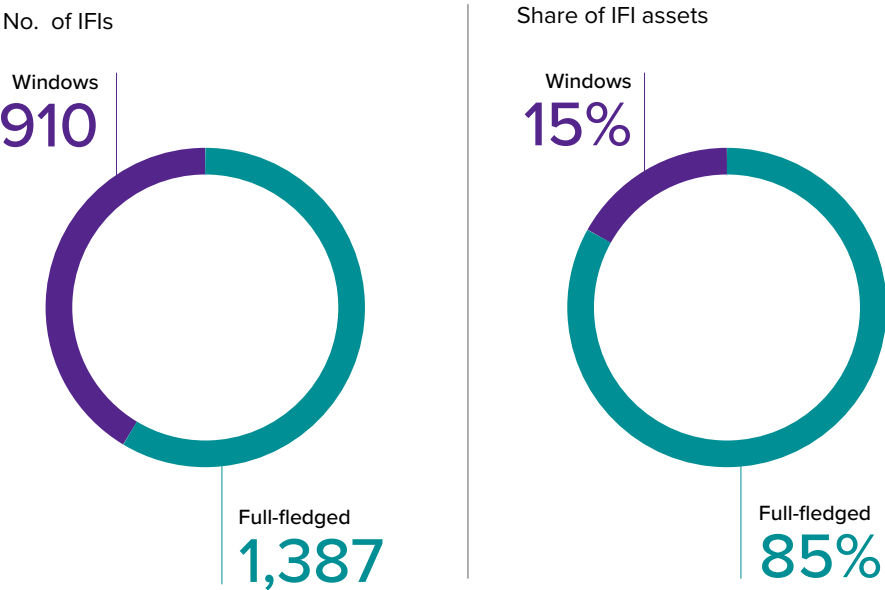
Islamic finance assets growth (US\$ billion)



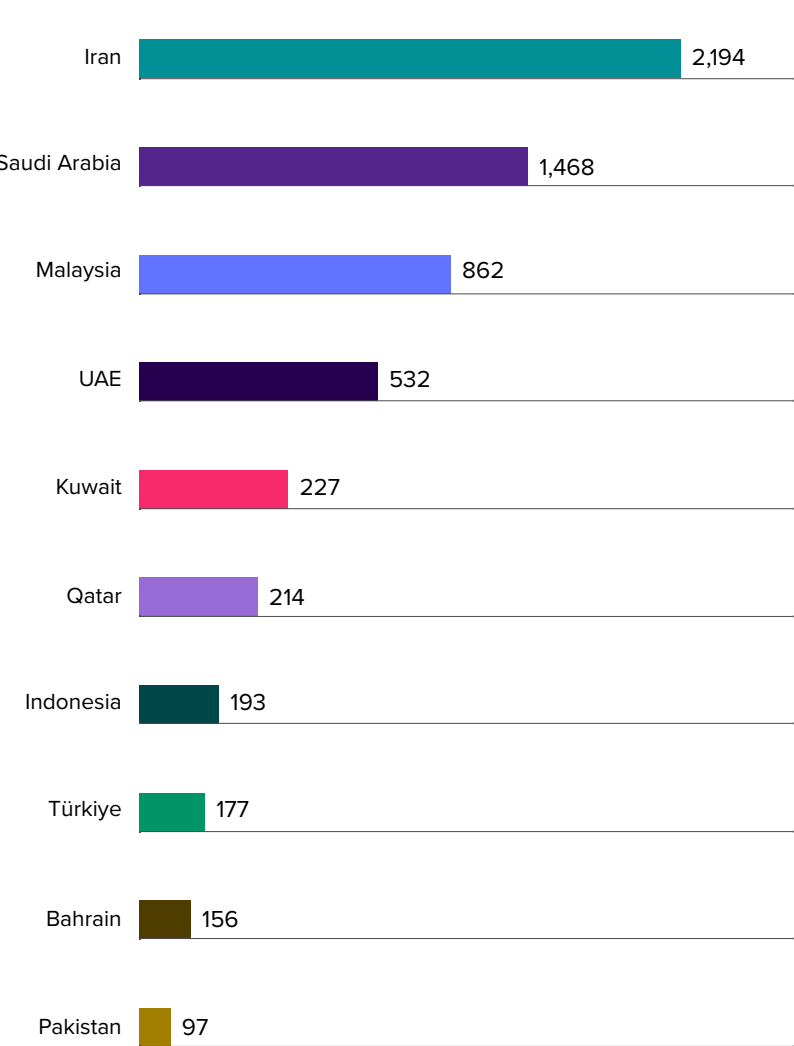
Islamic finance by sector (2025)

	 Islamic banking	 Sukuk	 Islamic funds	 Other Islamic financial institutions	 Takaful
Total assets (US\$)	4.6tn	1.1tn	375bn	217bn	146bn
Share of Islamic finance assets	71%	18%	6%	3%	2%
No. of institutions/instruments	690	5,486 outstanding	2,696 outstanding	1,264	401

Breakdown of Islamic financial institutions by type (2025)



Top countries in Islamic finance assets (US\$ billion, 2025)

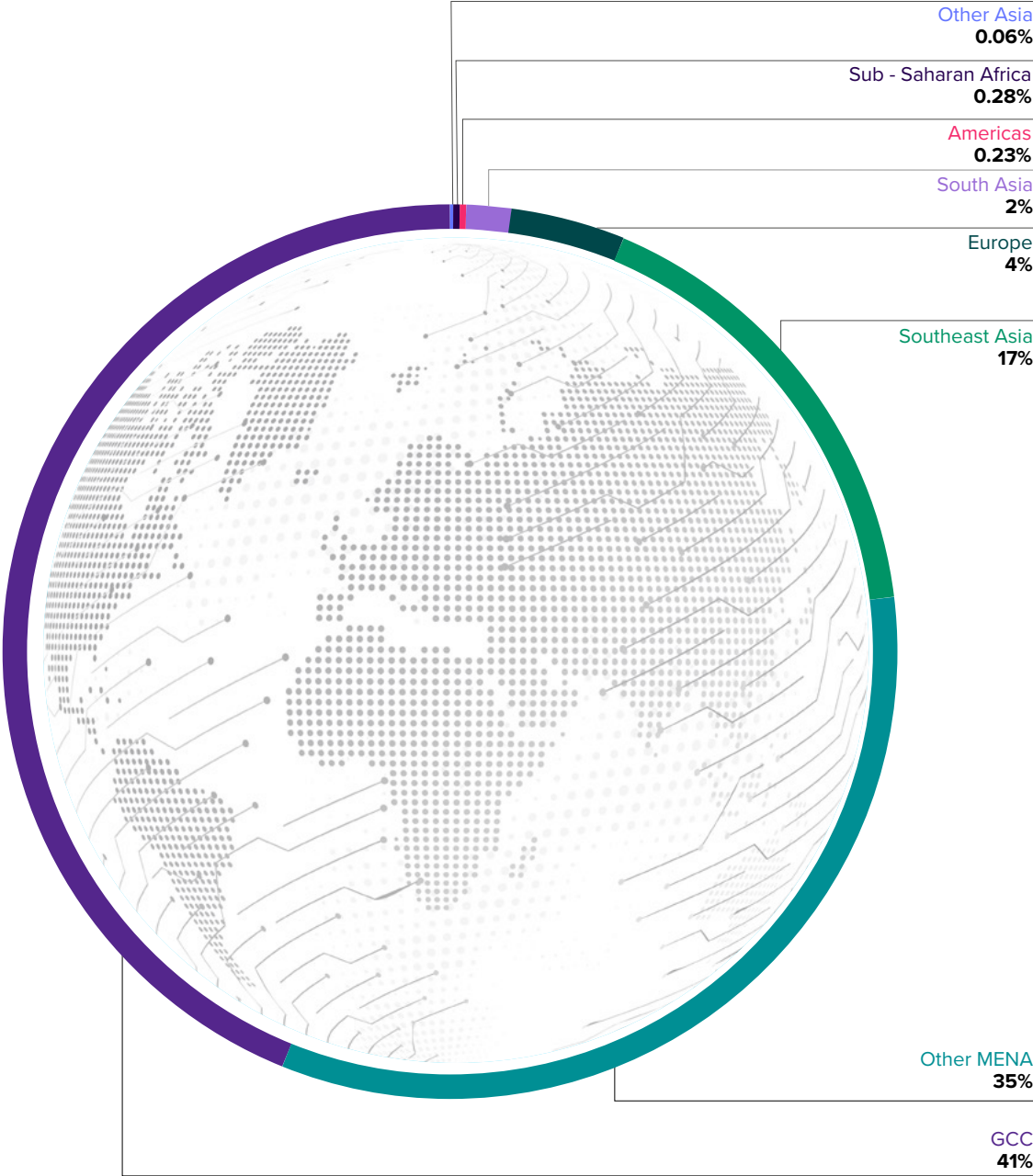




98

Countries with
Islamic finance
presence in 2025

Islamic finance assets distribution by region (Share of Islamic finance assets, 2025)



Growth momentum maintained as global Islamic finance assets reach US\$6.5tn

Islamic finance industry assets totalled US\$6.5 trillion in 2025, up 9% from 2024. The Islamic banking sector accounted for 71% of these assets, followed by sukuk with 18% and Islamic funds with 6%. The remaining share was split between the other Islamic financial institutions (OIFI) and takaful sectors. Islamic funds recorded the strongest growth, at an exceptional 22%. A detailed analysis of the performance of each of the Islamic finance sectors will be discussed in the coming pages. Looking ahead, we expect the industry to grow to US\$10.5 trillion by 2030, supported by an average annual growth rate of 9%.

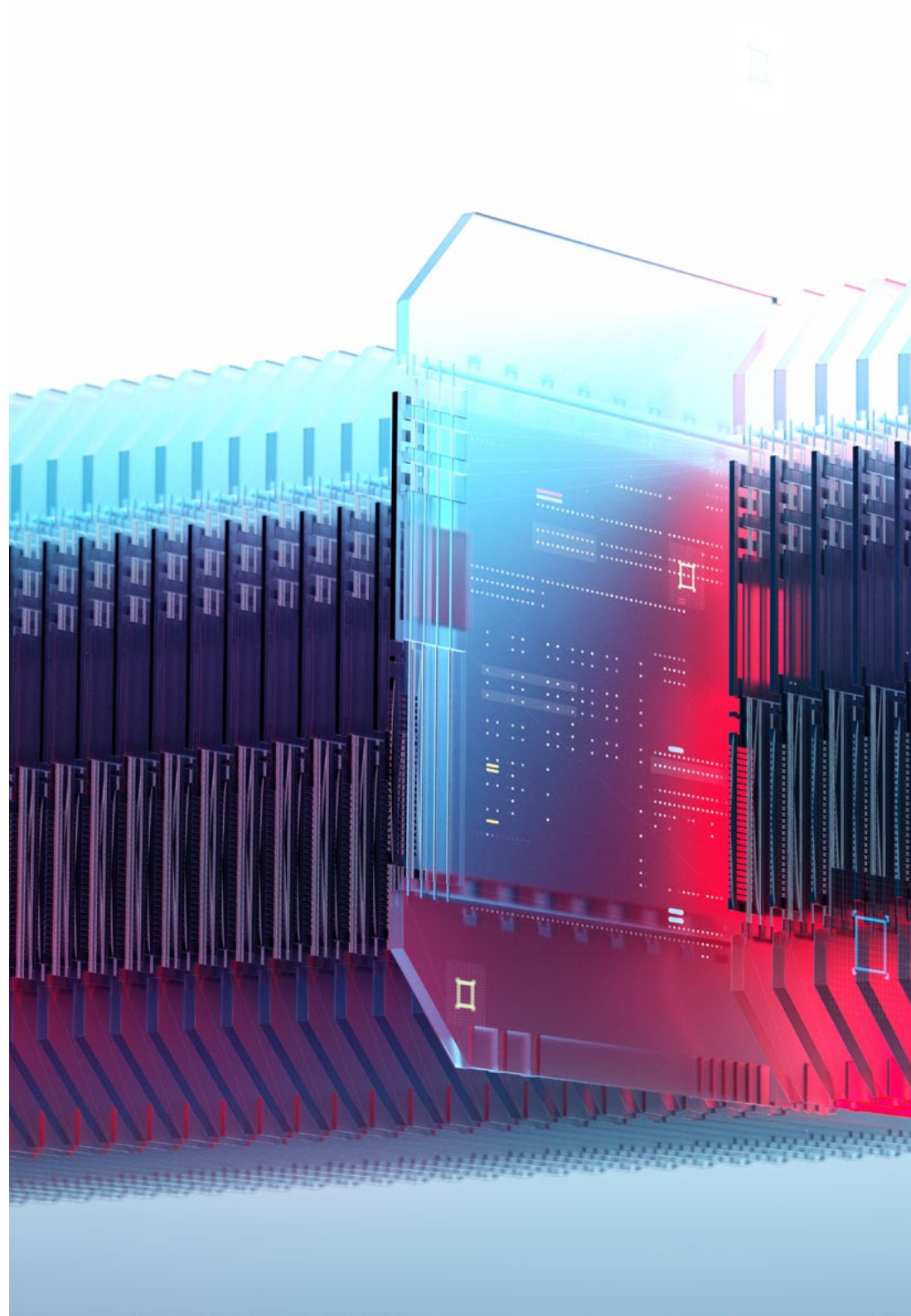
The industry is now present in 98 countries, although it remains heavily concentrated within the Muslim-majority markets of the GCC, Southeast Asia, and Iran*. Both the GCC and the rest of the MENA region hold assets exceeding US\$2 trillion, while Southeast Asia surpassed the US\$1 trillion mark in 2025, driven mainly by Malaysia.

