

Insights Brief Series #3 | June 2026

US-Israel-Iran Regional Crisis 2026

Islamic Finance Outlook For OIC Countries

Sector profile | Impact by segment | Strategic options

DinarStandard
GROWTH STRATEGY RESEARCH & ADVISORY

Insights Brief Series

Sequential deep-dives across the OIC industry clusters, building on the macro framing of Brief #1

<p>BRIEF #1</p> <p>APRIL 2026</p> <p>OIC Overview</p> <p>Macro framing, scenarios, and the 11-cluster impact matrix.</p> <p>✓ ISSUED</p>	<p>BRIEF #2</p> <p>MAY 2026</p> <p>Food & Agriculture</p> <p>Sector profile, direct and domino impact, and options.</p> <p>✓ ISSUED</p>	<p>BRIEF #3</p> <p>JUNE 2026</p> <p>Islamic Finance</p> <p>Banking, sukuk, funds, takaful, the financial rails, and de-dollarisation.</p> <p>● THIS EDITION</p>	<p>BRIEF #4</p> <p>FORTHCOMING</p> <p>Retail & Textile</p> <p>Modest fashion, China+1, and nearshoring.</p> <p>FORTHCOMING</p>	<p>BRIEF #5</p> <p>FORTHCOMING</p> <p>Tourism & Hospitality</p> <p>Halal travel, aviation, and Gulf hospitality.</p> <p>FORTHCOMING</p>	<p>BRIEF #6</p> <p>FORTHCOMING</p> <p>Healthcare & Pharma</p> <p>Generic localisation and medical supply chains.</p> <p>FORTHCOMING</p>
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Methodology notes, data sourcing, and limitations of this analysis

This Insights Brief has been prepared by DinarStandard LLC (“DinarStandard”), a Strategy Insights, Inc. brand, for informational purposes only and does not constitute investment, legal, or policy advice. The analysis, opinions, and scenario-based projections contained herein are derived from publicly available data, proprietary research methodologies, and expert consultations conducted between March and April 2026.

All forward-looking statements are inherently uncertain and should not be construed as forecasts or guarantees of future performance. DinarStandard does not guarantee the accuracy, completeness, or timeliness of any third-party data cited herein and assumes no liability for decisions made based on this material. Given the rapidly evolving nature of the crisis, conditions may have materially changed since the data was collected and analysis was completed. Readers are advised to verify information independently before making decisions. Reproduction or redistribution of this document without prior written consent from DinarStandard is prohibited.

Key data sources include: IMF, World Bank, IEA, WTO, SESRIC, COMCEC, DinarStandard SGIE 2024/25, ITC Trade Map, UNCTAD, Oxford Economics, IRENA, LSEG Refinitiv, SIPRI, Goldman Sachs, FAO, UNHCR, SWF Institute, Lloyd's of London, and expert interviews.

All data points have been attributed to their original sources throughout the presentation. Where ranges are provided, they reflect variance across multiple source estimates.

Framing the core strategic question for OIC governments and corporates

KEY QUESTION

What are the medium-term (1–2 year) and long-term (3–5 year) strategic options for OIC* governments and corporates to achieve economic stability and growth amid the US-Israel-Iran regional crisis?

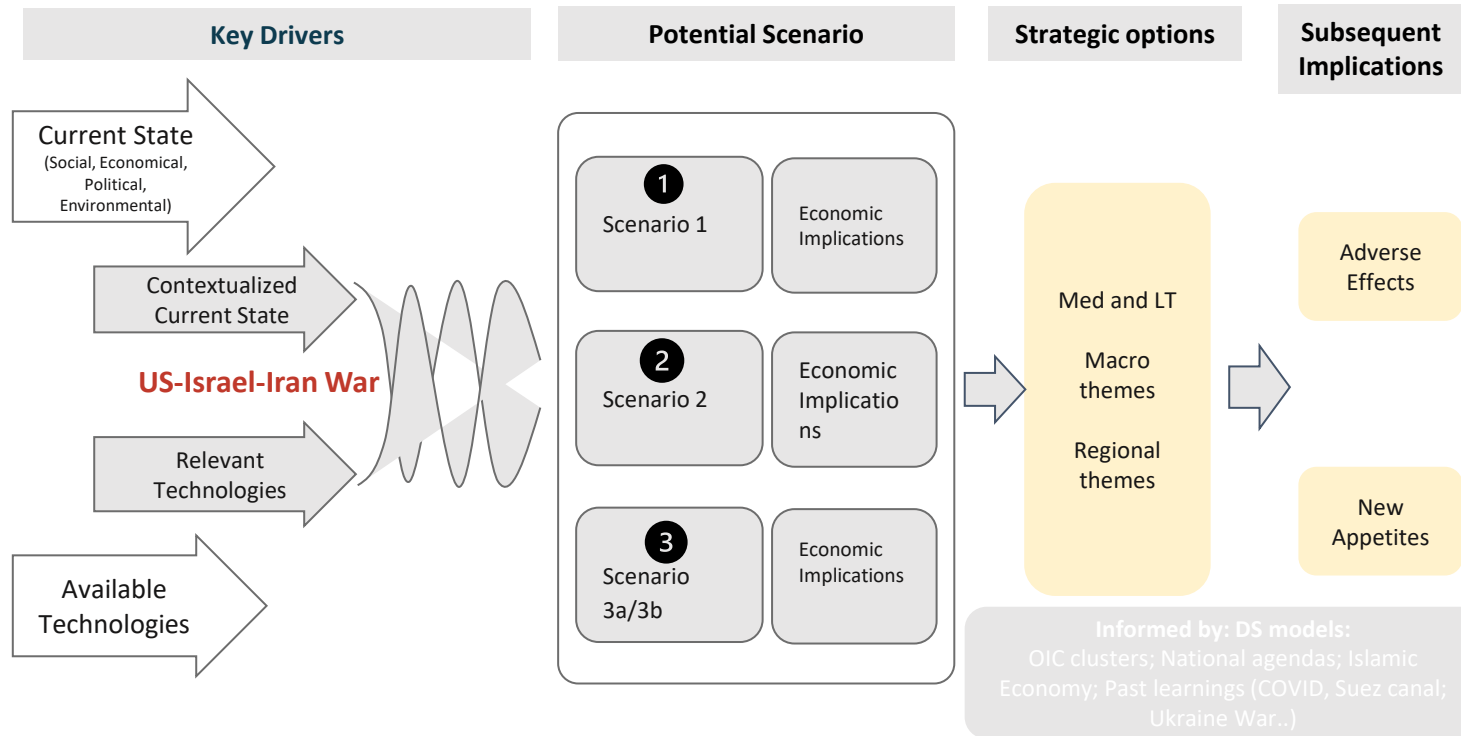
CONTEXT

The February 28 event and subsequent closure of the Strait of Hormuz triggered the largest oil supply disruption in modern history. **Energy is the primary economic driver from which cascading effects originate** — inflation, supply chain disruptions, fiscal strain, and food insecurity are all downstream consequences of the energy shock. **For finance, the shock now runs through the system itself, in bank margins, sukuk refinancing, and sovereign fiscal strain, which this brief examines.**

FOCUS: Medium-term (1–2 years) and Long-term (3–5 years) strategic options | Short-term crisis response excluded | *OIC: Organisation for Islamic Cooperation

Leveraging DinarStandard's proprietary Innovation Megatrends Framework to drive scenario analysis and strategic options

Adapted DS Innovation Megatrends Framework



EXPERT INTERVIEWS

Primary validation from senior economists at IsDB, Bank Indonesia, ICDT, and DinarStandard's global partner network spanning 50+ years of combined OIC advisory experience across trade, finance, and policy.

