



From Mandate to Practice: Measuring Compliance with AAOIFI Accounting and Governance Standards in the Islamic Banks Listed on the Amman Stock Exchange

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Abstract

The Islamic banks in Jordan are required by the Central Bank of Jordan to prepare their financial statements according to the standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), but the level at which this mandate is applied in practice is not known. This study builds a compliance index for the two Islamic banks listed on the Amman Stock Exchange, that is, Jordan Islamic Bank and Safwa Islamic Bank, for the period 2016 to 2025. The index covers 63 disclosure items, 33 items from the AAOIFI financial accounting standards and 30 items from the AAOIFI governance standards, and each item is scored as 0 (not applied), 1 (minimum requirement) or 2 (applied). The scores were coded from 20 audited annual reports (4,943 pages), and a manual check of 63 cells gave an agreement of 92.1% and a Cohen's kappa of 0.717. The results show a high level of compliance, in which the total index has a mean of 92.88%, and Jordan Islamic Bank has a higher accounting index than Safwa Islamic Bank (95.79% against 91.34%, $p = 0.004$), while the governance index of the two banks is close. The weakest areas are the disclosure of the zakah and charity funds, the restricted investments, the independence of the Shari'a supervisory board and the role of the audit committee in the Shari'a matters. Moreover, the two banks adopted the new standards mostly in their mandatory year and reported no material effect. The dichotomous index gives the same ranking (Spearman $\rho = 0.995$). The study gives the regulators and the auditors a replicable tool to monitor the application of the AAOIFI standards in Jordan.

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Introduction

The Islamic banks need accounting and governance rules that reflect the nature of their contracts, i.e., the profit and loss sharing, the sale-based financing and the investment accounts, which are different from the lending and the interest-bearing deposits of the conventional banks (Archer & Karim, 2012; Karim, 2001) ^[11, 34]. For this reason, the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) was established in Bahrain to issue financial accounting standards (FAS) and governance standards (GS) for the Islamic financial institutions, and these standards are mandatory in some countries and voluntary or partially adopted in others (Kamla & Haque, 2019; Sarea & Hanefah, 2013) ^[33, 52]. Accordingly, the question of whether the Islamic banks really apply these standards, and to what level, became one of the main questions in the Islamic accounting literature, because a standard that is adopted on paper and not applied in practice does not give the users the information that it promises (El-Halaby & Hussainey, 2016; Vinnicombe, 2010; Vinnicombe, 2012) ^[21, 57, 58].

It is worth mentioning that the prior evidence on this question is mixed. Some studies found a high level of compliance with the AAOIFI financial accounting standards in the countries that made them mandatory, such as Bahrain (Vinnicombe, 2012) ^[58], while other studies found that the compliance is partial and that it differs between the standards, the banks and the countries (Ahmad & Daw, 2015; Ajili & Bouri, 2017; Al-Sulaiti *et al.*, 2018; Sellami & Tahari, 2017) ^[3, 4, 5, 53]. Regarding the governance standards, the studies found that the Islamic banks comply less with the governance standards than with the accounting standards,

and that the compliance depends on the board, the audit committee and the Shari'a supervisory board (Albarrak & El-Halaby, 2019; Brahim & Arab, 2020; Mnif & Tahari, 2020; Mnif & Tahari, 2021) ^[6, 17, 44, 45]. Moreover, most of these studies are cross-country studies that measure the compliance in one year or a short period, and they do not follow the same banks over a long period in which the standards themselves changed (El-Halaby & Hussainey, 2016; Mnif & Tahari, 2022; Mnif & Tahari, 2025) ^[21, 46, 47].

The Jordanian setting gives a specific case to study this question. Jordan has one of the oldest Islamic banks in the region, i.e., Jordan Islamic Bank, which was established in 1978 (Maali & Napier, 2010) ^[39], and the Central Bank of Jordan requires the Islamic banks to prepare their financial statements according to the AAOIFI standards as adopted by the Central Bank, and to apply the International Financial Reporting Standards only when there is no AAOIFI standard for an item. Notably, the period 2016 to 2025 is a period of deep change in the AAOIFI framework, in which AAOIFI issued new standards for Murabaha (FAS 28), impairment and credit losses (FAS 30), investment agency (FAS 31), Ijarah (FAS 32), investments (FAS 33), risk reserves (FAS 35), Wa'd, Khiyar and Tahawwut (FAS 38), zakah (FAS 39) and the revised general presentation and disclosure standard (FAS 1), and in which Jordan stopped the investment risk fund in 2019. In other words, the compliance in Jordan is not a fixed level, but it is a moving target that the banks need to follow every year.