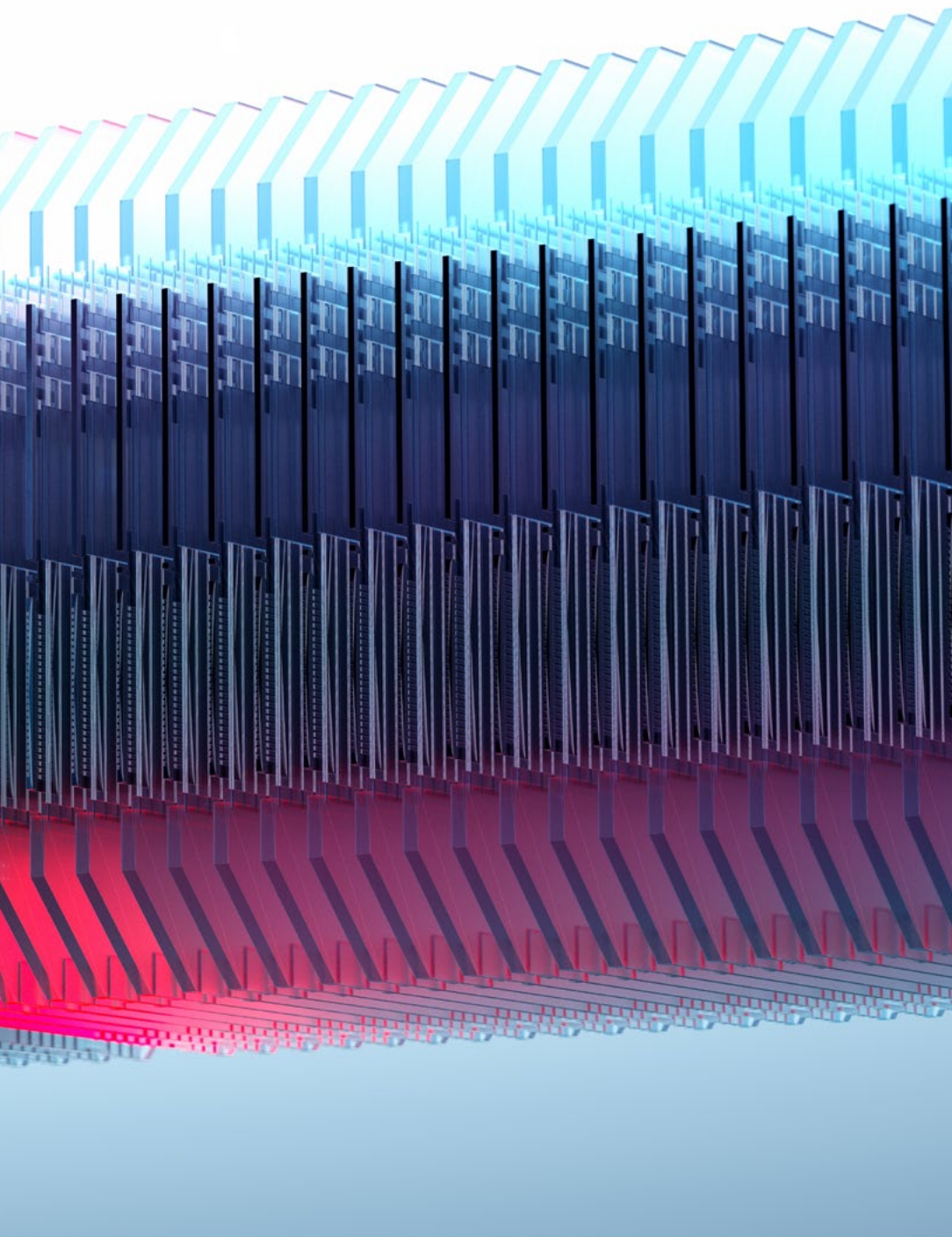
Malaysia, the world's third-largest Islamic finance market, is looking to further develop its Islamic finance industry through the 13th Malaysia Plan (2026-30) (13MP). This includes updates to the country's financial sector blueprint and capital market plan such as strengthening cross-border connections, advancing ESG-linked Islamic finance, and accelerating digitalisation.

New growth frontiers emerge as Islamic finance expands across Africa and Central Asia

Rwanda launched a dedicated framework, including listing and trading rules, for Islamic capital markets products in 2025. The country hopes this will help to both attract global investment and diversify its financial ecosystem. Ghana is also looking to expand its Islamic finance sector, having released operational guidelines on 'non-interest banking' in January 2026, and a number of banks are already showing interest. This will bring to 31 the number of sub-Saharan countries with a presence in the Islamic finance industry through Islamic financial institutions and/or Islamic capital market products. African nations showed some of the highest asset growth levels during 2025, as they have over the past five years. For instance, Tanzania benefited from strong growth in sukuk while South Africa has a more active Islamic capital market, through the growth of sukuk and Islamic funds.

Another region with growing Islamic finance ambitions is Central Asia, as highlighted in the upcoming contribution and the Islamic banking section of the report. Notably, Tajikistan is among the highest growing markets in 2025, supported by an expansion of Islamic banking assets.



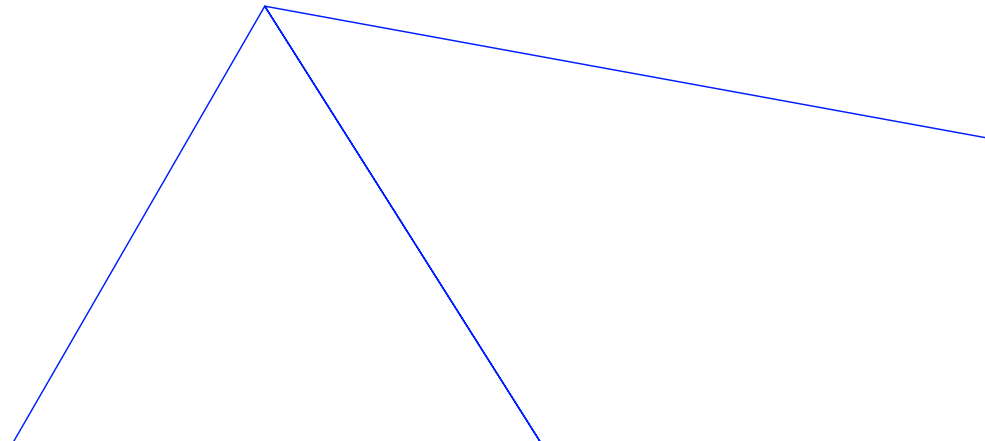


Apart from Africa and Central Asia, some individual countries showed high growth over the past five years. The United Kingdom experienced growth driven by Islamic funds and Afghanistan showed high growth in assets given that it is transitioning towards a full-fledged Islamic banking system.

Conflict in Middle East tests resilience of a growing industry

The Islamic finance industry's strong growth in 2025 coincided with a period of heightened regional uncertainty following the conflict in the Middle East*. Escalating tensions increased concerns over regional stability and the potential economic implications for financial markets. Given that countries directly or indirectly affected by the conflict account for around 75% of global Islamic finance assets, developments in the region have implications for the industry's near-term outlook. The conflict has affected economic expectations through higher energy price volatility, disruptions to trade and transport routes, and pressures on inflation and investor confidence. While Islamic finance institutions generally enter this period from a position of strength, the extent and duration of the conflict will remain an important factor influencing industry performance going forward. The following sections examine the implications for each sector and asset class in greater detail.

**Due to limited availability to updated financial statements from Iranian financial institutions during the reporting period, 2025 asset figures for Iran were maintained at the previous year's level. Consequently, year-on-year growth rates and global totals should be interpreted with this limitation in mind. Future assessments may be subject to greater variability as economic conditions, including exchange rate movements, could materially affect the US dollar value of Iranian Islamic finance assets.*



Industry insight

The future of Islamic finance in Central Asia: Recent developments and strategic priorities



Ruslan Dalenov
Deputy Chairman of the
Management Board
Eurasian Development Bank

Central Asia – comprising Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan – has emerged as one of the fastest-growing regions of the developing world. The region's population has increased by 50% over the past quarter century to 83 million, and aggregate GDP reached \$567 billion in 2025. Foreign trade has expanded 10-fold and foreign direct investment more than 19-fold over the past 25 years, creating strong foundations for financial sector development.

Table 1: Central Asia key statistics

Indicator	2000	2010	2025	Increase 2000-2025
Population (mln)	55	64	83.1	1.5x
GDP, US\$bn	46	243	567	12.8x
Purchasing power parity (percentage share of global GDP)	0.4	0.6	0.8	2.1x
Foreign direct investment stock, US\$bn	12.3	101.6	235.6	19.2x
Turnover of trade in goods, US\$bn	25.1	128.4	251.6	10.0x

Source: Calculations based on national statistical agencies, central banks, IMF, ADB, World Bank, Trade Map, and CEIC data.

Islamic finance is gaining momentum in Central Asia as a means of raising financial inclusion, mobilising investment, and supporting sustainable economic growth. The region's mostly Muslim population provides a strong footing for the expansion of Shariah-compliant financial products and services.

Islamic finance assets in Central Asia reached around \$962 million in 2025, up 38% from just two years before. The industry currently consists of Islamic banks and banking windows, microfinance institutions, leasing companies, takaful providers, and emerging Islamic fintech platforms. While the Islamic capital market remains at an early stage, interest in sukuk issuance is increasing across the region.

The growing importance of Islamic finance in Central Asia is encouraging greater regional cooperation. Industry associations from Kazakhstan, Kyrgyzstan and Uzbekistan in 2026 established the Regional Alliance of Islamic Finance in Central Asia to promote knowledge-sharing and facilitate cross-border investment both within the region and with other financial centres of the Islamic world.

Kazakhstan: regional market leader

Kazakhstan remains the largest Islamic finance market in Central Asia. As of January 2026, two Islamic banks – ADCB and Zaman Bank – were operating in the country, with combined assets of around US\$660 million. Apart from these, the Islamic bank Al Safi Bank, operates within the jurisdiction of the Astana International Financial Centre (AIFC), and Islamic leasing services are provided by Kazakhstan Ijara Company.

The market in Kazakhstan will be further enabled to expand by recent reforms that will allow conventional banks to establish Islamic windows. This will boost access to Shariah-compliant products for retail and SME clients.

The country is also achieving important milestones in Islamic capital markets. In 2025, the first retail sukuk was listed on the Astana International Exchange, and the AIFC has introduced various incentives to attract Islamic banks, asset managers, and takaful operators, while strengthening Shariah governance standards and institutional capacity. These incentives include exemption from corporation tax, value added tax and investment tax, as well as a zero income tax rate for expatriates.

Kyrgyzstan: expanding Islamic banking infrastructure

Kyrgyzstan has developed one of the region's most diversified Islamic finance ecosystems. Islamic financial services are provided by five banks operating Islamic windows, as well as six microcredit companies and one credit union operating in accordance with Islamic financing principles, and four microcredit companies and two microcredit agencies with Islamic windows. Financing based on Islamic principles reached KGS 21.1 billion (\$242 million) in Kyrgyzstan in 2025.

Legislative reforms have reduced regulatory barriers and expanded the range of available Islamic financial transactions. The reforms aimed to establish a comprehensive legal framework, eliminate double taxation, and align with international standards. In particular, the process of registering direct ownership in murabahah transactions has been simplified and the concept of 'declining musharakah' has been expanded. A

comprehensive review of internal regulations has begun at the Kyrgyz Stock Exchange to facilitate large-scale trading of sukuk securities. Also, legislation has been amended to incorporate the requirements of the international standards set by AAOIFI and IFSB, making the market more transparent and attractive to major foreign investors. National Bank of the Kyrgyz Republic is also working on Shariah-compliant liquidity management instruments in cooperation with international partners.

Tajikistan: building regulatory foundations

Islamic finance in Tajikistan continues to develop steadily. There are currently one Islamic bank, four Islamic windows, and 38 branches and banking service centres, as well as specialised Islamic leasing and microfinance companies. Islamic banking assets account for 1.1% of the country's total banking sector.

National Bank of Tajikistan has prioritised regulatory reform and capacity-building. Partnerships with international institutions have been established to develop legal frameworks, supervisory practices, accounting standards, and sukuk market infrastructure. Efforts are also underway to align domestic regulations with international Islamic finance standards.

Uzbekistan: law designed to accelerate the Islamic finance industry comes into force

The total volume of Islamic financial products and services provided in Uzbekistan reached UZS 11.2 billion (US\$950,000) in Q1 2026, representing an eightfold increase from the same period of 2025.

Uzbekistan has taken some of the most significant recent steps towards establishing a comprehensive Islamic finance framework. In 2026, it adopted legislation that formally recognises key Islamic financial instruments, authorises Islamic banking windows within conventional banks, and allows the establishment of fully fledged Islamic banks.

The Central Bank of the Republic of Uzbekistan in 2026 established a dedicated Islamic Finance Council to oversee compliance and standard-setting, while reforms in the same year removed key barriers to the industry by eliminating double taxation on Islamic financial transactions. The government also developed a roadmap for the industry through to 2030.

Particularly noteworthy is the planned debut sovereign sukuk programme, also announced in 2026, which could mobilise up to \$10 billion in investment and serve as a catalyst for the wider Islamic capital market.

Regional cooperation and the role of the Eurasian Development Bank

The Eurasian Development Bank (EDB) is playing an increasingly important part in developing the Islamic finance industry in Central Asia. The EDB has established an Islamic window supported by a dedicated internal regulatory framework and its own Shariah Council, making it a pioneering multilateral development institution in embedding Islamic finance as a distinct line of business within its operations. The bank has begun financing investment projects through Islamic instruments and attracting Shariah-compliant funding.

The bank also supported the publication of Russian-language AAOIFI Shariah standards, improving access to international best practices across the Eurasian region.

The bank's priorities include attracting Shariah-compliant funding, financing investment projects through Islamic instruments, and strengthening Central Asia's links with international Islamic financial markets.



Strategic priorities for future growth

Building on recent progress, Islamic finance is steadily expanding its share of Central Asia's overall financial system. Realising its potential will require coordinated efforts across several areas:

First, access to finance should be expanded through Islamic banking, microfinance, and sukuk instruments that support SMEs, entrepreneurs, and underserved populations.

Second, Islamic finance can play a larger role in funding infrastructure, renewable energy, agriculture, and other priority sectors through partnerships between local financial institutions, international investors, and multilateral development banks.

Third, governments and regulators should continue strengthening legal and institutional frameworks, harmonising regulations, and improving supervisory capacity to facilitate market growth and cross-border transactions. The EDB is ready and willing to help them with this.

Fourth, investment in education, professional training, and knowledge-sharing is essential to build a qualified workforce capable of supporting a modern Islamic finance industry.

Finally, stronger links between Central Asia and major Islamic finance centres in the Middle East and Southeast Asia can help attract investment, expand capital market activity, and support the financing of large regional development projects.

Conclusion

Islamic finance in Central Asia has entered a new stage of development. New laws, regulatory reforms, institutional innovation, and growing investor interest are creating favourable conditions for expansion across the region. Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan are each advancing according to their own priorities, while regional cooperation is strengthening.

With continued reforms, greater market integration, and active participation from development institutions such as the Eurasian Development Bank, Islamic finance can become an important source of investment, financial inclusion, and sustainable economic growth for Central Asia over the coming decade.

Ruslan Dalenov

Deputy Chairman of the Management Board
Eurasian Development Bank

Ruslan Dalenov is an economist and public figure from the Republic of Kazakhstan. He graduated from Marmara University in Istanbul with a degree in Economics in 1999. Mr Dalenov began his career as a senior specialist at Kazakhstan's Ministry of State Revenue. From 2003 to 2005, he held senior positions at the Ministry of Finance, focusing on revenue analysis and forecasting. From 2008 to 2017, he served as Deputy Minister of Finance. From April 2017 to February 2019, he served as First Deputy Minister of National Economy, before serving as Minister of National Economy from February 2019 to January 2021. Ruslan Dalenov joined the Eurasian Development Bank in 2021.