SECONDARY RESEARCH

Trusted global sources: IMF, World Bank, IEA, WTO, FAO, UNCTAD, SIPRI, Goldman Sachs, Oxford Economics, Lloyd's of London, and LSEG Refinitiv. All data points attributed per slide for independent verification.

AI USAGE

AI tools assisted with data synthesis, scenario modelling support, and drafting. All outputs reviewed, validated, and refined by DinarStandard's senior analysts and subject-matter experts.

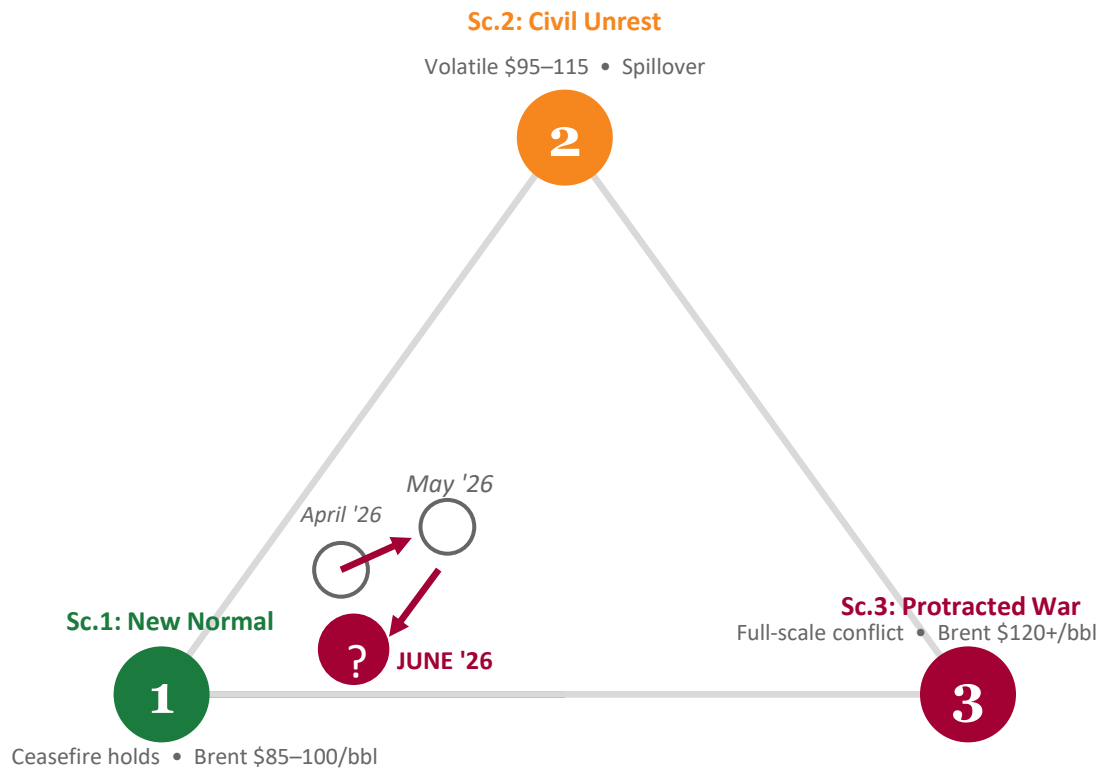
Output: Insights Brief Report format linked to a series of Roundtables. First Report sets macro framing; follow-up Updates cover sector/country level deep-dives.

Pulse Check — Where Are We Heading?

The crisis timeline through early June 2026, and where the trajectory sits across the three scenarios

<p>1 Sc.1: New Normal The ceasefire holds and trade reopens.</p>	<p>2 Sc.2: Civil Unrest Conditions stay volatile with spillover.</p>	<p>3 Sc.3: Protracted War Full-scale conflict continues.</p>
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- FEB 28** | US- and Israel-led strikes on Iran begin. Brent crude jumps 8 percent in two trading days, from \$71.3 to \$77.2 per barrel. (CRS, 2026)
- MAR 4** | Iran declares the Strait of Hormuz closed. About one fifth of the world's oil normally passes through the Strait. (CRS, 2026)
- MAY** | Oil eases about 20 percent from its peak on hopes of a deal. A draft US–Iran memorandum is largely negotiated. (CNBC, 29 May 2026; DinarStandard Brief #2)
- JUN 14–15** | The US and Iran announce a deal to reopen the Strait and extend the ceasefire 60 days, to be signed 19 June. (Al Jazeera; NBC News; OilPrice, 15 Jun 2026)
- JUN 25-29** | Tehran pulls out of technical talks citing Israeli strikes in Lebanon. US and Iran trade strikes.



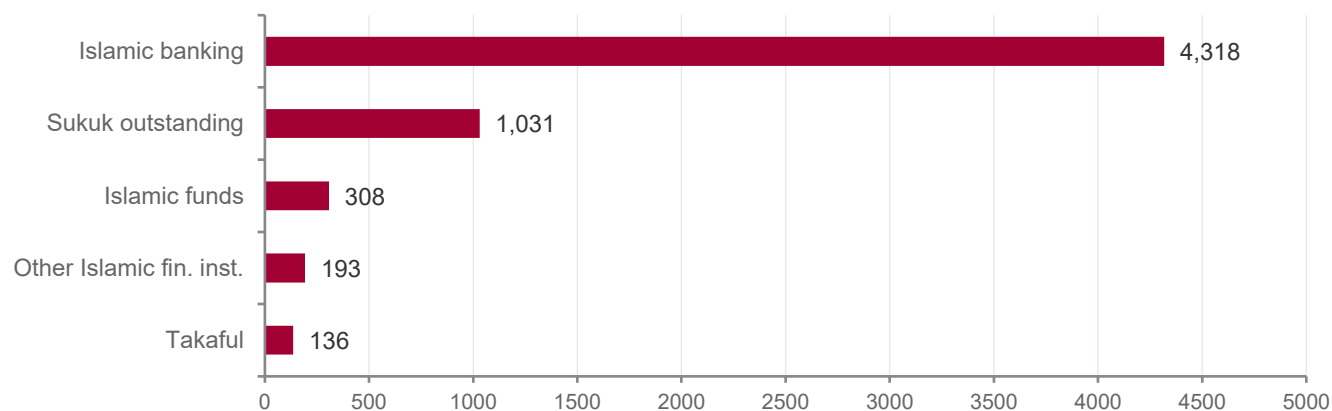
TREND TO WATCH: The 14–15 June deal points towards Scenario 1 (ceasefire holds). Mine clearing must finish within 30 days, and tankers may take weeks to return. However, can the Islamabad MoU survive renewed blows?