Therefore, this study answers the following questions: (a) what is the level of compliance of the Islamic banks listed on the Amman Stock Exchange with the AAOIFI accounting and governance standards over the period 2016 to 2025, (b) which standards and items have the highest and the lowest compliance, (c) is the compliance different between the two banks, and (d) how did the banks disclose the adoption of the new standards. To answer these questions, the study builds a checklist of 63 items and scores it from 20 audited annual reports of Jordan Islamic Bank and Safwa Islamic Bank on a scale of 0, 1 and 2. The study gives three contributions. First, it gives the first long-period measure of the AAOIFI compliance in Jordan that covers both the accounting and the governance standards. Second, it builds a transparent and replicable measure from the disclosed data, in which every score is linked to a page of the report, in line with the call for measures that are built from the disclosed information and can be checked (Bakhit *et al.*, 2026) ^[13]. Third, it documents how the banks moved from one generation of standards to another, which gives the regulators and the auditors a direct evidence about the practice behind the mandate.

The rest of the paper is organised as follows. The next section reviews the literature and the theoretical background. The methodology section describes the sample, the checklist, the scoring and the reliability check. The results section presents the descriptive statistics, the index by year, by standard and by item, the adoption of the new standards, the difference between the banks and the robustness test. The discussion section explains the results, and the last section gives the conclusion, the implications and the limitations.

Literature Review

Theoretical Background

The study depends on the institutional theory and the legitimacy theory. The institutional theory explains that the organizations in the same field become similar to each other

because of three pressures, i.e., the coercive pressure of the laws and the regulators, the mimetic pressure of copying the successful organizations, and the normative pressure of the professions (DiMaggio & Powell, 1983) ^[20]. It should be noted that the organizations may adopt the required structures in a ceremonial way, that is, they show the formal compliance to gain the acceptance of the environment while the actual practice remains different (Meyer & Rowan, 1977) ^[43]. In the case of the AAOIFI standards in Jordan, the coercive pressure is strong because the Central Bank of Jordan mandates the standards, and therefore the institutional theory expects a high level of formal compliance, but it also warns that the formal compliance may hide a weaker compliance in the details of the disclosure. In the same line, the recent evidence from the region shows that the institutional pressures drive the disclosure decisions of the firms in an emerging capital market (Alharthi *et al.*, 2026) ^[7], and that the mandatory disclosure rules change the reporting quality in a way that depends on the time of the regulation (Babiker *et al.*, 2026) ^[12].

The legitimacy theory explains that the organizations need to show that their activities are consistent with the values of the society in order to keep their right to operate (Suchman, 1995) ^[55]. In the Islamic banks this legitimacy has a religious dimension, because the bank claims that all its contracts and transactions comply with the Shari'a, and the annual report is the main tool that the bank uses to communicate this identity to the shareholders, the investment account holders and the society (Haniffa & Hudaib, 2007; Maali *et al.*, 2006) ^[30, 38]. Accordingly, the disclosure of the Shari'a supervisory board report, the zakah, the prohibited earnings and the social activities is not only a technical requirement, but it is also a way to keep the legitimacy of the bank as an Islamic institution (Farook *et al.*, 2011; Hassan & Harahap, 2010; Kamla & Rammal, 2013) ^[28, 32, 31].

Compliance With The Aaoifi Financial Accounting Standards

The literature on the AAOIFI compliance started with the studies of the Bahraini Islamic banks. Vinnicombe (2010) ^[57] built a compliance index for the AAOIFI reporting standards and found that the Islamic banks in Bahrain comply with most of the requirements, but the compliance is lower for the Shari'a related disclosures, and Vinnicombe (2012) ^[58] found that the compliance with the accounting standards in Bahrain is high but not complete, especially for the investment accounts and the zakah. Moreover, Sellami and Tahari (2017) ^[53] found that the compliance level with the AAOIFI financial accounting standards differs between the banks and it depends on the size, the age and the type of the auditor, and El-Halaby and Hussainey (2016) ^[21] found that the compliance with the AAOIFI standards is affected by the governance and the regulatory setting of the country. Al-Sulaiti *et al.* (2018) ^[5] found that the Islamic banks in Qatar disclose most of the items of the AAOIFI financial accounting standards, while Ahmad and Daw (2015) ^[3] found that the Libyan Islamic banks comply partially with the general presentation and disclosure standard.