In his current role, he oversees the bank's investment activities across Central Asia, including corporate and project finance, lending to financial institutions, and the development of Islamic finance. His responsibilities also include strengthening cooperation with public- and private-sector partners, and advancing strategic investment initiatives that support sustainable economic growth and regional development.

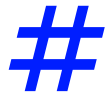


Islamic banking



Total Islamic banking assets in 2025

US\$
4.58tn



Total number of Islamic banks in 2025

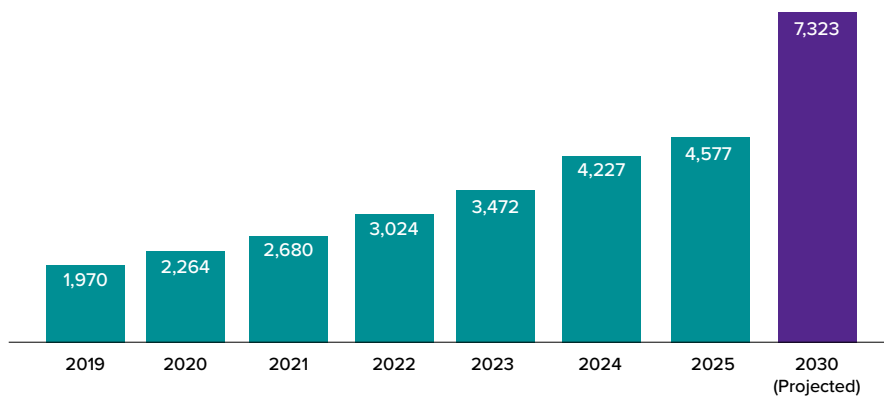
690



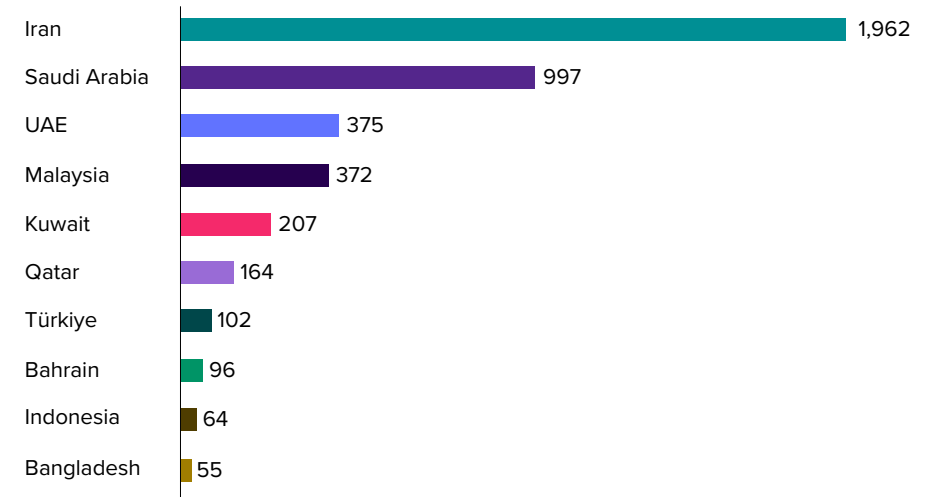
Y-o-Y growth in Islamic banking assets in 2025

8%

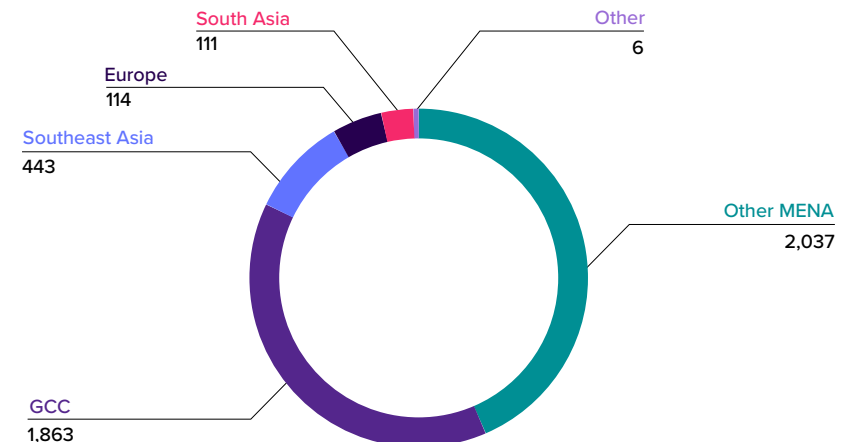
Islamic banking assets growth
(US\$ billion, 2019-2025)



Top countries by Islamic banking assets
(US\$ billion, 2025)



Islamic banking assets by region
(US\$ billion, 2025)



Islamic banking expansion driven by core markets and new regulatory frontiers

The Islamic banking sector grew 8% in 2025, driven mainly by the expansion of core markets in the GCC, Southeast Asia, Türkiye, and Pakistan. Elsewhere, the Maldives, Nigeria, and Ethiopia each recorded double-digit growth in Islamic banking assets.

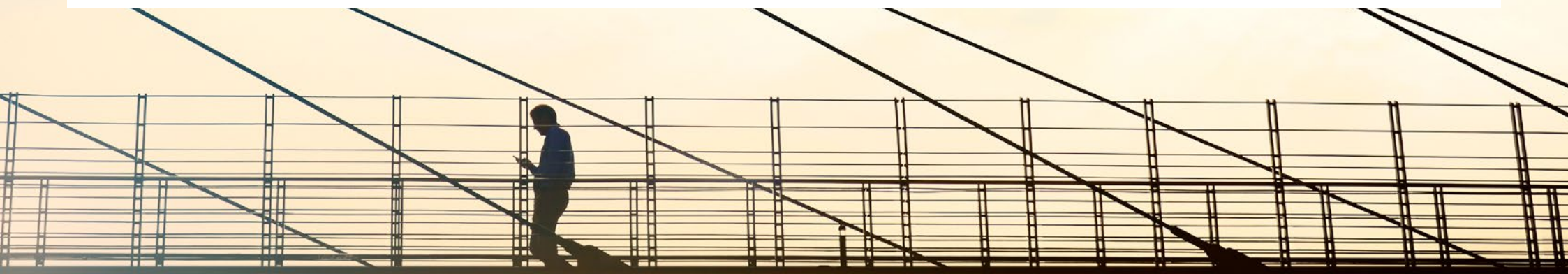
Islamic banking was present in 84 countries in 2025, and many of these are actively working to strengthen the sector. Ghana, for example, is moving towards the formal introduction of Islamic banking through launching a regulatory framework, referred to locally as 'non-interest banking'. The Governor of the Bank of Ghana reported in May 2026 that at least one bank has formally applied for a licence, while four others are preparing to submit applications. This follows the release of operational guidelines on non-interest banking in January 2026. Ghana will join the 29 sub-Saharan Africa countries where non-interest banking is already present. Uzbekistan is another country laying the foundations for Islamic banking. Its legal framework for Islamic banking became effective in June 2026. More on Uzbekistan is covered in the upcoming contribution.

Bangladesh recovery highlights resilience of Islamic banking demand

Not all Islamic banking markets saw strong expansion in 2025. The sector in Bangladesh experienced a crisis of confidence between 2022 and early 2024, and growth was slow in 2025 at 3%, according to IFDI. This was particularly evident among Islamic banks due to financing irregularities, fund mismanagement, governance failures, liquidity shortages, and concerns regarding the recovery of depositors' funds. Media reports alleging financial misconduct at some Islamic

banks triggered deposit withdrawals, which started late 2022. This led to several Islamic banks requiring liquidity support and regulatory intervention during 2024. Data from Bangladesh Bank also indicated that although consumers withdrew funds from the affected Islamic banks, those who shifted to relatively better-performing conventional banks mostly opted for their Islamic window services. This was reflected in a significant growth in deposits within Islamic banking branches and windows, suggesting that demand remained strong despite the challenges and that there was an opportunity for traditional banks to convert some of their branches into Islamic banking operations.

Bangladesh's Islamic banking sector also saw some restructuring with the creation of Sammilito Islami Bank, following the merger of First Security Islami Bank, Social Islami Bank, Union Bank, Global Islami Bank, and EXIM Bank. The merger was aimed at banks facing acute liquidity stress and balance sheet challenges. It also represented the beginning of the recovery process and efforts to rebuild confidence in the Islamic banking system while addressing the underlying irregularities. By consolidating weaker institutions into a single entity, this could lead to a reduction in operational inefficiencies and strengthen capital adequacy, among other benefits. In addition, the country is in the process of formally introducing a dual banking system, as announced by its finance minister in September 2026, that will allow consumers to choose between conventional and Islamic banking services, while enabling more conventional banks to offer Islamic financial services.



Middle East conflict highlights uneven risks across Islamic banking markets

Several factors need to be considered when assessing the impact of the Middle East conflict on Islamic banking globally, including how the conflict affects oil prices, investor confidence, trade and shipping, and currencies. In this case, the impact has been driven mainly by macroeconomic and geopolitical factors such as energy prices, inflation, trade disruptions, and investor sentiment, rather than by factors unique to Islamic finance itself. As such, the impact will vary across regions.

Islamic banks in the GCC have shown a high degree of resilience in face of the ongoing geopolitical uncertainty and regional tensions, supported by strong fundamentals such as capitalisation and asset quality as well as sovereign backing, according to Fitch.

The banks could also benefit from higher oil prices as stronger oil revenues generally improve fiscal balances. However, there remains a risk of weakening growth and profitability should the conflict persist, particularly given the exposure of sectors such as tourism, aviation, and logistics to any new adverse developments. Islamic banks are also vulnerable to the effects of rising living costs and pressures on business cash flows.

For Malaysia and Indonesia, the impact is expected to be manageable due to the largely domestic focus of their banking sectors. Moody's considers Malaysia to be better positioned than Indonesia because its status as a net exporter of liquefied natural gas provides a buffer against high energy prices and external shocks, supporting economic growth and liquidity conditions. However, Moody's has noted that Islamic banks in

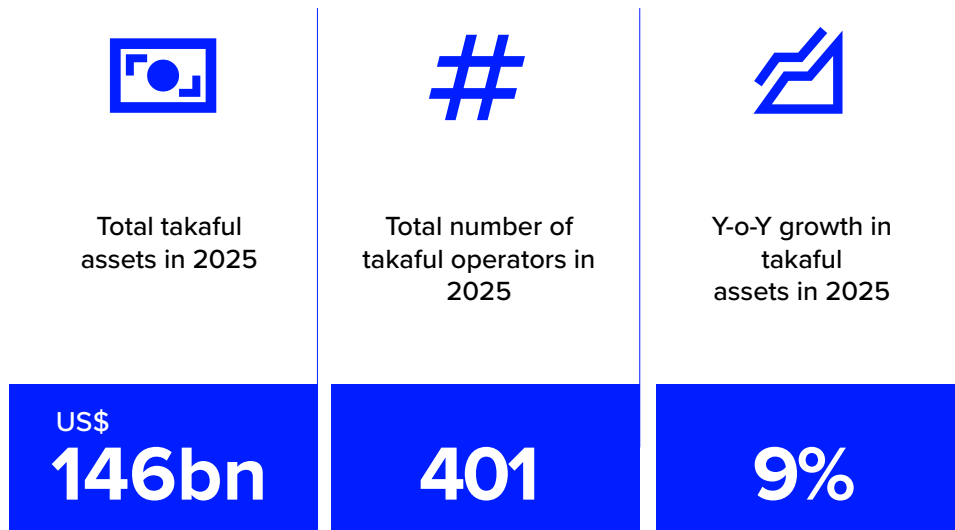
these countries as well as Bangladesh and Pakistan are more exposed to the effects of the conflict than their conventional counterparts due to their greater concentration in retail and small and medium-sized enterprise financing, as well as the sensitivity of their balance sheets to interest rate fluctuations. Bangladesh and Pakistan face added risks from higher inflation, energy costs, and foreign exchange pressures.

Meanwhile, participation banks in Türkiye are somewhat negatively affected due to their exposure to currency volatility, inflationary pressures, and external funding stress, potentially resulting in higher financing costs. The impact on countries in the wider Middle East – including Egypt, Jordan, Iraq, and Syria – will depend on whether they are net importers or exporters of oil, as well as the extent to which they are directly affected by the conflict. Some African countries, such as Nigeria, may benefit from higher oil prices due to their status as net oil exporters.

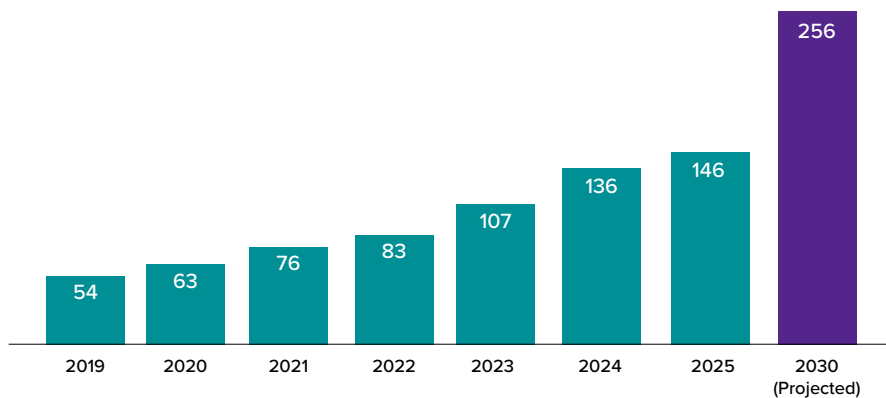


Middle East conflict highlights uneven risks across Islamic banking markets

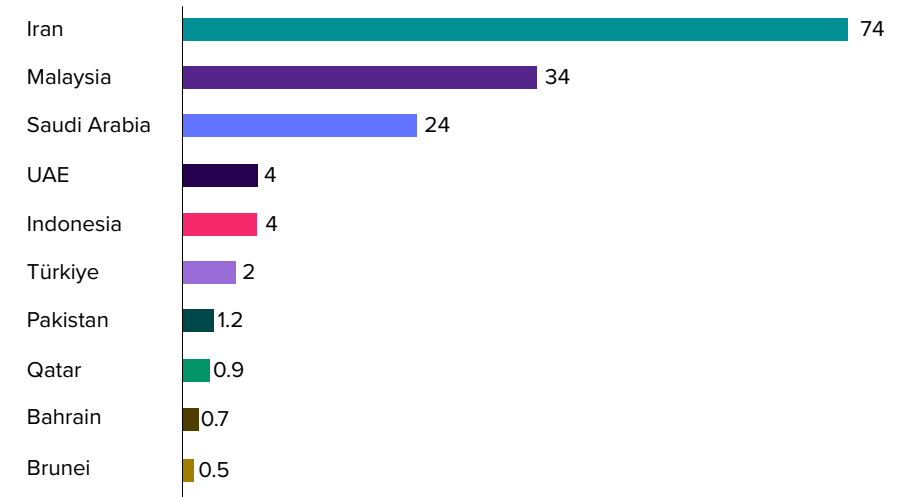




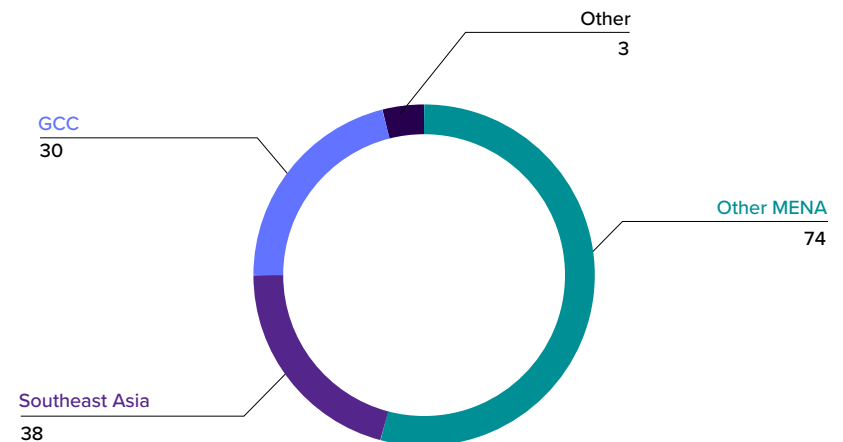
Takaful assets growth
(US\$ billion, 2019-2025)