Pre-Crisis Baseline — Size and Structure

Each segment is measured in its own unit. Market size is a stock of assets. Value added is the contribution to GDP.

<p>Islamic banking</p> <p>TOTAL ASSETS</p> <p>\$4.32T</p> <p>72 percent of industry assets. Assets grew 17.1 percent in 2024. (ICD–LSEG; IFSB)</p>	<p>Sukuk</p> <p>OUTSTANDING + ISSUANCE</p> <p>\$1.03T</p> <p>Outstanding value passed \$1 trillion in 2024. Issuance reached \$264.8 billion in 2025. (ICD–LSEG; S&P)</p>	<p>Islamic funds</p> <p>ASSETS UNDER MGMT</p> <p>\$308B</p> <p>AUM per ICD–LSEG. The narrower IFSB measure is \$193.6 billion, up 9.2 percent in 2024.</p>	<p>Takaful</p> <p>CONTRIBUTIONS</p> <p>\$136B</p> <p>Assets per ICD–LSEG. Gross written contributions grew 15.4 percent in 2024. (IFSB)</p>
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Global Islamic finance assets by segment, 2024 (US\$ billion)



THE RAILS AND ENABLERS (BASELINE)

Beneath the four products sit the channels, enablers and rails that carry every transaction.

Channels: capital markets, brick-and-mortar banks, challenger banks, and digital banking and fintech.

Enablers: regulators and supervisors, AAOIFI Sharia standards, and education and talent.

Rails: payment systems, IILM liquidity management, clearing houses, and benchmark institutions such as the IsDB. Most cross-border flows still run on global dollar rails today.

R VA **\$1.9T** (20.6% GDP) INTRA-OIC TRADE **\$870B** FOOD DEFICIT NATIONS **28** (LIFD) CHOKEPOINT CONTROL **4 of 5** global oil transit ISLAMIC FINANCE ASSETS **\$5.98T** HALAL ECONOMY SPEND **\$2.43T** · 8.3% CAGR HALAL VA (OIC) **\$1.13T** (12.3% of GDP) 11 OIC CLUSTERS ~74% of OIC GDP MEMBER

Regions

- GCC**
SA AE BH QA KW +1 6
- South & Southeast Asia**
ID MY BN BD PK +2 7
- MENA (ex-GCC)**
EG MA TN LY DZ +8 13
- Central Asia**
TR KZ UZ KG TJ +4 9
- Sub-Saharan Africa ***
NE NG SO SN BJ +17 22

Islamic Finance · Brief #3 deep-dive

The four Islamic-finance segments, sized by 2024 assets (\$B).

Tiles sized by 2024 assets · click a segment for its impact · region to cross-filter

Islamic Banking

\$4.32T · 74.6%
Total assets

Islamic Banking Sukuk Islamic Funds / PE-VC Takaful

Sukuk

\$1.03T · 17.8%
Outstanding + Issuance

Islamic Funds / PE-VC

\$308B · 5.3%
Assets under mgmt

Takaful

\$136B · 2.3%
Contributions

Tile = segment · sized by 2024 assets (\$B) Islamic Banking Sukuk Funds / PE-VC Takaful

Segments

Fintech Overlay

CLUSTER FILTER ACTIVE Reset

OIC ISLAMIC FINANCE ASSETS (2024)