Other studies compared the AAOIFI standards with the international standards. Ajili and Bouri (2017) ^[4] found that the Islamic banks that apply the AAOIFI standards disclose more than the banks that apply the IFRS, and Zafar (2026) ^[60] showed that the Islamic financial accounting standards in Pakistan differ from the AAOIFI standards in several areas,

which means that the adoption of the AAOIFI framework is not uniform across the countries (Kamla & Haque, 2019; Sarea & Hanefah, 2013) ^[32, 52]. Moreover, the studies show that the AAOIFI adoption has consequences for the quality of the reported earnings, in which the adoption reduces the earnings management (El-Halaby *et al.*, 2020) ^[22], it strengthens the oversight of the boards over the discretionary provisions (Nafti & Kateb, 2025) ^[35], and it reduces the intentional income smoothing (Kateb *et al.*, 2025) ^[35], while the banks that adopt these standards may move to other forms of earnings management (Maghraoui *et al.*, 2026) ^[40]. In addition, Mnif and Tahari (2025) ^[47] found that the compliance with the AAOIFI standards improves the financial performance of the Islamic banks, and Mnif and Tahari (2022) ^[46] found that the characteristics of the audit committee increase the compliance with the accounting standards.

Compliance With The Aaoifi Governance Standards And Shari'a Supervision

The AAOIFI governance standards regulate the Shari'a supervisory board, the Shari'a review, the internal Shari'a audit, the audit and governance committee, the independence of the board, the governance principles and the corporate social responsibility (Grassa, 2013; Grassa, 2015) ^[27, 28]. The studies found that the compliance with these standards is lower than the compliance with the accounting standards. Mnif and Tahari (2020) ^[44] and Mnif and Tahari (2021) ^[45] found that the board and the Shari'a supervisory board characteristics affect the compliance with the AAOIFI governance standards, Albarrak and El-Halaby (2019) ^[6] found that the Shari'a disclosure according to the governance standards is related to the financial performance, and Brahim and Arab (2020) ^[17] found that the compliance of the Islamic banks with the governance standard No. 7 on the social responsibility is low. Moreover, Benamraoui *et al.* (2023) ^[15] found that the Shari'a compliance disclosure differs widely between the Islamic banks across the countries, and Bechihi and Nafti (2025) ^[14] found that the corporate governance and the Shari'a board enhance the disclosure compliance in the MENA Islamic banks.

The literature also shows that the Shari'a supervision affects the reporting quality. The characteristics of the Shari'a supervisory board and the board of directors reduce the earnings management in the Islamic banks (Elnahass *et al.*, 2022; Kolsi & Grassa, 2017; Mersni & Ben Othman, 2016; Ratmono *et al.*, 2025) ^[36, 24, 42, 50], the audit committee and the board independence are important monitoring mechanisms (Abu-Dawleh *et al.*, 2021; Fitri & Siswantoro, 2021) ^[2, 26], and the audit quality restrains the discretionary provisions (Salem *et al.*, 2021) ^[51]. In addition, the Islamic banks were

found to manage their earnings less than the conventional banks because of the additional monitoring of the Shari'a board (Abdelsalam *et al.*, 2016; Quttainah *et al.*, 2013) ^[1, 49], while the Sharia governance also affects the risk-taking of the banks (Boulanouar *et al.*, 2026) ^[16]. In the same region, Elghuweel *et al.* (2017) ^[23] showed that the Islamic governance shapes the earnings management in Oman. It is worth mentioning that the investment account holders are a special group of stakeholders who share the risk of the bank without a vote in the general assembly, and this makes their protection a central objective of the governance of the Islamic banks (Archer *et al.*, 2010; Hamza, 2016) ^[10, 29].

Evidence From Jordan and The Research Gap

In Jordan, the studies on the Islamic banks focused mainly on the performance, the earnings management and the social reporting, while the compliance with the AAOIFI standards was studied in the cross-country samples that include one or two Jordanian banks in a few years (Bechihi & Nafti, 2025; El-Halaby & Hussainey, 2016; Mnif & Tahari, 2020) ^[14, 21, 44]. Maali and Napier (2010) ^[39] showed that the creation of Jordan Islamic Bank was shaped by the religion and the organisational culture, and Almubaydeen *et al.* (2024) ^[8] found that the financial reports of the Jordanian banks reveal the reporting practices when they are examined carefully. Moreover, the investors on the Amman Stock Exchange depend on the trust in the reported information (Tahat *et al.*, 2026) ^[56], and the measures that are built from the text of the bank reports were shown to capture the actual practices of the banks in the region (Alzoubi *et al.*, 2026) ^[9]. However, there is no study that measures the compliance of the Jordanian Islamic banks with both the accounting and the governance standards over a long period, and that follows the transition from the old standards to the new standards. This study fills this gap.