Top countries by takaful assets
(US\$ billion, 2025)



Takaful assets by region
(US\$ billion, 2025)



Takaful reaches US\$146 billion as digital adoption and financial inclusion drive growth

The takaful sector grew by 9% to US\$146 billion in 2025. There are a total 401 takaful operators and windows operating across 54 countries. Growth in the sector is a result of continued rising demand for Shariah-compliant financial products. At the same time, the adoption of digital solutions has widened access to these products, while bancatakaful continues to play an important role in supporting growth by leveraging banks' extensive branch networks, customer relationships, and digital platforms to distribute takaful products more efficiently. Expansion is also being driven by population growth, the rollout of mandatory insurance schemes, and non-oil economic diversification initiatives, particularly in the GCC, which accounts for 30% of total global takaful assets.

New regulatory frameworks broaden takaful adoption in Africa

Takaful was available in 13 sub-Saharan African countries, and two more countries are joining them. In Uganda, which only launched Islamic banking services in 2023, Tamini General Insurance became the first institution in the country to offer takaful services in March 2026, following the introduction of takaful regulations by Uganda's Insurance Regulatory Authority in 2025. Tamini is Uganda's second Islamic financial institution.

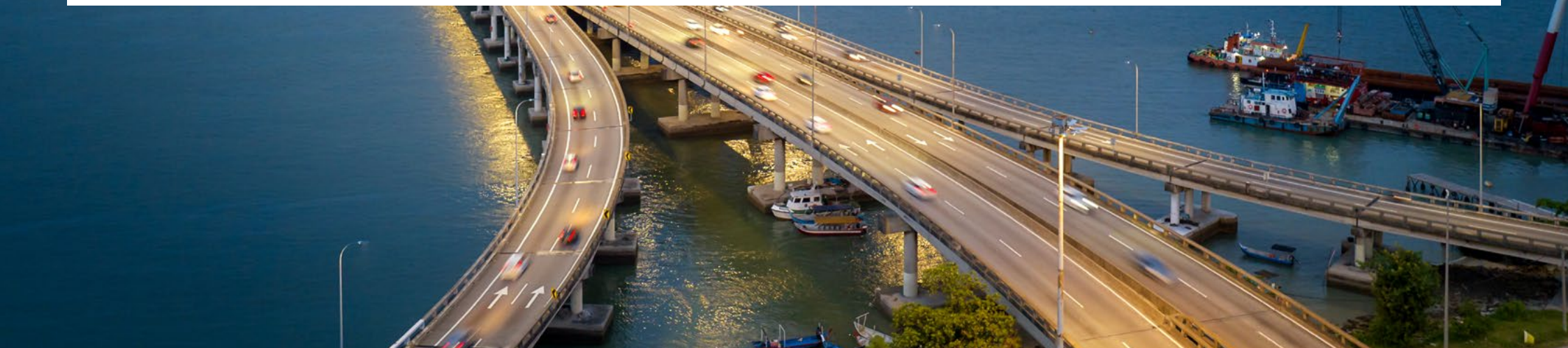
Somalia introduced its first formal takaful framework when it enacted the National Takaful Bill in May 2025. After this, the Central Bank of Somalia approved seven licensed takaful operators. Existing providers are required to obtain formal licences, while new operators must secure approval from the Central Bank before commencing operations.

Takaful sector faces indirect risks from Middle East conflict

The takaful sector could be adversely affected by the conflict in the Middle East, particularly if it becomes prolonged. For takaful operators in the GCC, the immediate direct claims impact is expected to remain limited, as major rating agencies have noted that such policies generally exclude war-related risks. Another important consideration is the sector's strong risk-adjusted capitalisation and solid operating performance. However, several indirect effects may emerge over the longer term. Inflation could increase the cost of some claims, particularly in medical and motor lines, while investment portfolios may be affected by fluctuations in equity and real estate markets. Lower levels of business activity and employment could also result in reduced takaful contributions.

In addition, war-risk premiums have increased across the GCC, particularly for maritime shipping, as well as for coverage related to sectors including infrastructure, energy assets, and data centres. AM Best, which specialises in insurance ratings and analysis, has noted that reinsurance renewals could be affected in terms of pricing, capacity, and other factors if efforts to de-escalate the conflict prove unsuccessful, as reinsurers may reassess their risk appetite.

The impact of the conflict is likely to be indirect for takaful operators in other regions, primarily through its effects on inflation and investment returns, and as businesses face higher operating costs and supply chain disruptions. As a result, a strong focus on risk management will be required as operators navigate the macroeconomic volatility driven by energy market shocks.



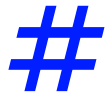


Other Islamic financial institutions (OIFIs)



Total OIFI
assets in 2025

US\$
217bn



Total number of OIFIs
in 2025

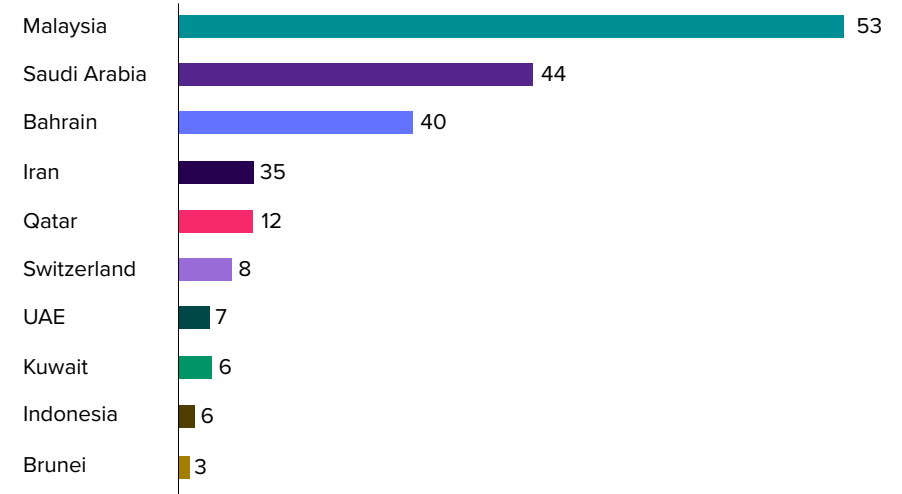
1,264



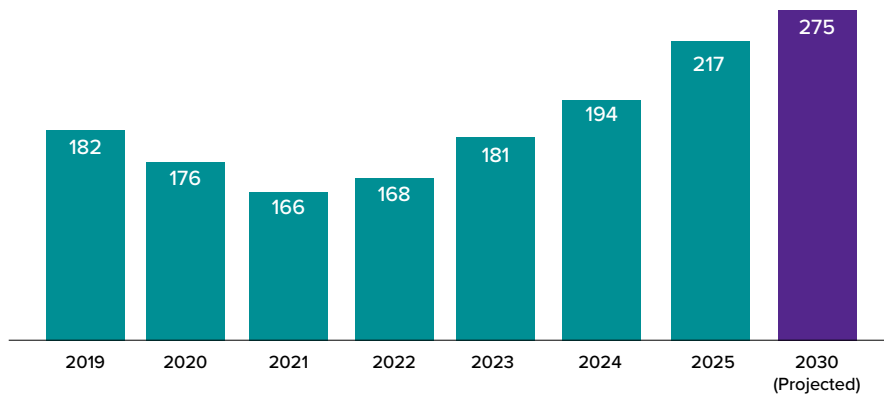
Y-o-Y growth in OIFI
assets in 2025

12%

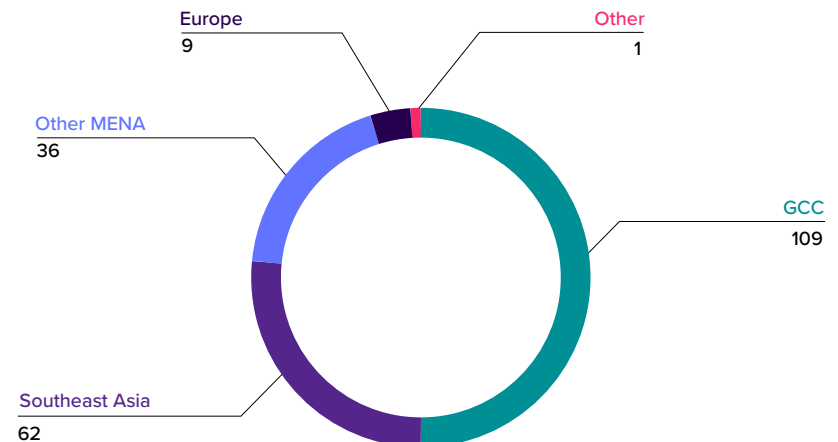
Top countries by OIFI assets (US\$ billion, 2025)



OIFI assets growth (US\$ billion, 2019-2025)



OIFI assets by region (US\$ billion, 2025)



OIFI sector records fastest growth in Islamic finance

The OIFI sector is the largest Islamic finance segment in terms of the number of institutions. The more than 1,200 such institutions include microfinance firms, Islamic fintech companies, modarababs, financing companies, and leasing firms. Most are in Saudi Arabia, followed by Indonesia, Pakistan, and the UAE.

The 10 largest entities in the sector accounted for 64% of total assets in 2025, compared to 47% for the leading 10 institutions in Islamic banking and 46% in takaful. As a result, the sector's overall performance is being largely driven by these leading institutions, which have seen growth strengthen since 2019. The OIFI sector has seen the highest percentage growth since 2024 when compared against the Islamic banking and takaful sectors.

Saudi Arabia and Pakistan advancing development of Islamic non-bank finance

Saudi Arabia was the second-largest OIFI market in terms of assets in 2025, mostly contributed by Saudi financing companies. The non-bank lending sector in the country continued to expand during the year. Finance companies played an increasingly important role in providing financing to retail consumers through personal, credit card, and auto financing, as well as to SMEs. However, their financing exposure remains relatively small, totalling just 3.1% of the financing provided by commercial banks, according to the Saudi Central Bank's Financial Stability Report 2025.

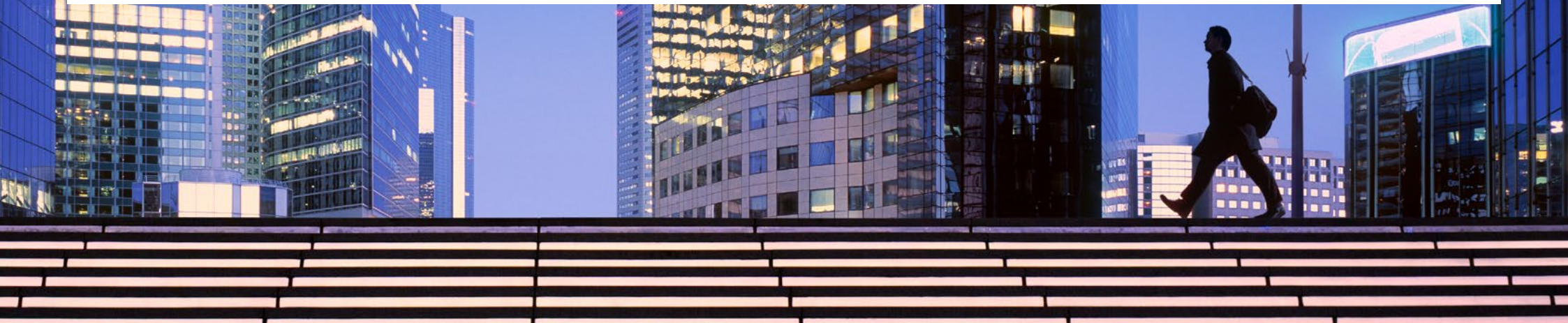
The sector's growth has been supported by initiatives under Saudi Arabia's Vision 2030, as well as moves to strengthen fintech integration such as the country's Open Banking initiatives, which have supported the growth of digital lending. Open Banking enables customers to securely share their financial data with authorised

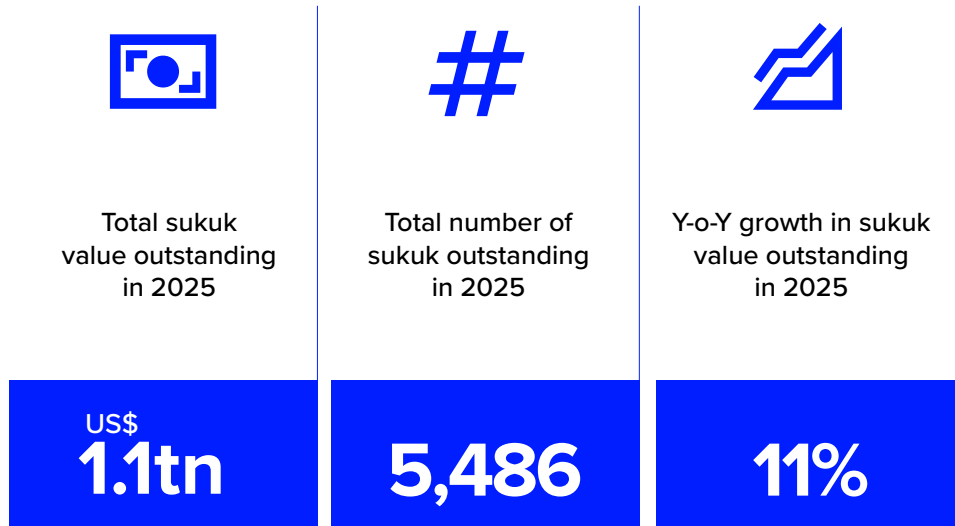
third-party providers through application programming interfaces (APIs), which fosters greater innovation and competition in financial services. This has supported the growth of digital lending by allowing lenders to access customers' financial information more efficiently, streamline credit assessments, improve risk evaluation, and offer faster, more tailored financing solutions. Prudential regulations relating to capital adequacy and other regulatory requirements have also contributed to the sector's development.