\$5.98T
LSE0-Refinitiv IFDI 2025 · +21% In 2024

Islamic-finance segments

select for impact >

Islamic Banking **\$4.32T**

TOTAL ASSETS

72% of industry assets **SLOWER LENDING, WEAKER LOANS**

Sukuk **\$1.03T**

OUTSTANDING + ISSUANCE

Outstanding passed \$1T in 2024 **ISSUANCE SLOWS; NEW MARKETS GAIN**

Islamic Funds / PE-VC **\$308B**

ASSETS UNDER MGMT

Mutual funds; PE/VC under-disclosed **NAVS FALL, THEN PART-RECOVER**

Takaful **\$136B**

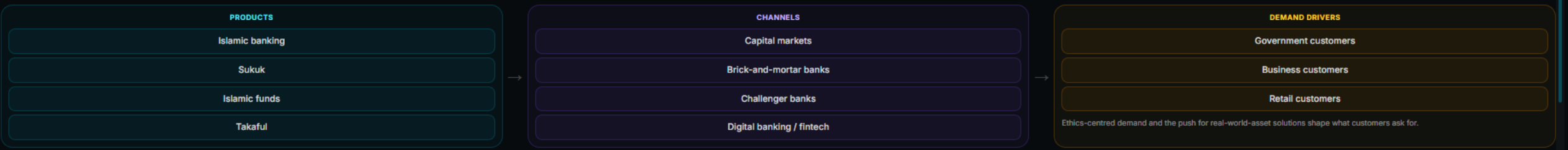
CONTRIBUTIONS

Gross written contributions **COSTS UP, BUT DEMAND UP**

Rails & Enablers

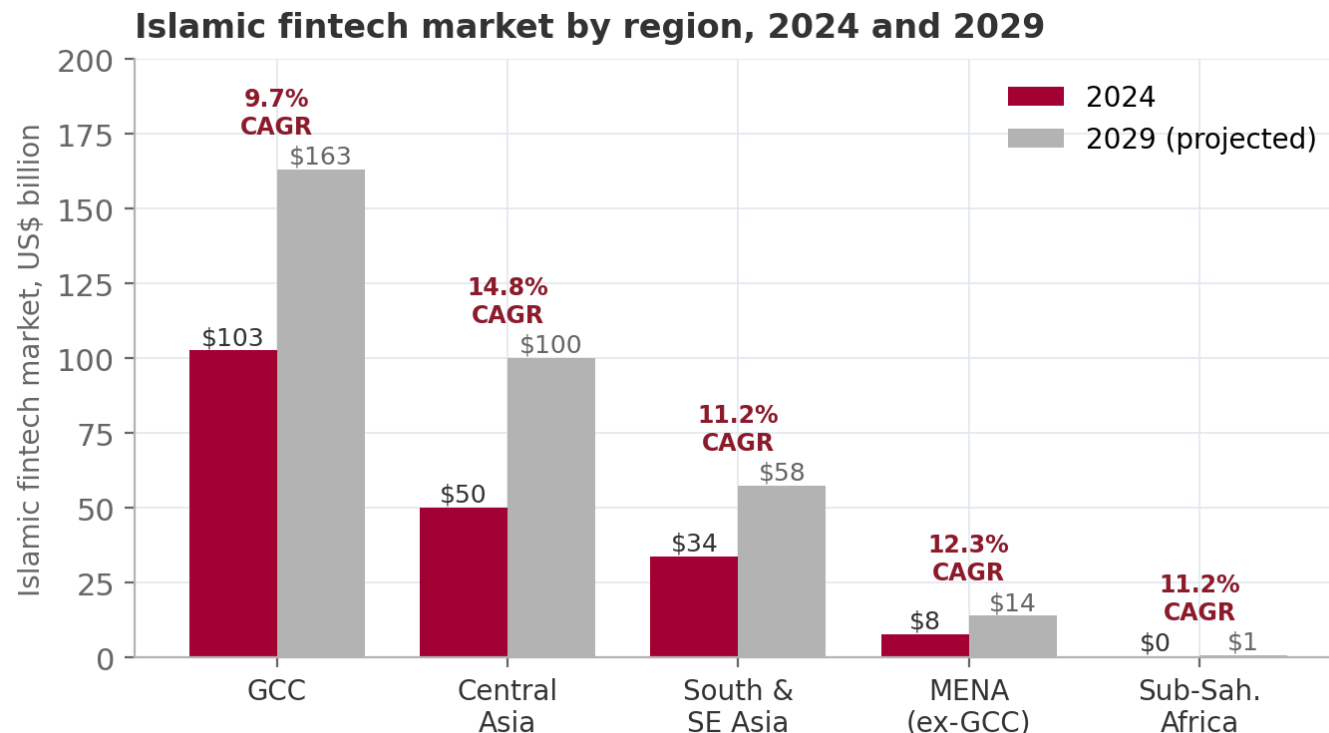
Full screen Collapse

The Islamic Finance Value Chain. Products reach customers through channels. Enablers and financial rails support the whole industry — the crisis can hit every layer.



The Digital Layer: Islamic Fintech

Islamic fintech is still small next to the conventional fintech market, but it is growing faster and it carries the financial rails that the crisis makes more valuable.



\$198B

Islamic fintech market in 2024, about 1.5% of the \$12.9 trillion conventional fintech market.

\$341B

Projected market by 2029.

11.5%

Yearly growth to 2029, ahead of the maturing Islamic finance industry.

Growth is led by the GCC and by Iran-heavy Central Asia, the same places where digital rails and settlement alternatives matter most during the crisis.

Source: DinarStandard i-Fintech dataset, 2024 estimates and 2029 projections. Regional totals cover the 28 of 57 OIC member states present in the data, so they understate the full market.

Two Types of Impact: Systematic vs Systemic

The crisis reaches Islamic finance through two mechanisms. Both must be tracked.

SYSTEMATIC IMPACT

MARKET PRICES

Prices and yields move within weeks.

- **Sukuk and bond yields**
GCC dollar yields hit five-year highs when the war began (Fitch).
- **Fund values**
Tadawul fell about 12 percent and Dubai about 17 percent in week one.
- **War-risk premiums (contributions)**
Marine cover jumped from 0.125 percent toward 0.4 percent of ship value.

SYSTEMIC IMPACT



Stress spreads through balance sheets over years.

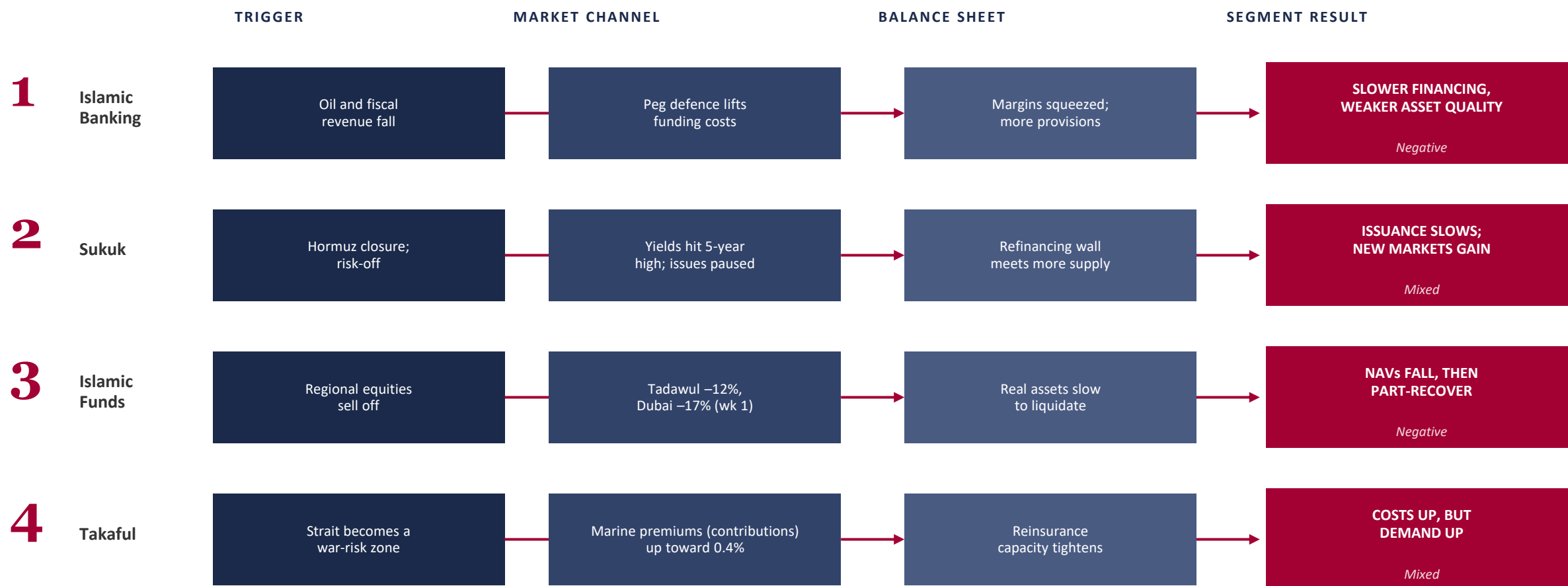
- **Bank Asset quality**
Slower GCC growth feeds problem loans; UAE banks took COVID-style provisions.
- **Refinancing wall**
Maturing sukuk must be refinanced while sovereigns issue more debt.
- **Sovereign drawdowns**
A long war forces SWFs to draw on liquid assets to cover deficits.