Methodology

Sample and Data

The population of the study is the Islamic banks listed on the Amman Stock Exchange, which are two banks, that is, Jordan Islamic Bank (JOIB) and Safwa Islamic Bank (SIBK). The study uses the full population and covers the period 2016 to 2025, which gives 20 bank-year observations. The data were collected from the complete annual reports that the two banks published on the disclosure pages of the Amman Stock Exchange, because the annual report includes the board report, the governance report, the Shari'a supervisory board report and the audited financial statements with their notes, and therefore it covers both the accounting and the governance items (Cooke, 1989; Marston & Shrivess, 1991) ^[19, 41]. Table 1 shows the sample and the reports.

Table 1: Sample and annual reports

Bank	ASE symbol	Fiscal years	Reports	Pages	Language of the reports
Jordan Islamic Bank	JOIB	2016–2025	10	2,341	Arabic, with English financial statements in 2016–2020
Safwa Islamic Bank	SIBK	2016–2025	10	2,602	Arabic, with English sections in 2018, 2020 and 2024
Total			20	4,943	

Note: The reports were downloaded from the disclosure pages of the Amman Stock Exchange. Safwa Islamic Bank was previously named Jordan Dubai Islamic Bank.

Table 1 shows that the 20 reports include 4,943 pages, in which the reports of Jordan Islamic Bank include 2,341 pages and the reports of Safwa Islamic Bank include 2,602 pages, and the largest report is the report of Safwa Islamic Bank for

2020 (486 pages), which includes the Arabic and the English financial statements. Most of the reports are scanned documents, and for this reason the text was extracted by the optical character recognition in Arabic and English, while the

pages that have a readable text layer were read directly. In other words, the full text of every report was available for the coding, and every score in the index can be traced to a page of the report.

Construction of the Checklist

The checklist was built in three steps, in line with the methods of the disclosure index studies (Cooke, 1989; Marston & Shrivs, 1991; Vinnicombe, 2010) [19, 41, 57]. First, the study selected the AAOIFI financial accounting standards and governance standards that are relevant to a commercial Islamic bank in Jordan, and it excluded the standards of the Takaful companies, the Waqf institutions, the Islamic

windows and the Sukuk issuers. Second, the main disclosure requirements of each standard were transformed into items, based on the items used in the prior compliance studies (Al-Sulaiti *et al.*, 2018; Brahim & Arab, 2020; Mnif & Tahari, 2020; Sellami & Tahari, 2017; Vinnicombe, 2012) [5, 17, 44, 53, 58]. Third, each item was linked to the year from which its standard became effective, so that an item is not counted before its standard was required. The final checklist includes 63 items, i.e., 33 items from the financial accounting standards and 30 items from the governance standards, as shown in Table 2.

Table 2: Structure of the AAOIFI compliance checklist

Block	Standard	Title	Items	Applies
FAS	FAS 1	General presentation and disclosure	12	Whole period
FAS	FAS 4	Musharaka financing	1	Whole period
FAS	FAS 7	Salam and parallel Salam	1	Whole period
FAS	FAS 8 / FAS 32	Ijarah	2	Whole period
FAS	FAS 9 / FAS 39	Zakah	1	Whole period
FAS	FAS 10	Istisna'a and parallel Istisna'a	1	Whole period
FAS	FAS 11 / FAS 30	Provisions; impairment and credit losses	1	Whole period
FAS	FAS 11 / FAS 35	Provisions and reserves; risk reserves	1	Whole period
FAS	FAS 16	Foreign currency transactions	1	Whole period
FAS	FAS 22	Segment reporting	1	Whole period
FAS	FAS 23	Consolidation	1	Whole period
FAS	FAS 24	Investments in associates	1	Whole period
FAS	FAS 25 / FAS 33	Investments in Sukuk, shares and similar instruments	2	Whole period
FAS	FAS 26	Investment in real estate	1	Whole period
FAS	FAS 27	Investment accounts	1	Whole period
FAS	FAS 28	Murabaha and other deferred payment sales	3	Whole period
FAS	FAS 30	Impairment, credit losses and onerous commitments	1	From 2020
FAS	FAS 31	Investment agency (Wakala bi al-Istithmar)	1	From 2020
GS	GS 1	Shari'a supervisory board: appointment, composition and report	9	Whole period
GS	GS 2	Shari'a review	2	Whole period
GS	GS 3 / GS 11	Internal Shari'a review / internal Shari'a audit	2	Whole period
GS	GS 4	Audit and governance committee	3	Whole period
GS	GS 5	Independence of the Shari'a supervisory board	2	Whole period
GS	GS 6	Statement on governance principles	5	Whole period
GS	GS 7	Corporate social responsibility conduct and disclosure	5	Whole period
GS	GS 9	Shari'a compliance function	1	From 2018
GS	GS 11	Internal Shari'a audit	1	Whole period
Total			63	

Note: FAS = AAOIFI financial accounting standard; GS = AAOIFI governance standard. When a standard was replaced during the period (e.g., FAS 8 by FAS 32), the item covers the requirement of the standard in force in each year.