Another country seeking to expand its Islamic non-bank financing sector is Pakistan, which had less than US\$1.0 billion in OIFI assets in 2025, most of which were held by modarabah companies. The Securities & Exchange Commission of Pakistan (SECP) issued new guidelines to assist non-bank finance companies in designing and structuring Islamic financial products, including instalment plans and microloans, that could benefit consumers such as low-income households, farmers, and freelancers. Around 16-17% of the products offered by the country's 89 lending non-bank financial companies are Shariah-compliant. The initiative is also expected to support Pakistan's objective of achieving a fully Shariah-compliant banking sector by 2027-28.

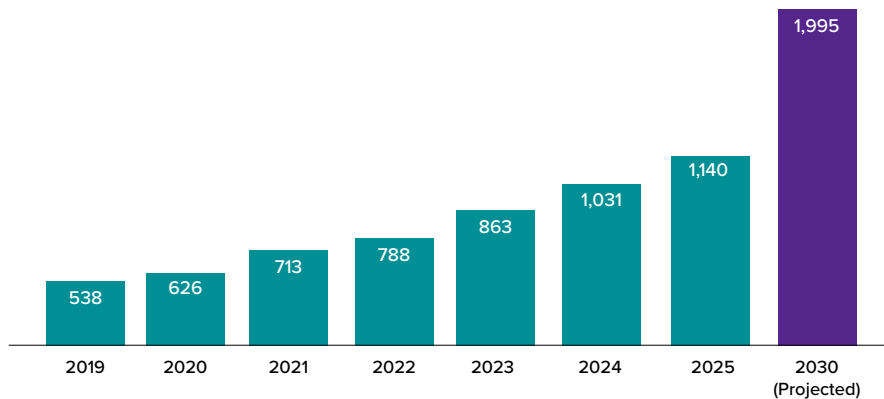
Geopolitical uncertainty poses funding and asset quality risks for OIFIs

As with other Islamic finance sectors, the ongoing conflict in the Middle East is causing funding and asset quality pressures for some of its companies. Potential disruptions to industries such as tourism and aviation, as well as weaker consumer spending across the Middle East, could affect the cash flows of borrowers served by non-bank financial institutions. At the same time, rising costs associated with shipping disruptions may place additional pressure on businesses that rely on financing from the sector.

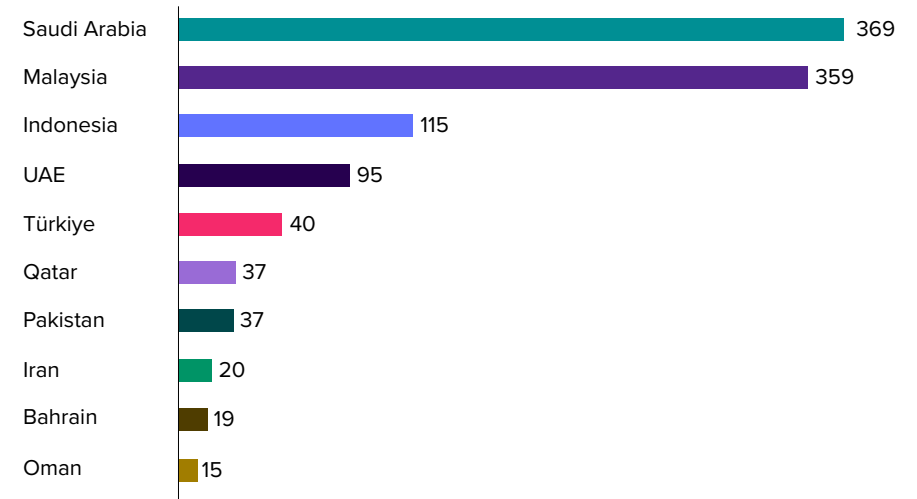




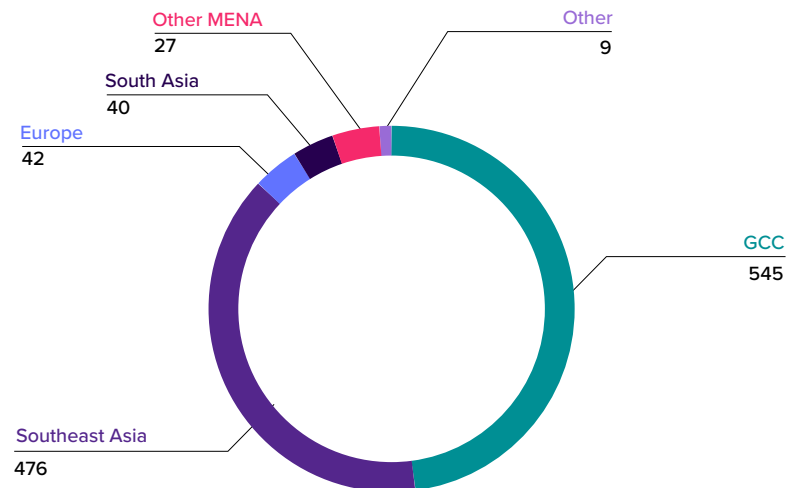
Sukuk value outstanding growth
(US\$ billion, 2019-2025)



Top countries by sukuk value outstanding
(US\$ billion, 2025)



Sukuk value outstanding by region
(US\$ billion, 2025)



Saudi Arabia takes the lead as GCC issuance drives sukuk growth

The global sukuk market maintained its record-breaking trajectory in 2025, with issuance rising by 14.5% year on year to US\$291.4 billion. Growth was driven primarily by a surge in GCC- based issuance, as prolonged lower oil prices and persistent global economic uncertainty intensified fiscal pressures across the region.

By the end of 2025, Saudi Arabia had become the world's largest sukuk market by value outstanding for the first time. Together, Saudi Arabia and Malaysia accounted for around two- thirds of global sukuk outstanding.

Strong sukuk demand draws in African sovereign issuers

While the ten largest markets make up 98% of total value outstanding, increasing issuance from smaller and newer markets, particularly in Africa, is gradually adding pockets of more diverse and higher yielding exposure.

A growing pipeline has been emerging, with several African governments announcing plans to issue sukuk in 2026, including Benin, Algeria, Nigeria and Senegal.

In January 2025, Benin issued its debut US\$500 million sukuk targeting international investors, which could be a turning point for Africa's sovereign issuers. The offering, combined with a US\$350 million conventional tranche, racked up an order book exceeding US\$7 billion, encouraging other African states to consider diversifying their funding bases through issuing sukuk.

Issuance across Africa remains modest but shows signs of broadening, reaching a total of US\$4.5 billion in 2025 compared with US\$1.7 billion in 2021. There has been a consistent, although small, presence from issuers in Egypt, Nigeria, Tanzania, Gambia and South Africa over the past five years.

Malaysia pilots tokenised sukuk, broadening retail investor access

Malaysia's tokenised sukuk market is estimated to reach US\$9 billion by 2030. By enabling fractional ownership, automation and faster settlement, tokenisation could reduce transaction friction, improve liquidity management and enhance capital efficiency.

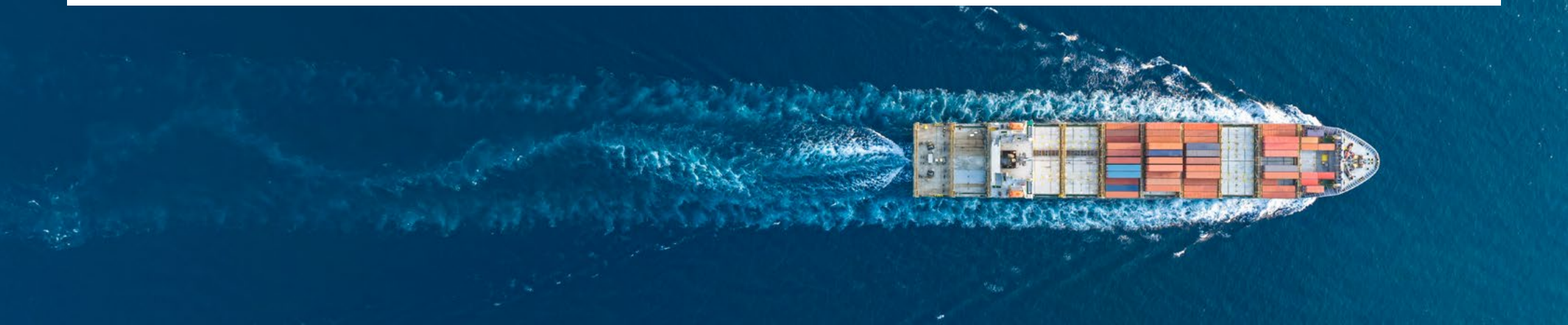
In 2025, the Securities Commission Malaysia and sovereign wealth fund Khazanah Nasional announced plans to introduce tokenised bonds and sukuk to broaden retail participation in Malaysia's capital market. Together, they issued Malaysia's first tokenised sukuk in May 2026, raising MYR 100 million.

In August 2026, CIMB Group completed a pilot testing the settlement of tokenised sukuk using tokenised deposits. The pilot was conducted under Bank Negara Malaysia's Digital Asset Innovation Hub, which was launched in 2025. As part of the pilot, CIMB Islamic Bank issued a MYR 1.68 billion wakala sukuk, comprising MYR 1.38 billion in tokenised sukuk and MYR 300 million in traditional sukuk.

The key difference between the two issuances is that Khazanah tested putting the sukuk on the blockchain, while CIMB tested putting both the sukuk and the money used to pay for it on the blockchain.

Sukuk issuance to remain resilient despite regional tensions

In the short term, sukuk issuance is expected to remain resilient to the fallout from regional tensions, supported by the increasing funding requirements of GCC sovereigns facing weakened fiscal positions and continued strong investor demand for sukuk. However, activity is likely to be concentrated among larger sovereign and bank issuers, while smaller issuers may hold back until more favourable market conditions emerge.





Islamic funds



Total Islamic funds AuM in 2025

US\$
375bn



Total number of Islamic funds in 2025

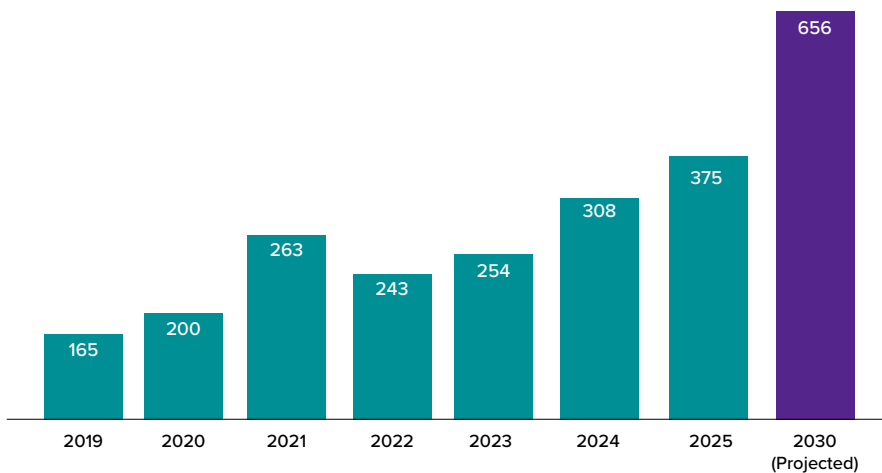
2,696



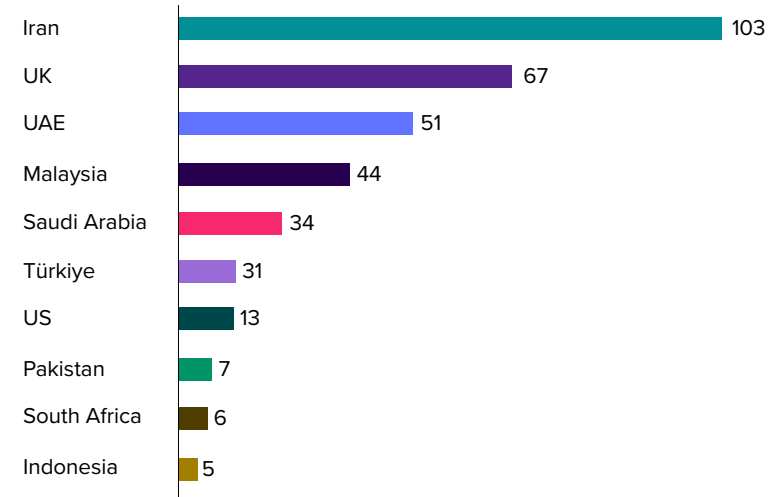
Y-o-Y growth in Islamic funds AuM in 2025

22%

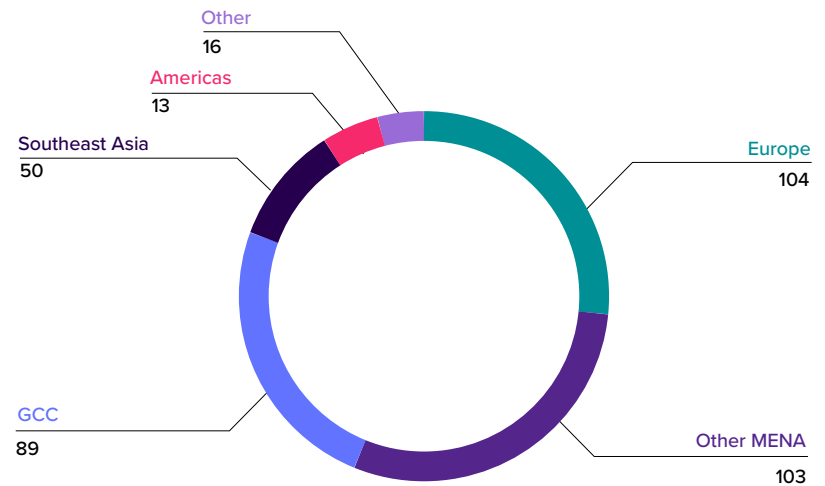
Islamic funds AuM growth
(US\$ billion, 2019-2025)



Top countries by Islamic funds AuM
(US\$ billion, 2025)



Islamic funds AuM outstanding by region
(US\$ billion, 2025)



Islamic fund growth accelerates on strong US equity performance

Islamic funds maintained strong growth in 2025, with total value rising 22% year-on-year to \$375 billion. A key driver of growth was the strong performance of US equities, the dynamics of which were particularly impactful given their dominance in the global Shariah-compliant equity universe.