Systematic impact arrives in weeks. Systemic impact builds over quarters and years, and shapes the 2027–29 outlook.

Sources: Fitch Ratings (Mar 2026); Saudi Exchange / AGBI (2026); Maritime Executive (2025); S&P Global (May 2026). Systematic and systemic map onto the direct and domino channels used in Brief #2.

The Transmission Chain to Islamic Finance

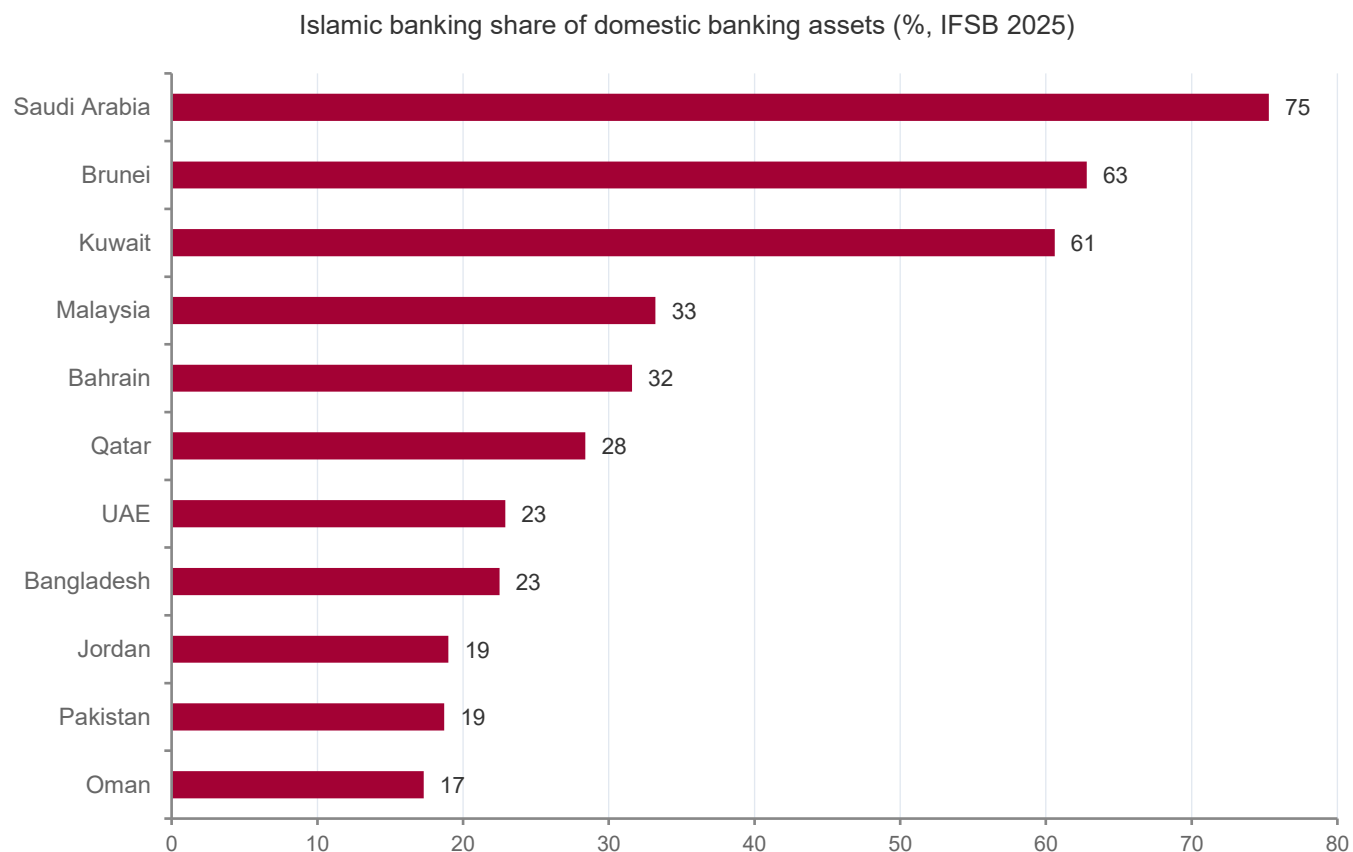
How the closure of the Strait of Hormuz flows through to each of the four Islamic finance segments



TREND TO WATCH: The 14–15 June US–Iran deal to reopen the Strait should ease the trigger and slow this chain, but the balance-sheet effects persist for quarters. Sources: Fitch; S&P; Saudi Exchange; Maritime Executive (2026).

Market Layer — Where Exposure Sits

Islamic finance is concentrated in a small set of markets. Where penetration is high, the crisis and the banking system are tightly linked.



Concentration is high.

Iran, Saudi Arabia and Malaysia together hold \$4.3 trillion, which is 72 percent of global Islamic finance assets. (ICD–LSEG, IFDI 2025)

The GCC is the centre of gravity.

The GCC holds 52.5 percent of global Islamic finance assets and produced 45 percent of sukuk issuance in 2025. (IFSB 2024; S&P)

Sukuk sit in two regions.

The GCC holds 46 percent of outstanding sukuk and Southeast Asia holds 44 percent. Malaysia leads with \$340 billion outstanding. (ICD–LSEG, IFDI 2025)

Penetration means linkage.

Islamic banking is systemically important, with more than a 15 percent market share, in 17 jurisdictions. In these markets, a banking shock and an Islamic finance shock are the same thing. (IFSB 2025)

Sukuk — Headline Issues

The capital market reprices first. New issues pause, investors diversify, and asset-backed structures face a real test.

HEADLINE 1

New issuance slows, led by foreign-currency deals.

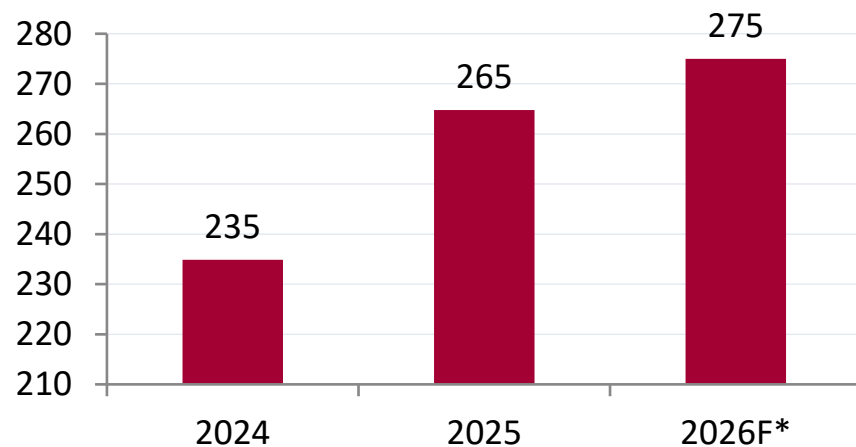
HEADLINE 2

Investors diversify, and new markets gain.