Table 2 shows that the largest group of items belongs to the general presentation and disclosure standard (FAS 1), with 12 items, followed by the governance standard No. 1 on the Shari'a supervisory board, with 9 items, and the governance principles (GS 6) and the corporate social responsibility (GS 7), with 5 items each, while most of the other standards are represented by one to three items. This structure reflects the content of the standards, in which FAS 1 and GS 1 include the largest number of disclosure requirements, and it gives a balanced weight between the accounting block (33 items) and the governance block (30 items) (Mnif & Tahari, 2020; Vinnicombe, 2010) [44, 57]. It should be noted that the activity-based items, such as Salam, Istisna'a, Musharaka, investment agency, real estate and associates, are scored only when the bank reports that it practises the activity.

Scoring and Computation of The Index

Each item was scored on a scale of three levels. A score of 2 (applied) means that the report includes the specific disclosure that the item requires, e.g., the movement of the

provision or the rates of return distributed to the investment account holders. A score of 1 (minimum requirement) means that the report mentions the topic of the item but without the specific disclosure, and a score of 0 (not applied) means that there is no evidence of the item in the report. The item is treated as not applicable when its standard was not yet effective in the year, or when the bank does not practise the activity of the item. The compliance index of a bank in a year is computed as follows:

$$Index_{it} = \sum_j s_{ijt} / (2 \times n_{it}) \times 100$$

where s_{ijt} is the score of item j for bank i in year t and n_{it} is the number of applicable items. The index is computed for the accounting block (FAS index), the governance block (GS index) and the whole checklist (total index), and it ranges between 0% and 100%. This unweighted approach gives every item the same importance, which is the common approach in the compliance studies because it does not depend on the perception of a specific user group (Cooke,

1989; Marston & Shrives, 1991)^[19, 41]. The scoring was done by a rule-based reading of the full text of the reports, in which every item has a set of Arabic and English expressions for the full disclosure and for the minimum disclosure, and every score was saved with the page and the matched text, in line with the logic of the transparent measures that are built from the disclosed information (Alzoubi *et al.*, 2026; Bakhit *et al.*, 2026)^[9, 13].

Reliability of The Coding

To check the reliability of the coding, the study drew one random bank-year for each item, i.e., 63 cells, and these cells were coded again manually by reading the related pages of the reports. The agreement between the rule-based coding and the manual coding was measured by the percentage agreement and by Cohen's kappa, which corrects the agreement for the agreement expected by chance (Cohen, 1960)^[18]. The decision rule is that a kappa between 0.61 and 0.80 indicates a substantial agreement and a kappa above 0.80 indicates an almost perfect agreement (Landis & Koch, 1977)^[37]. Table 3 presents the result.

Table 3: Reliability of the coding

Measure	Value
Cells checked manually	63
Cells with the same score	58
Percentage agreement	92.06%
Cohen's kappa	0.717
Rule-based scores (0 / 1 / 2)	0 / 8 / 55
Manual scores (0 / 1 / 2)	0 / 13 / 50

Note: One bank-year was drawn at random for each item of the checklist.

Table 3 shows that the rule-based coding and the manual coding gave the same score in 58 of the 63 cells, i.e., an agreement of 92.06%, and the Cohen's kappa is 0.717, which is between 0.61 and 0.80, and therefore it meets the decision rule of a substantial agreement (Landis & Koch, 1977)^[37].

Table 4: Descriptive statistics of the compliance indices (%)

Index	Bank	Mean	Std. dev.	Min	Max
FAS index	JOIB	95.79	0.82	95.16	96.97
	SIBK	91.34	2.78	86.21	96.55
	Full sample	93.56	3.03	86.21	96.97
GS index	JOIB	91.44	1.69	88.33	93.33
	SIBK	92.77	1.48	89.66	95.00
	Full sample	92.10	1.69	88.33	95.00
Total index	JOIB	93.70	1.14	91.80	95.24
	SIBK	92.07	1.53	89.83	94.07
	Full sample	92.88	1.55	89.83	95.24
Dichotomous index	JOIB	87.55	2.03	85.00	90.48
	SIBK	84.15	3.06	79.66	88.14
	Full sample	85.85	3.07	79.66	90.48

Note: N = 10 years for each bank and 20 bank-years for the full sample.