Shariah-compliant funds expand beyond core markets

The launch of Shariah-compliant funds outside established Islamic finance centres accelerated in 2025, particularly across Africa, where large Muslim populations and growing interest in investment schemes are creating demand for more accessible, diversified investment products.

In Kenya, the Capital Markets Authority approved the Ziidi Shariah Money Market Fund, bringing the number of licensed firms offering Shariah-compliant unit trusts in

the country to seven. Distributed through M-Pesa, the fund lowers barriers to entry by allowing customers to invest and withdraw directly through their mobile wallets. In Nigeria, Afrinvest Asset Management launched a NGN2.5 billion Halal Fund, following the strong demand for Nigeria's sovereign sukuk, signalling an appetite for faith-aligned investments. South Africa is also seeing increased interest from retail investors, family offices and institutions. However, the limited and concentrated domestic Shariah-compliant equity universe continues to constrain diversification, encouraging managers to combine local and global exposure.

Singapore has also seen a similar trend. Singapore-headquartered Arta Finance launched globally available Shariah-compliant thematic portfolios, while Standard Chartered introduced multi-asset Signature CIO Islamic Funds combining global Islamic equities and sukuk. Both initiatives use international distribution networks to address demand for more diversified, professionally managed Shariah-compliant investment solutions.



Shariah-compliant pensions address gaps in retirement provision

Shariah-compliant pension solutions began to gain momentum in 2025, particularly in the UK, where limited product availability has contributed to lower workplace-pension participation among Muslims. Mercer and now:pensions announced lifestyle strategies offering different risk profiles, moving beyond the market's traditional reliance on a single Shariah-compliant equity fund. Aviva also launched a lifecycle strategy combining equities, sukuk and alternatives, enabling members to progressively reduce investment risk as they approach retirement. These developments address an estimated GBP12.8 billion retirement-savings gap among UK Muslims.

Similar efforts emerged in Bangladesh, where the National Pension Authority began assessing a Shariah-compliant option under the Universal Pension System in 2025, with technical support from the Asian Development Bank. The initiative advanced in September 2026 when the authority's board approved the proposal. Work is now underway on enabling legislation, actuarial analysis and a separate framework covering Shariah-compliant investments, fund management, profit distribution and risk controls.

Demand drives new Islamic funds, but US equity exposure heightens volatility

In the short term, strong demand and persistent product gaps should support continued, albeit constrained, Islamic fund launches, with growth potentially accelerating outside established markets as demand from underserved Muslim populations rises. However, the limited breadth of Shariah-compliant investment opportunities leaves many funds concentrated in US equities, particularly large-cap technology stocks, exposing their valuations and performance to heightened global market volatility and US equity cycles.



**Shariah-compliant pensions
could help close an
estimated GBP12.8 billion
retirement-savings gap
among UK Muslims**

03 Islamic finance ecosystem





Islamic finance governance landscape in 2025



No.
of countries with
central Shariah
board

23



No.
of Shariah
scholars with
institutional
representation

1,671



Share
of scholars
representing
single FI

75%



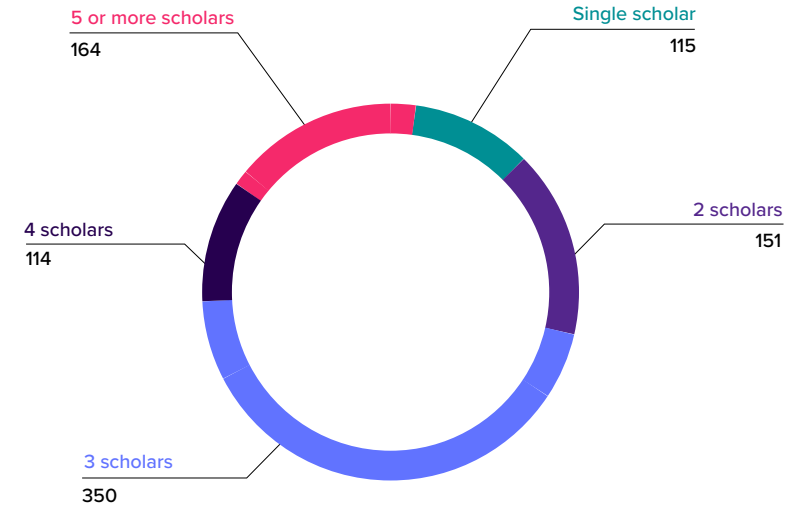
Average
disclosure index
by public Islamic
banks

72%

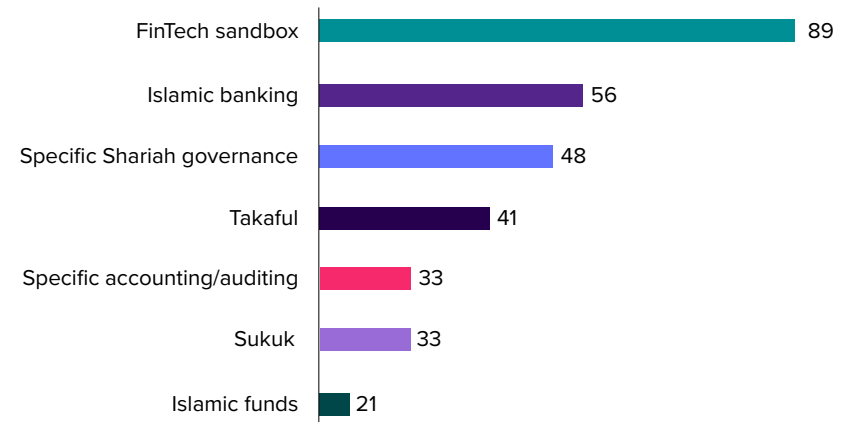
Top countries in governance metrics

Ranking	 No. of scholars with ≥ 1 board membership		 No. of institutions with ≥ 3 SSB members		 Disclosure index for public Islamic banks	
	Country	Number of scholars	Country	Number of IFIs	Country	Disclosure index
1	Bangladesh	202	Bangladesh	56	Oman	98%
2	Indonesia	171	Saudi Arabia	55	Malaysia	96%
3	Malaysia	166	Malaysia	52	Bahrain	95%
4	Saudi Arabia	118	UAE	43	UAE	94%
5	Pakistan	114	Kuwait	36	Jordan	94%

Breakdown of IFIs by size of Shariah board (2025)



Number of countries by regulation type (2025)



Regulatory frameworks continue to strengthen foundations of global Islamic finance

There was at least one form of Islamic finance regulation in 60 countries in 2025. Regulations may cover areas such as Islamic banking, takaful, sukuk, Islamic funds, Shariah governance, and specific accounting and auditing standards. Most countries with Islamic finance regulations have implemented at least five types of regulatory frameworks, with Islamic banking regulations the most common.

Africa is becoming increasingly active in regulating the sector. In 2025, Mozambique approved participatory finance regulations to establish Islamic finance activities under the supervision of the Bank of Mozambique. These may be conducted through either full-fledged Islamic banks or Islamic windows. Meanwhile, a directive issued by Central African Banking Commission (COBAC) required banks and microfinance institutions operating within the Economic and Monetary Community of Central Africa (CEMAC) region to align their Islamic finance activities with the regulatory framework by the end of 2025.

Sukuk regulatory reforms opening new opportunities across emerging markets

The number of countries with sukuk-specific regulations could increase beyond the 33 recorded in 2025. Kuwait is among the latest that introduced such legislation through a framework, Law No. 90 of 2026, regulating the issuance of government sukuk in both domestic and international markets. This is part of the country's broader efforts to diversify its economy and address its budget deficit, which had been stretched by lower oil prices prior to the Middle East conflict. It also follows the introduction of a new debt law in March 2025, authorising borrowing of up to KWD 30 billion (US\$97 billion) over a 50-year period.

In addition, the Philippines Securities and Exchange Commission (SEC) issued

guidelines on sukuk issuance, registration, and disclosure in February 2026. Also in the Philippines, the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) is also working to develop a regional sukuk framework that will complement the national framework introduced by the SEC, with the aim of fostering a domestic Islamic capital market.

Uzbekistan has again attracted attention as it moves towards introducing sukuk and other Islamic financial instruments under its new capital markets law. A draft law was reviewed by lawmakers in July 2026. One objective of the initiative is to make the country's capital market more attractive to both domestic and international investors. Uzbekistan's President, Shavkat Mirziyoyev, also announced plans to launch a sovereign sukuk in June 2026.

Shariah governance widens in Bangladesh as it strengthens oversight and independence

The number of scholars serving on Shariah supervisory boards surpassed 1,600 globally, with most representing up to three institutions. In addition, Islamic financial institutions typically have three scholars serving on their Shariah supervisory boards. However, it is noteworthy that many institutions in Bangladesh have more than three board representatives, with some having as many as eight. This may change following the introduction of new regulations prohibiting bank officials, directors, and their family members from serving on Shariah committees, which is expected to lead to the establishment of more independent Shariah supervisory committees.

Under the new guidelines, which came into effect at the beginning of 2026, Shariah committees are required to comprise three to five members, including Shariah experts, Islamic scholars, and professionals with experience in economics and banking.





Islamic finance sustainability landscape in 2025



Total value
of ESG sukuk
outstanding

US\$
73.2bn



Total value
of ESG Islamic
funds outstanding

US\$
10.7bn



Average
sustainability
disclosure
index

63%



No.
of countries with
sustainability
guidelines

60



Total CSR funds
disbursed

US\$
1.79bn

Top countries in sustainability metrics

Ranking	 CSR funds		 Sustainability disclosure index		 ESG sukuk		 ESG Islamic funds	
	Country	Amount disbursed (US\$ million)	Country	Score	Country	Value outstanding (US\$ million)	Country	AuM outstanding (US\$ million)
1	Saudi Arabia	1,110	Malaysia	96%	Saudi Arabia	20,016	US	8,677
2	Jordan	215	Oman	87%	UAE	17,980	Malaysia	1,377
3	Kuwait	183	Pakistan	87%	Malaysia	17,676	UK	393
4	UAE	79	UAE	83%	Indonesia	13,199	Saudi Arabia	142
5	Bahrain	64	Maldives	83%	Bahrain	900	Türkiye	54

ESG sukuk register remarkable growth, while limited investment supply constrains ESG Islamic funds

ESG sukuk issuance reached a record \$23.8 billion in 2025, rising 54% year on year. Momentum was driven by a broader issuer base and stronger institutional uptake, alongside rising global demand for ESG labelled Islamic investments, increasingly extending beyond the traditional Islamic investor base.

Meanwhile, ESG Islamic funds saw solid continued growth of around 17% in 2025, reaching \$19.6 billion in total value. However, this still represented significant underperformance relative to the broader Islamic fund universe. The shortfall was primarily structural. ESG Islamic funds operate within a much narrower investment pool, concentrated mainly in equities with some sukuk exposure.

Sustainability-linked Islamic structures gaining traction in the UAE

Sustainability-linked financing is gaining traction in the UAE's Islamic finance market, with recent credit facilities structured either entirely on a Shariah-compliant basis or with dedicated Islamic tranches. Adoption has been most visible in real estate, where borrowers have significant funding requirements and a broad range of measurable sustainability indicators that can be incorporated into financing terms.

Aldar Properties secured two sustainability-linked revolving credit facilities comprising Islamic and conventional tranches. The first, an AED 9 billion facility completed in January 2025 with participation from 15 regional and international banks. A second AED 5 billion facility followed in April 2026, offered by ten lenders including Dubai Islamic Bank, Emirates Islamic and First Abu Dhabi Bank. In May 2026, Arada secured its first sustainability-linked facility, a five-year US\$100 million Shariah-compliant financing provided by First Abu Dhabi Bank.

Meanwhile, the sukuk market saw the introduction of the innovative sustainability-linked financing (SLF) sukuk. In September 2025, Emirates Islamic issued the world's first SLF sukuk, raising US\$500 million to fund a portfolio of general-purpose financings linked to borrowers' sustainability performance. Dubai Islamic Bank followed in November with a US\$1 billion issuance. The two transactions attracted order books of US\$1.2 billion and US\$2 billion, respectively.

JC3 strengthens the foundations for sustainable Islamic finance in Malaysia

In 2025, the Joint Committee on Climate Change (JC3) sharpened its focus on translating climate commitments into practical financing solutions, with an emphasis on mobilising capital, strengthening transition-finance standards and improving regional alignment. This direction could support Islamic finance by expanding the pipeline of eligible projects and providing clearer frameworks for Shariah-compliant green and transition financing.

JC3 launched the Climate Finance Innovation Lab in June 2025 to connect climate and nature-related projects with public, private and philanthropic capital, including through blended-finance structures and Islamic instruments. By January 2026, it had onboarded 30 projects requiring more than MYR 4 billion in funding. In December 2025, JC3 also introduced Sustainable and Transition Finance Guidance, providing banks with practical principles for assessing financing at both asset and entity levels, supporting more consistent origination and reducing greenwashing risks. Alongside this, JC3 is supporting the development of the Malaysia Taxonomy, which will adopt the ASEAN Taxonomy as its basis. JC3 will also develop practical guidance and tools for its local implementation, helping improve regional interoperability and reduce classification burdens for cross-border businesses. Together, these developments provide a clearer framework for scaling Shariah-compliant sustainable and transition.

Regional tensions slow momentum but reinforce the case for sustainable Islamic finance

In the short term, sustainable Islamic finance activity is likely to moderate as regional tensions shift issuer and government priorities towards immediate funding, liquidity and reconstruction needs. However, the slowdown is unlikely to be substantial: investor demand for ESG sukuk remains strong, while disruptions to oil production and exports have reinforced the need for GCC economies to diversify their energy sources, trade routes and economic bases.

Industry insight

Malaysia's sustainable Islamic finance ecosystem: Connecting capital with impact



**With Raja Amir
Shah Raja Azwa**

Chief Executive Officer, HSBC Amanah
Malaysia Chief Sustainability Officer, HSBC
Bank Malaysia

Malaysia has established one of the world's most comprehensive sustainable Islamic finance ecosystems, spanning financial institutions, capital markets, and social finance. Its strength lies not only in the breadth and depth of its market, but also in the way regulation, innovation, and collaboration connect capital with wider environmental, social, and economic priorities. Malaysia's experience offers valuable lessons for scaling sustainable Islamic finance around the world.