HEADLINE 3

Asset-backed structures face a real test.

Global sukuk issuance (US\$ billion, S&P)



THE FLIGHT TO QUALITY, IN NUMBERS

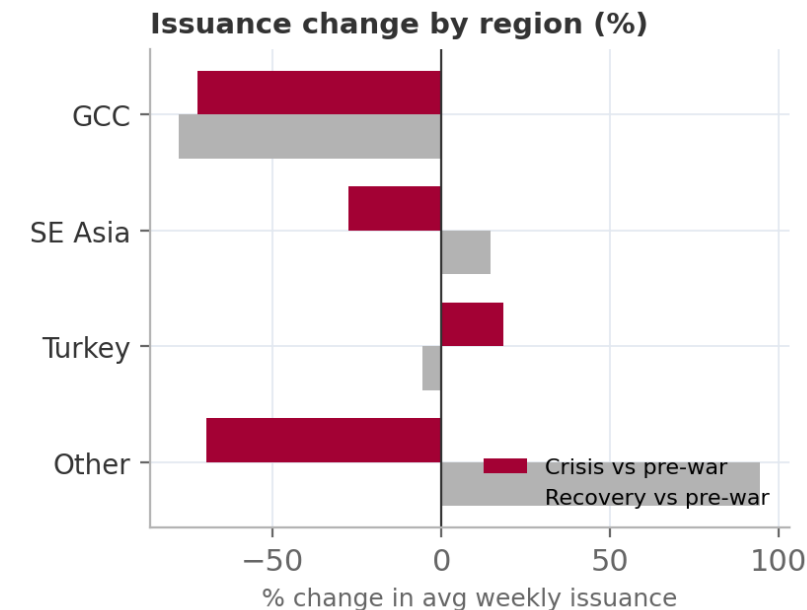
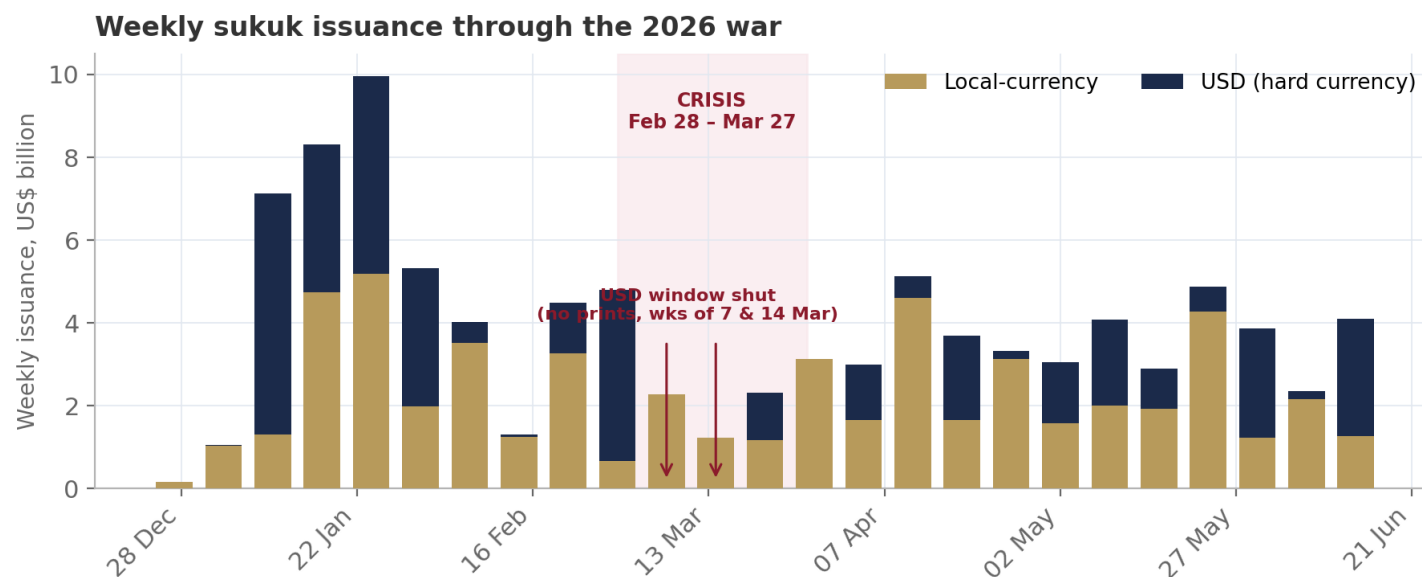
Banks park excess liquidity in high-quality liquid assets (HQLA) when risk rises. IILM short-term sukuk are rated A-1 by S&P and qualify as HQLA under Basel III.

During the war, IILM auctions stayed heavily oversubscribed. A \$1.29 billion auction on 4 March drew \$3.09 billion in bids, a bid-to-cover of 2.39 times. A \$925 million auction on 18 March was covered 2.43 times, which IILM's CEO described as a clear flight to quality. The same pattern appeared in March 2020, when a COVID-period auction was covered 1.9 times. (IILM, 2026; 2020)

*S&P forecast of \$270–280 billion, published January 2026 before the war. Q1 2026 actual issuance was \$62.4 billion, up from \$52.6 billion a year earlier.

Sukuk Issuance: the Dollar Window Froze

Total issuance fell about 47% at the peak of the crisis, but almost all of the damage hit the cross-border dollar market.



- **The dollar window shut hardest.**

There were no benchmark dollar prints in the weeks of 7 and 14 March, around the closure of the Strait of Hormuz.

- **Local-currency markets stayed open.**

Malaysia, Indonesia and Turkey kept issuing through the stress and recovered to within about 12% of their pre-war pace.

- **The protection is segmentation.**

Domestic, local-currency funding is insulated from the dollar-funding freeze that hits the cross-border market in an oil shock.

Source: LSEG SukukNow, pull 27 Jun 2026 (8,396 issues). Caveat: new-issue dollar yields appear to fall through the crisis, but this reflects only the strongest issuers being able to print, not cheaper funding for the whole market.

Islamic Funds — Headline Issues

Fund values move first, sovereign wealth funds move slowly, and real assets are hard to sell in a hurry

HEADLINE 1

Fund values move first.

HEADLINE 2

Sovereign wealth funds move slowly.

HEADLINE 3

Real assets are hard to sell in a hurry.