Table 4 shows that the compliance of the two banks with the AAOIFI standards is very high, in which the total index has a mean of 92.88% for the full sample, and it ranges between 89.83% and 95.24%, and this meets the level of very high compliance. Jordan Islamic Bank has the highest FAS index (mean 95.79%) with a very small dispersion (standard deviation 0.82), while the FAS index of Safwa Islamic Bank is lower (mean 91.34%) and more dispersed (standard deviation 2.78), with a minimum of 86.21%. On the other hand, the GS index of Safwa Islamic Bank (mean 92.77%) is slightly higher than that of Jordan Islamic Bank (mean

All the 5 differences were cases in which the rule-based coding gave a score of 2 while the manual reading gave a score of 1, that is, the passage that met the rule was related to the item but it did not include the full disclosure. These cells were corrected in the final data after reading the reports, together with three other cells that were found during the checking of the results, and the final data keep the original score and the reason of every correction.

Analysis

The analysis is descriptive. The study presents the index by bank and year, by standard and by item, and the adoption of the new standards that the banks disclosed in the notes of the changes in the accounting policies. The difference between the two banks is tested by the Wilcoxon signed-rank test, in which the two banks are paired by year, because the test does not assume a normal distribution and it fits the small number of years (Wilcoxon, 1945)^[59], and the trend of the index over time is tested by the Spearman rank correlation between the index and the year (Spearman, 1904)^[54]. As a robustness test, the index is computed again as a dichotomous index, in which an item counts only when it is fully applied (score 2), and this index is compared with the main index by the Spearman correlation.

Results

Descriptive Statistics of The Compliance Indices

Table 4 presents the descriptive statistics of the FAS index, the GS index, the total index and the dichotomous index for each bank and for the full sample. The level of compliance is interpreted as very high when the index is 90% or more, high when it is between 75% and 90%, moderate when it is between 50% and 75% and low below 50%, which is the common classification in the compliance studies of the AAOIFI standards (Al-Sulaiti *et al.*, 2018; Vinnicombe, 2012)^[5, 58].

91.44%). The dichotomous index is lower than the main index for both banks (mean 85.85%), because it does not give any credit to the minimum disclosure, and this means that about 14% of the applicable items are disclosed only at the minimum level. In other words, the banks apply almost all the standards, but part of the specific disclosures is not complete, which is consistent with the view of the institutional theory that the formal compliance under a mandate can be higher than the compliance in the details (DiMaggio & Powell, 1983; Meyer & Rowan, 1977)^[20, 43].

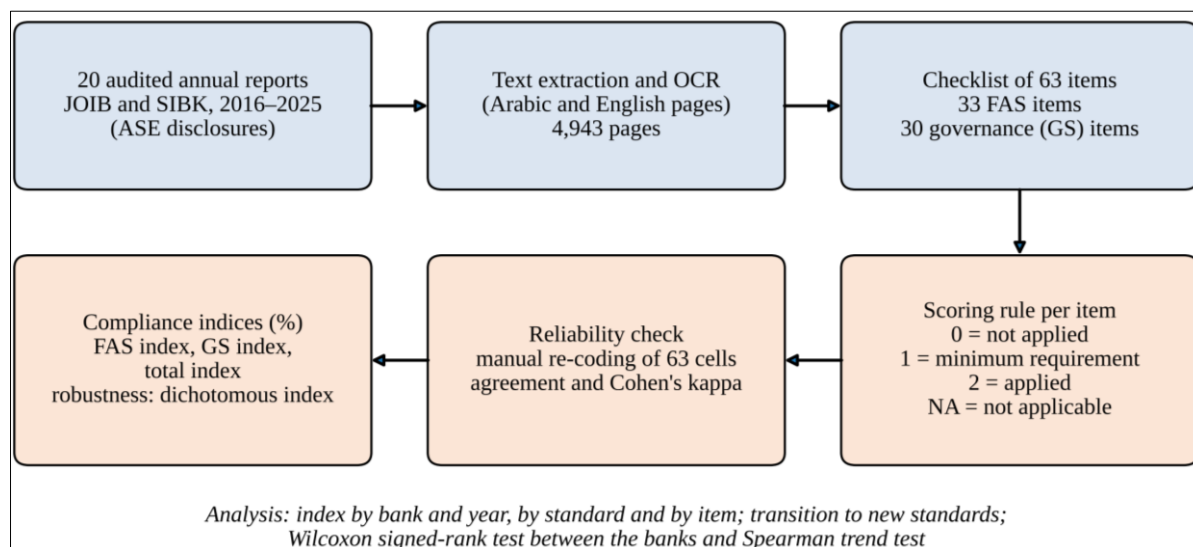


Fig 1: Construction of the AAOIFI compliance index

Figure 1 summarises the construction of the index, from the 20 annual reports to the checklist, the scoring rule, the reliability check and the computation of the indices.