Regulatory environment connecting finance with wider outcomes

Malaysia has developed a supportive regulatory environment that has pioneered sustainable finance frameworks and taxonomies. This ecosystem is spearheaded by Bank Negara Malaysia (BNM), the Securities Commission Malaysia (SC), and the Labuan Offshore Financial Services Authority (Labuan FSA). These institutions have helped establish robust and facilitative regulatory foundations for sustainable Islamic finance.

Malaysia's sustainable Islamic finance ecosystem has been supported by the SRI Sukuk Framework, the SRI-Linked Sukuk Framework, and the Principles-Based Sustainable and Responsible Investment Taxonomy. These frameworks provide guidance for sustainable capital raising and investment. BNM's Value-Based Intermediation (VBI) and the SC's Maqasid al-Shariah Guidance have further embedded sustainability considerations in Islamic finance practices. They help connect financial activity with broader outcomes for society, the economy, and the environment.

Targeted initiatives including the Low Carbon Transition Facility (LCTF), Green Technology Financing Scheme (GTFS), and i-CITA programme have expanded financing support for low-carbon, climate, and food security projects, and have helped translate policy objectives into practical financing solutions for businesses and communities.

The impact of this regulatory foundation is visible in Malaysia's sustainable sukuk market, which is among the world's largest. Malaysia's Islamic capital market also provides the flexibility to use sukuk not only to refinance completed projects, but also to fund the construction phase of greenfield projects. This can be particularly important in sectors where substantial capital is required before a project generates revenue.

An ecosystem built on partnership and innovation

Regulatory support has also enabled innovations such as ESG-linked investment accounts, waqf-based investment products, and Islamic social finance. One example is i-Tekad, a flagship programme coordinated by BNM. The programme combines commercial microfinance, zakat, waqf, and structured business training to empower low-income micro-entrepreneurs. It illustrates how commercial and social finance can work together to address practical economic needs.

Malaysia's Islamic finance ecosystem also encourages collaboration and innovation in product design and structuring. It brings together diverse financial participants from commercial banking, capital markets, and Islamic social finance.

Examples include the VBI Community of Practitioners and the SC's Maqasid al-Shariah Task Force for Islamic Capital Markets.

These initiatives create opportunities for market participants to share knowledge, develop common approaches and improve the quality of sustainable finance solutions. They also show that market development is not driven by regulation alone; it depends on sustained collaboration across institutions and sectors.

Malaysia contributes to the global development of sustainable Islamic finance through international knowledge sharing initiatives and specialised institutions such as INCEIF University. These platforms help share experience, strengthen market capability, and support the development of sustainable finance beyond Malaysia.

Innovation broadening the sustainable Islamic finance opportunity

Malaysia is developing thematic sustainable Islamic financial solutions across key sectors as it transitions towards a Net Zero economy. The Sustainable and Transition Finance Guidance (STFG) published by the Joint Committee on Climate Change (JC3) gives banks practical principles for assessing assets and entities, thereby strengthening the credibility of sustainable and transition finance decisions. Green and sustainability sukuk remain important instruments. With the introduction of the ASEAN Taxonomy, transition sukuk

could also help high-emitting sectors to finance credible decarbonisation pathways while remaining aligned with recognised sustainability criteria.

Sustainable finance is also being applied to natural capital protection, with proceeds ring-fenced for conservation. Potential instruments include biodiversity and blue sukuk, which focus on forest, ocean, and freshwater ecosystems. Other opportunities include new economy infrastructure such as green data centres, advanced semiconductor manufacturing hubs, large scale solar plants with batteries, and the ASEAN Power Grid. These areas require significant investment and could benefit from financing structures that link capital deployment with measurable sustainability outcomes.

Tokenisation and blockchain could widen participation in sustainable finance by making ESG data more transparent, timely, and investable across carbon markets and green finance. By integrating issuance, trading, and settlement directly onto digital ledgers, this approach could lower administrative costs and shorten settlement times. It could also enable fractional ownership and broaden retail investor participation in the sukuk market.

The benefits will depend on the quality of the underlying data, the strength of investor protections, and the development of appropriate regulatory standards. Technology can improve access and efficiency, but it cannot replace robust governance or credible impact reporting.

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Malaysia's experience offers valuable lessons for scaling sustainable Islamic finance around the world

Opportunities and challenges in scaling sustainable Islamic finance

Sustainable Islamic finance has significant potential to support other countries, which can learn from Malaysia's experience as their needs evolve. Muslim-majority countries in particular face interconnected challenges involving poverty, climate vulnerability, and dependence on fossil-based industries. Addressing these challenges requires financing solutions that combine commercial discipline with social and environmental purpose.

The scale of the challenge is evident in several areas:

- **Economic poverty:** Of the 44 UN-designated Least Developed Countries, around half are member states of the Organisation of Islamic Cooperation (OIC).
- **High vulnerability to climate impacts:** Nearly 80% of the world's poor, many of whom are Muslims, live in areas exposed to climate hazards, including densely populated river deltas and coastal cities facing more frequent severe flooding and rising sea levels.
- **Structural dependence on fossil-based industries:** Many of the world's largest proven oil and gas reserves are located in OIC countries, with several major OIC economies continuing to depend significantly on fossil-based industries.

Many OIC nations have committed to achieving Net Zero and transitioning their economies through their nationally determined contributions (NDCs). The World Bank has estimated that more than US\$1 trillion will be needed by 2050 for climate action across OIC countries, highlighting the scale of the financing challenge.

Malaysia has committed to an absolute, economy-wide greenhouse gas emissions reduction of 15-30 million tonnes of CO₂e by 2035 from its peak level. According to Malaysia's National Energy Transition Roadmap (NETR), achieving this transition will require financing of up to MYR 1.85 trillion by 2050.

In our observation, demand in Malaysia for sustainable Islamic financing is strongest amongst issuers with eligible green or social projects and companies pursuing Net Zero commitments. However, labelled instruments require additional frameworks, reporting obligations, and scrutiny. As a result, some issuers may prefer non-labelled financing structures, even when they have projects that could qualify for a sustainable label.

Opportunities are also emerging in specific high-emitting sectors. For instance, the European Union's Carbon Border Adjustment Mechanism (CBAM), together with discussions by other countries on carbon pricing, effectively places a price on emissions embodied in exports. This is likely to encourage supply chain decarbonisation and increase demand for transition finance.

Sustainable Islamic finance across the full spectrum of financing solutions will need to play a critical role in addressing climate mitigation, climate adaptation, and development finance gaps in these countries. Its effectiveness will depend on whether it can support a sustainable and just transition while remaining accessible to issuers, investors, and communities.

Addressing uncertainty and bankability

The market is operating amid greater political and regulatory uncertainty around ESG initiatives. This may lead some sukuk issuers to allocate proceeds to sustainable projects without labelling their issuance to avoid potential investor pullback. Regulatory fragmentation can also make transition planning more difficult by creating different expectations across markets.

Shortages in bankable project pipelines continue to limit sustainable finance deployment. Climate projects often require large upfront investments but lack clear and predictable revenue streams. The challenge is therefore not only to mobilise capital, but also to develop projects that can attract it.

Bankability is a particularly important consideration. Repayment for use-of-proceeds sukuk depends on the issuer's creditworthiness. By contrast, project finance transactions rely on project cash flows and therefore require different risk assessment, contractual protections, and sources of support.

The greatest difficulty arises with adaptation projects such as flood defences and mangrove restoration, and with emerging technologies such as carbon capture and green ammonia. These projects can generate substantial environmental benefits but limited near-term revenues. They may therefore require blended finance structures, government guaranteed tranches, or concessional funding. Sustainable labels can broaden investor participation and improve transparency, but they do not by

themselves make projects bankable. Strong project preparation, credible revenue models, appropriate risk allocation, and reliable impact measurement remain essential.

From capital to impact

Realising the full potential of sustainable Islamic finance will require coordinated action across the ecosystem. Regulators can provide clear, consistent frameworks; financial institutions can structure solutions that align Shariah principles with commercial viability and measurable outcomes; investors can support credible projects with long-term capital; and businesses can strengthen their transition plans, data and reporting.

The priority now is to turn ambition into investable, bankable projects. By combining commercial discipline with environmental and social purpose, stakeholders can strengthen market confidence, mobilise capital at scale and help deliver a more sustainable and inclusive transition.

Raja Amir Shah Raja Azwa

Chief Executive Officer, HSBC Amanah

Malaysia Chief Sustainability Officer, HSBC

Bank Malaysia

Raja Amir has been Chief Executive Officer of HSBC Amanah since 2021 and HSBC Bank's Chief Sustainability Officer since 2024. He leads the execution of HSBC Group's Islamic Banking strategy in Malaysia, while driving sustainability and Value-Based Intermediation (VBI) initiatives. He has more than 18 years' experience in corporate financing, advisory, and sustainability, with particular expertise in Islamic banking and the international and Malaysian sukuk markets.

He serves as a council member of the Association of Islamic Banking and Financial Institutions Malaysia (AIBIM) and chairs SC4 under the Joint Committee on Climate Change (JC3), which focuses on industry engagement and capacity-building. His other appointments include membership of the ASEAN Joint Sustainable Finance Working Group Industry Advisory Panel, the Board of Trustees of the INCEIF University, and the PACE working group supporting Malaysia's National Sustainability Reporting Framework. In 2026, he became Chairman of the Association of Sustainability Professionals of Malaysia and the Malaysia International Islamic Financial Centre Business Network. He also represents HSBC on the High Level Working Group on Green and Sustainability Sukuk.

Under his leadership, HSBC Amanah established the Triple Bottom Line Framework in 2022 to align its financing portfolio with VBI principles and the UN Sustainable Development Goals. The bank has received industry recognition including Malaysia's Best International Islamic Bank in 2024 and 2025, World's Best Islamic Structured Products House from 2024 to 2026, and World's Best International Islamic Bank in 2023 by the Euromoney Islamic Finance Awards. It was also named ESG Bank of the Year for seven consecutive years and Best Trade Finance Bank for eight consecutive years by the Asset Triple A Islamic Finance Awards. Raja Amir was personally recognised as Islamic Banker of the Year in 2024 and received the UN Global Compact's Sustainability Icon Award (Corporate) in 2022.

Previously, he was HSBC Bank Malaysia's Country Head of Debt Capital Markets for 11 years, originating landmark bond, sukuk and syndicated loan transactions across Asia. He began his career in London's technology sector, moved into corporate finance in 2006, and joined HSBC Amanah in 2010.



Islamic finance knowledge and awareness landscapes in 2025



No. of IF education providers

1,163



No. of IF degree providers

752



No. of IF research papers (2023-2025)

5,633



No. of IF journals

372



No. of IF in-person events

851



No. of IF virtual events

151



No. of IF news

15,009

Top countries in knowledge metrics

Ranking	Education		Degree		Research Papers		Journals	
	Country	Number of IF education providers	Country	Number of IF degree providers	Country	Number of IF research papers produced	Country	Number of IF journals
1	Indonesia	536	Indonesia	433	Indonesia	4,538	Indonesia	324
2	Pakistan	134	Pakistan	33	Malaysia	303	Malaysia and Saudi Arabia	9
3	Saudi Arabia	60	Malaysia	31	Türkiye	182	Türkiye	8
4	Malaysia	47	Saudi Arabia	29	Iran	127	Iran and Pakistan	5
5	UAE	45	Türkiye	24	Pakistan	120	UK and US	3

Top countries in awareness metrics

Ranking	In-person events		Virtual events		News	
	Country	Number of In-person events	Country	Number of virtual events	Country	Number of news mentions
1	Pakistan	446	Kuwait	35	Saudi Arabia	3,557
2	Indonesia	116	Pakistan	29	Malaysia	2,063
3	Brunei	31	UAE	10	UAE	2,024
4	Türkiye	27	Indonesia	9	Bahrain	1,196
5	Malaysia	21	Saudi Arabia	8	Qatar	855

Islamic finance knowledge remains concentrated, while talent gaps persist in emerging regions

The Islamic finance industry's knowledge ecosystem was supported in 2025 by 1,163 education providers across 66 countries, including 752 providers offering Islamic finance education courses. Some of these institutions collectively contributed to more than 4,500 Islamic finance-related research papers and 372 Islamic finance-related journals. Research papers were authored by individuals affiliated with institutions in 59 countries. The knowledge landscape continues to be dominated by a number of key markets, mainly Indonesia, Malaysia, Saudi Arabia, Türkiye, and Pakistan.

From a regional perspective, 52% of Islamic finance education providers are concentrated in Southeast Asia, followed by South Asia with 15% and the GCC with 12%. In terms of Islamic finance research output, Southeast Asia accounted for 87% of total research activity, followed by the Other MENA region and Europe, each with a 4% share.

Regions such as sub-Saharan Africa continue to experience shortages of qualified Islamic finance professionals and require further investment in training and capacity-building programmes to address this gap. The region, which is seeing a growing number of Islamic banking institutions, particularly Islamic banking windows, is home to only 57 Islamic finance education providers across 17 countries, with Nigeria accounting for the largest number at 10 providers. Recent initiatives, such as the partnership between the Islamic Development Bank Institute (IsDBI) and Tanzania's Centre of Islamic Finance, Compliance and Advice (CIFCA), are also helping to strengthen the Islamic finance knowledge ecosystem. In terms of research output, institutional affiliations from the region produced 71 Islamic finance-related research papers between 2023 and 2025, of which 32 originated from Nigeria.

AI, talent development, and geopolitical risks are reshaping Islamic finance dialogue

Islamic finance awareness was supported by more than 15,000 news articles published during 2025, covering 98 countries, as well as 851 in-person events hosted across 62 countries, and 151 virtual events conducted in 31 countries. Regionally, the GCC dominates the news landscape, while South Asia hosted the highest number of Islamic finance events, both in-person and virtual, driven largely by Pakistan's awareness initiatives as the country continues its transition towards a riba-free financial system.

While general Islamic finance awareness programmes across different markets remain the primary driver of industry events, several notable themes emerged during 2025 across conferences, events, and media coverage. Artificial intelligence (AI) has become a recurring topic at major industry conferences, with discussions focusing on areas such as AI governance, Islamic fintech innovation, and the impact of AI on Islamic capital markets. In addition, talent development in an era of disruption and innovation has emerged as a strategic priority, with industry stakeholders exploring ways to prepare the workforce for the future of Islamic finance. These themes have also become increasingly prominent within Islamic finance research publications and will continue to do so.

Looking ahead, recent geopolitical developments are expected to become a growing area of focus for industry events, media coverage, and academic research. Future discussions are likely to examine the relationship between evolving geopolitical risks, financial stability, and Islamic finance. Potential areas of analysis include the impact of energy price shocks, supply chain disruptions, and sukuk market volatility. In-person events may also be affected by travel disruptions, potentially resulting in the postponement or cancellation of events in affected regions.