MARKET SIZE (2024)

\$308B

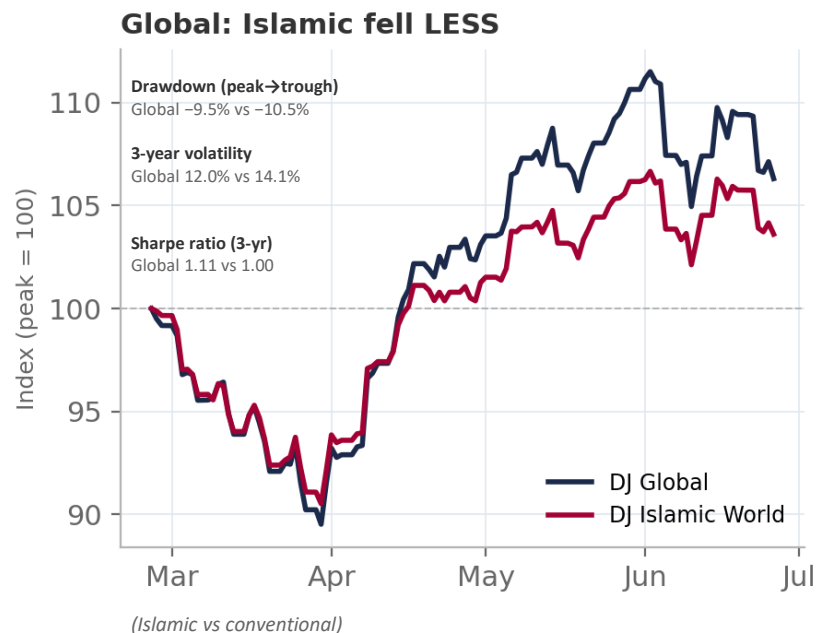
Assets under management. The narrower IFSB measure is \$193.6 billion, up 9.2 percent in 2024. (ICD–LSEG; IFSB)

WHAT THE MARKETS DID

Early shock, then partial recovery. Net foreign selling on the Tadawul passed \$8 billion in early March as funds cut Gulf exposure. By the 17 March holiday the Tadawul was down less than 1 percent from its pre-war close, while Dubai stayed down about 17 percent. By May, Gulf indices were broadly flat. (Saudi Exchange; AGBI; Markaz, 2026)

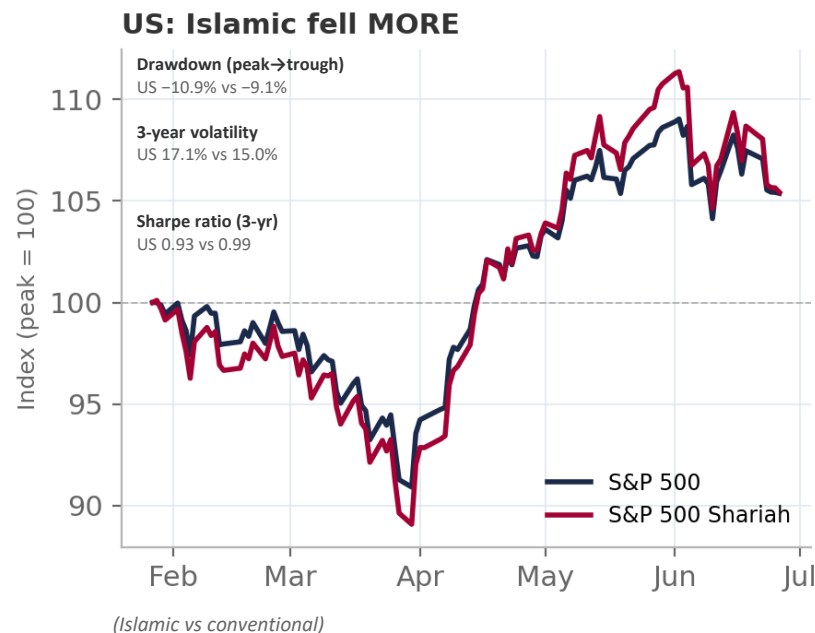
Did Sharia Screening Protect Investors?

Live index data to 26 June 2026 shows downside protection against a broad global index, but the opposite against the tech-heavy S&P 500.



Against the global index, protection held.

The DJ Islamic Market World fell less than DJ Global, with lower volatility and a higher Sharpe ratio. It gave up some upside on the rebound, the classic trade-off of a defensive screen.



Against the S&P 500, it reversed.

The S&P 500 Shariah fell more and is more volatile, because screening out financials and high-debt names concentrates it into mega-cap technology. Its small edge came from a stronger rebound, not a softer fall.

THE NUMBERS

Drawdown (peak→trough)

Global -9.5% vs -10.5%
US -10.9% vs -9.1%

3-year volatility

Global 12.0% vs 14.1%
US 17.1% vs 15.0%

Sharpe ratio (3-yr)

Global 1.11 vs 1.00
US 0.93 vs 0.99

(Islamic vs conventional)

Source: S&P Dow Jones Indices, daily index levels to 26 Jun 2026, rebased to each pre-war peak = 100. Price/return indices with no fees. The lesson for Islamic funds: downside protection is real but benchmark-dependent, and should not be sold as a blanket promise.

Islamic Banking — Headline Issues

The largest segment is hit first through the cost of defending the dollar peg, and then through asset quality

HEADLINE 1

The cost of defending the dollar peg is rising.

HEADLINE 2

Asset quality weakens as economies slow.

HEADLINE 3

The resilience story: decoupling.

MARKET SIZE (2024)

\$4.32T

Total assets, equal to 72 percent of the industry. (ICD–LSEG, IFDI 2025)

GROWTH AT RISK — EXTERNAL BENCHMARK

S&P expects Islamic finance industry growth of 5 to 10 percent in 2026, down from 10.2 percent in 2025. We use this range as the proxy benchmark for banking growth at risk under the war scenario. Country detail will come from Fitch, S&P and Moody's reports on a representative sample of markets.

Takaful — Headline Issues

War-risk prices have spiked, capacity is tight, and yet demand for cover keeps growing

HEADLINE 1

War-risk prices have spiked.

HEADLINE 2

Capacity is tight.

HEADLINE 3

Demand can still grow.

MARKET SIZE (2024)

\$136B

Takaful assets. Contributions are the sizing unit for this segment and grew 15.4 percent in 2024. (ICD–LSEG; IFSB)

MOST EXPOSED LINES

Marine hull and cargo, aviation, and energy lines in the Gulf carry the spike in claims exposure and pricing. Family takaful is less exposed to the war directly, but it follows household incomes, which weaken if the slowdown lasts.