Compliance Index By Bank And Year

Table 5 presents the FAS index, the GS index, the total index and the dichotomous index of each bank in each year, together with the number of applicable items and the number of items that received each score. The interpretation follows the same classification of Table 4 (Vinnicombe, 2012) ^[58].

Table 5: AAOIFI compliance index by bank and year (%)

Bank	Year	Items	FAS index	GS index	Total index	Dichot. index	Score 0	Score 1	Score 2
JOIB	2016	60	95.16	89.66	92.50	85.00	0	9	51
JOIB	2017	60	95.16	91.38	93.33	86.67	0	8	52
JOIB	2018	61	95.16	91.67	93.44	86.89	0	8	53
JOIB	2019	61	95.16	88.33	91.80	85.25	1	8	52
JOIB	2020	63	95.45	90.00	92.86	85.71	0	9	54
JOIB	2021	63	96.97	91.67	94.44	88.89	0	7	56
JOIB	2022	63	96.97	93.33	95.24	90.48	0	6	57
JOIB	2023	63	96.97	93.33	95.24	90.48	0	6	57
JOIB	2024	63	95.45	93.33	94.44	88.89	0	7	56
JOIB	2025	63	95.45	91.67	93.65	87.30	0	8	55
SIBK	2016	57	91.07	91.38	91.23	82.46	0	10	47
SIBK	2017	55	90.38	89.66	90.00	80.00	0	11	44
SIBK	2018	57	90.74	93.33	92.11	84.21	0	9	48
SIBK	2019	56	92.31	93.33	92.86	85.71	0	8	48
SIBK	2020	59	96.55	91.67	94.07	88.14	0	7	52
SIBK	2021	57	92.59	93.33	92.98	85.96	0	8	49
SIBK	2022	57	92.59	93.33	92.98	85.96	0	8	49
SIBK	2023	57	92.59	95.00	93.86	87.72	0	7	50
SIBK	2024	59	86.21	93.33	89.83	79.66	0	12	47
SIBK	2025	60	88.33	93.33	90.83	81.67	0	11	49

Note: Items = number of applicable items in the year. Dichot. index = share of applicable items scored 2.

Table 5 shows that the total index of Jordan Islamic Bank is between 91.80% in 2019 and 95.24% in 2022, and it increased gradually from 92.50% in 2016 to its highest level in 2022 and 2023, in which the bank added the disclosures of the Shari'a compliance function and the work of the internal Shari'a audit. The lowest value of the bank in 2019 is explained by the absence of a statement on the appointment of the Shari'a supervisory board by the general assembly, which is the only item that received a score of 0 in the whole sample. As for Safwa Islamic Bank, the total index is between 89.83% in 2024 and 94.07% in 2020, and it reached its highest level in 2020, in which the bank applied FAS 30, FAS

31 and FAS 33 and disclosed their effect. The decline of Safwa Islamic Bank in 2024 and 2025 is related to the revised FAS 1, in which the bank moved the statement of the Qard Hasan fund from the main statements to the notes, and to the new activities of Salam and Istisna'a that the bank mentioned without a specific accounting policy. Notably, the number of the applicable items increased over the period, from 60 items in 2016 to 63 items in 2020 for Jordan Islamic Bank, because the new standards added new requirements, and this means that the banks kept a very high level of compliance while the requirements were increasing.