Industry insight

From foundations to frontiers:

Education as the growth engine of next-generation Islamic finance

A growing industry faces a capability challenge

Islamic finance is entering a decisive phase, combining global scale and institutional depth with growing relevance to the digital and sustainable economy. Since the first modern commercial Islamic bank was established in 1975, the industry has expanded to approximately US\$6.5 trillion in assets across 98 countries. Islamic banking represents 71% of total Islamic finance assets, while outstanding sukuk surpassed US\$1.1 trillion in 2025.

The trajectory is equally significant. Global Islamic finance assets are projected to reach approximately US\$10.5 trillion by 2030, implying average annual growth of around 9%. Islamic banking assets alone could approach US\$7.3 trillion, while sukuk outstanding could rise towards US\$2.0 trillion.

Yet expansion is not only a measure of market success; it is a capability challenge. An industry surpassing US\$10 trillion and rising will need professionals who can connect Shariah reasoning with artificial intelligence, digital finance, sustainability, risk management, financial analysis, and responsible innovation.

Education must therefore move from the margins of the ecosystem to its centre, becoming one of the principal engines of the industry's next stage of growth.

From product knowledge to future capability

That shift begins by protecting the discipline's foundations while extending their application. Islamic finance education rightly emphasises Shariah principles, Islamic commercial jurisprudence, contractual structures, and the prohibition of *riba*, *gharar* and *maysir*. These remain essential, but

future professionals must do more than identify whether a transaction uses *murabaha*, *mudarabah*, *musharakah* or *ijarah*.

They will increasingly encounter algorithmic credit decisions, automated compliance, digital assets, tokenised investments, climate-related financial risks, and real-time market data. The central question will no longer be only whether a structure is permissible, but whether it is also transparent, inclusive, viable, secure, and aligned with the wider objectives of Shariah.

The educational infrastructure already has scale: the Islamic Finance Development Indicator identified 1,163 education providers and 5,633 research papers produced between 2023 and 2025. Yet scale does not prove readiness. The decisive test is whether education converts knowledge into professional capability, research into innovation, and principles into measurable value.

AI and digitalisation as instruments of purpose

Closing that capability gap requires direct engagement with the technologies reshaping financial services. Artificial intelligence is influencing credit assessment, fraud detection, customer engagement, investment analysis, portfolio management, and regulatory compliance as these functions become increasingly data-driven and automated.

Recent GCC research reports a positive relationship between fintech adoption and bank stability, while indicating that Islamic banks may show comparative resilience to technological disruption because of their risk-sharing and asset-backed characteristics. This creates a strong platform for purposeful, value-driven innovation.

Used well, AI can lower service costs, identify emerging risks, and personalise finance. Alternative data can support underserved customers, while blockchain and tokenisation can strengthen ownership and transaction verification. Digital platforms can also embed Shariah-compliant services in the everyday activities of consumers and enterprises.

However, efficiency is not the same as responsibility. An automated decision may still be opaque or unfair, and a digital product may be Shariah-compliant in structure without advancing inclusion, transparency, or shared prosperity.

Students must therefore learn to examine algorithms as carefully as contracts. Programmes should build practical capability in financial data, AI governance, model risk, blockchain, cybersecurity, and digital-product design, not to turn every graduate into a programmer, but to ensure that every graduate can operate responsibly and confidently in an AI-enabled financial system.

Sustainability as a field of innovation

The same principle of purposeful innovation applies to sustainable finance. At the end of 2025, ESG sukuk outstanding reached US\$73.2 billion, with global issuance increasing by 11.5% during the year. More than 50% came from GCC-based banks, highlighting the region's growing influence in sustainable Islamic capital markets.

Islamic finance has a strong values-based foundation for this transition through its emphasis on stewardship, fairness, transparency, and social responsibility. Yet ethical alignment alone will not establish leadership; those values must be translated into credible structures, data, and outcomes.

Research on Islamic finance development and bank ESG performance suggests that the industry's contribution is currently more visible in social than environmental outcomes. Future graduates must be equipped to extend these social strengths into climate finance, environmental measurement, sustainable infrastructure, and credible impact reporting.

This raises the professional standard. Graduates will need to assess eligible green assets, structure sustainable sukuk, interpret emissions data, evaluate climate-related risks, and distinguish genuine impact from greenwashing. Sustainability should therefore be embedded across investment, risk, governance, and product design rather than confined to a reporting exercise.

Bahrain and the GCC: Building the talent ecosystem

The GCC is well positioned to turn these priorities into a regional talent agenda. It accounts for around 41% of global Islamic finance assets and continues to play a central role in sukuk issuance, digital regulation and sustainable-finance development.

Within that regional opportunity, Bahrain begins from a position of institutional strength. The Kingdom ranked sixth globally in the 2026 Islamic Finance Development Indicator, with particularly strong scores in governance and awareness. It also recorded about US\$156 billion in Islamic finance assets in 2025 and led the public Islamic-bank disclosure index with a score of 95%.

These foundations give Bahrain an opportunity to build an integrated Islamic-finance talent ecosystem rather than a collection of separate programmes. Bahrain Polytechnic can play a strong role as an applied educational hub, linking universities, regulators, financial institutions, fintech companies, and standard-setting bodies. Its two LSEG Workspace FinTech Labs provide an environment in which curricula, professional pathways, research, and industry challenges can connect Shariah reasoning with financial practice, digital intelligence, sustainable impact, and leadership.

Within such a hub, classrooms and laboratories become testing grounds for responsible financial innovation. Using real market data and live regulatory or industry problems, students can evaluate AI-enabled decisions, structure sustainable instruments, and demonstrate how Shariah principles shape product design, risk assessment, and impact measurement. Partnerships should be judged not only by the knowledge transferred, but by the solutions, professional capabilities, and responsible innovations they produce.

Five capabilities for the emerging industry

To scale this applied model across institutions and programmes, a future-oriented Islamic finance curriculum should integrate five connected capabilities:

- 1. Principles and purpose:** Shariah reasoning, Maqasid Al-Shariah, ethics, and responsible judgement.
- 2. Financial practice:** Banking, treasury, investment, valuation, risk management, and capital markets.
- 3. Digital intelligence:** Artificial intelligence, data analytics, blockchain, cybersecurity, and digital-product design.
- 4. Sustainable impact:** Climate finance, ESG analysis, green and social sukuk, financial inclusion, and impact measurement.
- 5. Leadership and innovation:** Regulation, entrepreneurship, research, communication, and cross-sector collaboration.

Education as the strategic multiplier

Together, these capabilities position education as the strategic multiplier for an industry moving towards US\$10.5 trillion in assets by 2030. Growth will require more than capital, products, and technology; it will require professionals able to connect them with the values and purpose of Islamic finance.

AI may accelerate decisions, blockchain may strengthen traceability, digital platforms may widen access, and sustainable sukuk may mobilise capital for energy transition, infrastructure, and inclusive development. Their ultimate contribution, however, will depend on the knowledge, judgement, and integrity of those who design, regulate, and apply them.

Education is therefore not a supporting service but the mechanism that converts principles into practice and innovation into responsible value. Its task is to connect Shariah with technology, growth with sustainability, and ambition with accountability.

The future graduate should leave university not merely prepared to join the Islamic finance industry, but equipped to question, improve, and reshape it. The next frontier is therefore not defined by market size alone. It will be defined by whether education enables Islamic finance to convert its principles, capital, and technologies into a more intelligent, sustainable, and inclusive financial system.





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Dr Bilal Ahmad Pandow is Associate Professor of Finance at Bahrain Polytechnic. He has over 20 years of interdisciplinary experience spanning higher education, financial research, banking, consultancy, media, and the development sector. His academic and research interests encompass capital markets, corporate finance, fintech, climate finance, sustainable finance, and artificial intelligence in finance, with a particular focus on the Middle East and South Asia. At Bahrain Polytechnic, he contributes to applied research, industry engagement, curriculum development, and postgraduate initiatives, including the development of an MSc in Financial Intelligence in collaboration with Shanghai University.

Dr Pandow is an active researcher, author, editor, and academic mentor. His editorial leadership includes serving as Collection Editor for Wiley's "Climate Change: Towards a Sustainable Future", alongside editorial roles with Springer Nature, Taylor & Francis, Emerald, and Elsevier-linked initiatives. He has authored and edited books on AI, blockchain, and financial literacy, and published extensively in peer-reviewed journals. His contributions have earned several distinctions, including Bahrain Polytechnic's Best Researcher of the Year 2024 and Emerging Researcher Award 2023.

Beyond academia, Dr Pandow is deeply engaged in financial literacy, sustainability, environmental development, and community education, combining scholarly research with practical initiatives aimed at creating meaningful social impact.



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At Bahrain Polytechnic, Sayed contributes to initiatives that connect applied education, research, and industry practice, including work related to fintech laboratories and financial innovation. His interdisciplinary approach combines quantitative finance, technology, and applied problem-solving, with an emphasis on equipping learners with contemporary analytical and digital capabilities relevant to a rapidly evolving financial sector.

Sayed's broader academic and professional work reflects a commitment to strengthening the link between higher education, innovation, and industry, and to advancing practical, technology-enabled approaches to finance and financial education.

Methodology

Concept and background

The Islamic finance industry operates within a wider financial environment that is always evolving. For the industry to prosper, it will therefore need to constantly advance and innovate, not merely to maintain the strength of the core industry but to stay ahead of the curve. Islamic financial institutions, market players, regulators and other authorities have made determined efforts to seek out one another in order to improve industry cooperation and alignment. Reliable information and data are essential to the success of these efforts.

The IFDI is the definitive barometer of the current state of the industry across its fundamentals. It introduces a new way of measuring development by combining data on different elements of the industry into a single, composite indicator. The index assesses the performance of each of the industry's key areas in line with its inherent faith-based objectives, with data for national and industry-level components. The different components that make up the Indicator – Financial Performance, Governance, Sustainability, Knowledge, and Awareness – are of fundamental importance to the development of a global industry. The optimal level of development in any of the indicators or sub-indicators is pegged to a maximum score of 200.

The data employed in the IFDI (when aggregating data and computing indicator scores) are based only on publicly disclosed information and data provided by different authorities. This ensures both reliability and consistency in the results.

Key objectives

The indicator is a product of a number of key indicators measuring particular aspects of the industry. Breaking down the data into these different areas reveals the disparities and movements that are less visible in the wider-ranging, aggregated numbers.

LEVEL 1: GLOBAL INDICATOR

- Present one single indicator to show the pulse of the global Islamic finance industry's overall health
- Provide an indicator that is reliable and unbiased
- Inform Islamic finance stakeholders and investors about the industry's performance
- Gauge future industry growth

LEVEL 2: COUNTRY INDICATOR

- Assess the current state and growth potential of Islamic finance within each country
- Highlight the performance of Islamic finance institutions in particular markets
- Track progress and provide comparisons across different countries and regions

LEVEL 3: SPECIFIC INDICATOR

- Measure growth within different key areas of the industry
- Enhance Islamic finance market transparency and efficiency
- Identify issues that are preventing growth within the industry
- Help market players formulate practical solutions to face current obstacles
- Assist in setting new targets, goals and standards for Islamic finance institutions and regulators

Country list

IFDI 2026 covers 140 countries and dependencies with a presence in Islamic finance either directly or in other metrics such as news, education or events on the industry. These countries are divided into eight broad regions.

GCC (Gulf Cooperation Council)	Other MENA (Middle East and North Africa excluding the GCC)	Czechia	Spain	Cayman Islands	Lesotho
Bahrain		Denmark	Sweden	Chile	Liberia
Kuwait		Finland	Switzerland	Guyana	Malawi
Oman	Algeria	France	Türkiye	Jamaica	Mali
Qatar	Egypt	Georgia	Ukraine	Mexico	Mauritius
Saudi Arabia	Iran*	Germany	United Kingdom	Suriname	Mozambique
United Arab Emirates	Iraq	Greece	Other Asia	Trinidad and Tobago	Namibia
Southeast Asia	Jordan	Guernsey	Australia	United States	Niger
Brunei Darussalam	Lebanon	Hungary	Azerbaijan	Sub-Saharan Africa	Nigeria
Cambodia	Libya	Ireland	China	Angola	Rwanda
Indonesia	Mauritania	Italy	Hong Kong	Benin	Senegal
Malaysia	Morocco	Jersey	Japan	Botswana	Seychelles
Myanmar	Palestine	Kosovo	Kazakhstan	Burkina Faso	Sierra Leone
Philippines	Sudan	Latvia	Kyrgyzstan	Burundi	Somalia
Singapore	Syria	Liechtenstein	New Zealand	Cameroon	Somaliland
Thailand	Tunisia	Luxembourg	Russia	Chad	South Africa
Vietnam	Yemen	Macedonia	South Korea	Comoros	South Sudan
South Asia	Europe	Malta	Taiwan	Djibouti	Tanzania
Afghanistan	Albania	Netherlands	Tajikistan	Ethiopia	Togo
Bangladesh	Austria	Norway	Turkmenistan	Gabon	Uganda
India	Belgium	Poland	Uzbekistan	Gambia	Zambia
Maldives	Bosnia and Herzegovina	Portugal	Americas	Ghana	Zimbabwe
Nepal	Bulgaria	Romania	Bahamas	Guinea	
Pakistan	Croatia	Serbia	Bolivia	Guinea-Bissau	
Sri Lanka	Cyprus	Slovakia	Brazil	Ivory Coast	
		Slovenia	Canada	Kenya	

**In absence of sufficiently reliable and up-to-date financial data for Iranian Islamic financial institutions, 2025 asset values were carried forward from the previous reporting year. This approach was adopted to preserve country coverage and consistency within the dataset. Given the economic uncertainty associated with recent regional tensions and their potential impact on the Iranian rial, future revisions may result in significant changes to reported asset values when updated data becomes available.*

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Disclaimer

The data in this report are believed to be correct at the time of publication but cannot be guaranteed. Please note that the findings and conclusions that the report delivers are based on information gathered in good faith from both primary and secondary sources, the accuracy of which we are not always in a position to guarantee. The findings, interpretations and conclusions expressed in this report do not necessarily reflect the views of LSEG.

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At LSEG®, we build on our expertise and knowledge of Islamic finance to address key industry challenges and transform them into growth opportunities. Our Islamic finance business will enable your organisation to unlock its potential and explore strategic growth opportunities through our industry-leading market intelligence and customised solutions.

We offer tools and applications to capitalise on Islamic finance opportunities, including insights and analysis via Workspace, Shariah-compliant asset performance tracking, Islamic finance workflow solutions, and more. This includes over 13,800 active sukuk profiles, more than 30,000 stocks screened for Shariah compliance and profiles of over 2,000 Islamic finance entities.



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Our Islamic finance proposition provides access to exclusive market data, news and reports covering the latest trends in sustainability, including ESG data and scores for various asset classes covering funds, equities, banks, indices, and green and ESG sukuk.



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