Strategic Levers: From Vulnerability to Options

Four vulnerabilities revealed by the analysis map onto four strategic levers, each with two concrete options



Strategic Options

Eight options with medium-term and long-term actions for governments and corporates

#	Strategic option	Medium term (1–2 years)	Long term (3–5 years)
SOVEREIGNTY	01 De-dollarised settlement	Pilot CIPS, mBridge and bilateral swap corridors.	Build an OIC settlement network that reduces dollar dependence.
	02 OIC payment union / Islamic CBDC	Connect national payment rails and run CBDC pilots.	Operate a shared OIC payment union with interoperable CBDCs.
RESILIENCE	03 Crisis-resilient and liquidity sukuk	Issue war-resilient and sovereign-liquidity sukuk.	Deepen local-currency demand and create a standing crisis facility.
	04 Intra-OIC capital-market integration	Enable cross-listing and mutual recognition of sukuk and funds.	Build an integrated OIC asset-backed Islamic capital market.
RISK POOLING	05 Re-takaful war-risk pool	Stand up a shared war-risk capacity pool.	Build permanent OIC re-takaful capacity and retrocession.
	06 Islamic liquidity-management infrastructure	Expand short-term Sharia-compliant instruments.	Create a standing OIC liquidity backstop on the IILM model.
INTEGRATION	07 Islamic social finance buffer	Mobilise zakat and waqf as countercyclical relief.	Institutionalise social finance as a stabiliser.
	08 Agri-finance link (Brief #2)	Provide Sharia-compliant financing for food sovereignty.	Create a multilateral food-security finance facility.

On the dashboard, the strategic options are organised by subsector first and then by geography, so a user can click a region such as the GCC and see the options for its financial institutions.

Strategic Focus by Region

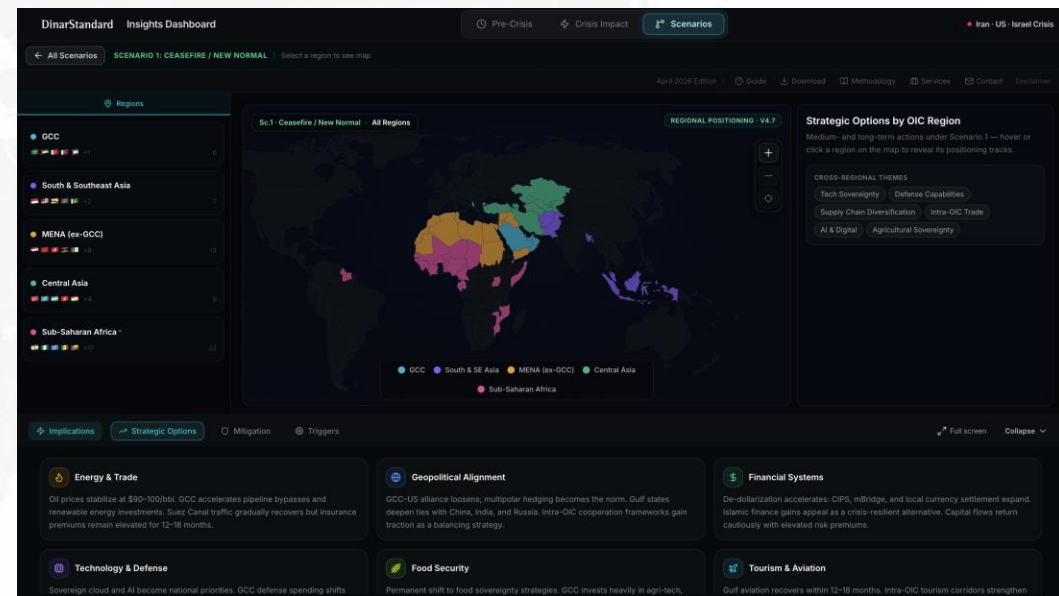
Emphasis per region reflects existing capabilities and current positioning of major players



Strategic Option	GCC	West Asia ex-GCC	North Africa	Southeast Asia	South Asia	Sub-Saharan Africa	Central Asia
SOVEREIGNTY 01 De-dollarised settlement	Large	Large	Medium	Medium	Medium	Small	Large
02 OIC payment union / Islamic CBDC	Large	Medium	Medium	Large	Medium	Small	Large
RESILIENCE 03 Crisis-resilient & liquidity sukuk	Large	Medium	Medium	Large	Medium	Small	Medium
04 Intra-OIC capital-market integration	Large	Medium	Medium	Large	Medium	Small	Medium
RISK POOLING 05 Re-takaful war-risk pool	Large	Medium	Medium	Medium	Small	Small	Small
06 Islamic liquidity-management infrastructure	Large	Medium	Small	Large	Medium	Small	Medium
INTEGRATION 07 Islamic social-finance buffer	Small	Large	Large	Small	Large	Large	Small
08 Agri-finance link (Brief #2)	Small	Large	Large	Small	Large	Large	Small

Focus levels are an analytical judgment from this brief: heavy where a region has the capability and the exposure to lead (for example, settlement and sukuk in the GCC and Southeast Asia), and lighter where the Islamic-finance base is thin (for example, Sub-Saharan Africa). Social finance and agri-finance weigh towards regions with the largest relief needs.

US-Israel-Iran Regional Crisis 2026: Economic Outlook For OIC Countries: *Islamic Finance* Insights Brief and Dashboard – June 2026 Update



Scan the QR Code to explore the Interactive Dashboard
and download the Insights Brief.

How DinarStandard can help OIC governments and economic agencies navigate this crisis

1. Consulting



Vulnerability Assessment & Strategic Planning

DinarStandard

- **Supply chain vulnerability diagnostics:** map your Hormuz/Suez corridor exposure, identify single points of failure
- **Halal economy growth positioning:** \$2.43T market growing at 8.3% CAGR; boycott-driven consumer shift accelerating
- **Islamic financing strategy:** CIPS/mBridge integration, sukuk structuring, alternative settlement corridors
- **Scenario-based strategic planning:** calibrated to our four crisis scenarios, from ceasefire/new normal to protracted war
- **ImpactIntell signal monitoring:** early-warning alerts on chokepoint shifts, freight changes, and policy moves before they hit your P&L

2. Policy Architect

ImpactIntell

DinarStandard's Proprietary Data Intelligence Platform

Predictive analytics dashboard covering the global Islamic and OIC economy — real-time market sizing, investment tracking, trade flow analysis, and sector benchmarking across 57 OIC member states. Powering the SGIE Report, GIFT Report, and custom client intelligence.

3. Live Sensing



Signal Sensing Tool

FEATURED CAPABILITY

Continuous **live** monitoring of economic, trade, and geopolitical signals across OIC markets. Detects early-warning shifts in supply chains, investment flows, commodity pricing, and policy changes — enabling governments and corporates to move from reactive crisis management to proactive strategic positioning.

Trade & Supply Chain Alerts

Chokepoint disruptions, freight shifts, corridor rerouting

Investment Flow Tracking

FDI, SWF movements, startup funding across OIC

Policy & Sanctions Monitor

Regulatory changes, sanctions risk, currency shifts

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DinarStandard
GROWTH STRATEGY RESEARCH & ADVISORY

Thank You

Insights Brief Series #3
US-Israel-Iran Regional Crisis 2026:
Deep Dive — Islamic Finance

For questions or to schedule a discussion: info@dinarstandard.com