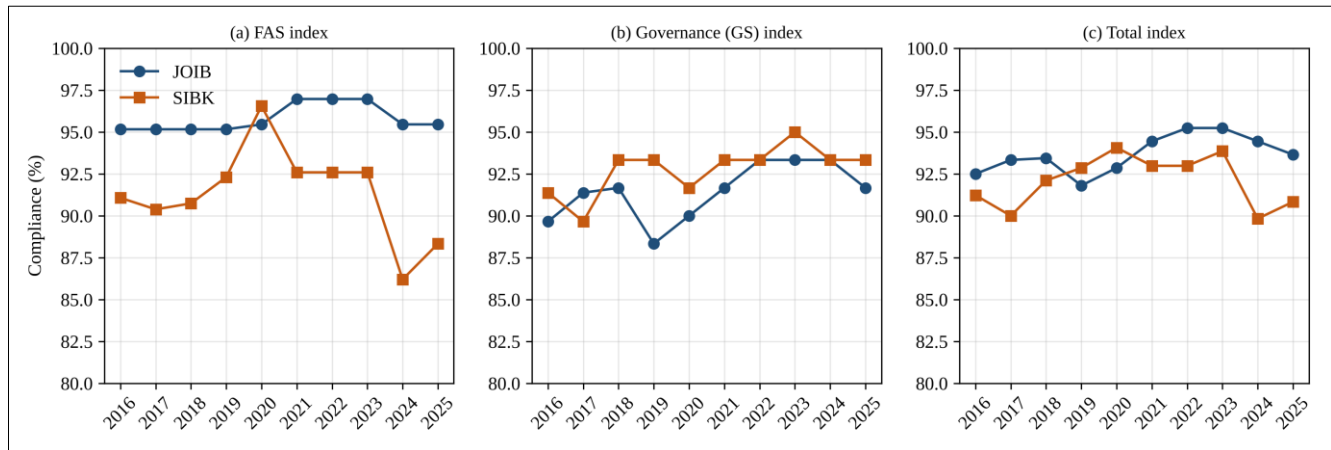


Fig 2: FAS, GS and total compliance indices of the two banks, 2016–2025

Figure 2 shows the same pattern, in which the FAS index of Jordan Islamic Bank is stable at a level above 95% over the whole period, while the FAS index of Safwa Islamic Bank is more volatile and it reached its peak in 2020 before it declined in 2024. As for the GS index, the two banks move in a close range between 88% and 95%, and the GS index of Safwa Islamic Bank is above that of Jordan Islamic Bank in most of the years.

Compliance by Standard

Table 6 presents the compliance index of each standard for each bank over the whole period, which is computed as the sum of the scores of the items of the standard divided by the maximum possible score. The interpretation follows the classification of Table 4 (Al-Sulaiti *et al.*, 2018; Vinnicombe, 2012) [5, 58].

Table 6: Compliance by AAOIFI standard, 2016–2025 (%)

Standard	Title	Items	JOIB	SIBK
FAS 1	General presentation and disclosure	12	93.8	85.0
FAS 4	Musharaka financing	1	100.0	–
FAS 7	Salam and parallel Salam	1	50.0	50.0
FAS 8 / FAS 32	Ijarah	2	100.0	100.0
FAS 9 / FAS 39	Zakah	1	100.0	100.0
FAS 10	Istisna'a and parallel Istisna'a	1	100.0	50.0
FAS 11 / FAS 30	Provisions; impairment and credit losses	1	100.0	100.0
FAS 11 / FAS 35	Provisions and reserves; risk reserves	1	100.0	75.0
FAS 16	Foreign currency transactions	1	100.0	100.0
FAS 22	Segment reporting	1	100.0	100.0
FAS 23	Consolidation	1	100.0	100.0
FAS 24	Investments in associates	1	100.0	100.0
FAS 25 / FAS 33	Investments in Sukuk, shares and similar instruments	2	100.0	97.5
FAS 26	Investment in real estate	1	100.0	75.0
FAS 27	Investment accounts	1	90.0	100.0
FAS 28	Murabaha and other deferred payment sales	3	100.0	100.0
FAS 30	Impairment, credit losses and onerous commitments	1	100.0	100.0
FAS 31	Investment agency (Wakala bi al-Istithmar)	1	100.0	100.0
GS 1	Shari'a supervisory board: appointment, composition and report	9	93.9	97.2
GS 2	Shari'a review	2	95.0	97.5
GS 3 / GS 11	Internal Shari'a review / internal Shari'a audit	2	85.0	87.5
GS 4	Audit and governance committee	3	83.3	86.7
GS 5	Independence of the Shari'a supervisory board	2	75.0	80.0
GS 6	Statement on governance principles	5	100.0	90.0
GS 7	Corporate social responsibility conduct and disclosure	5	99.0	94.0
GS 9	Shari'a compliance function	1	75.0	100.0
GS 11	Internal Shari'a audit	1	65.0	100.0

Note: – = not applicable, because Safwa Islamic Bank did not report Musharaka financing during the period.

Table 6 shows that the two banks reach a full compliance (100%) with most of the standards that regulate their main activities, i.e., the Murabaha and the deferred sales (FAS 28), the Ijarah (FAS 8 and FAS 32), the impairment and the expected credit losses (FAS 30), the investment agency (FAS 31), the zakah (FAS 9 and FAS 39), the foreign currency (FAS 16), the segment reporting (FAS 22) and the consolidation (FAS 23). The lowest compliance among the

accounting standards is for the Salam (FAS 7), with 50% for both banks, because the banks mention the Salam contracts in the risk section without an accounting policy, and for the Istisna'a of Safwa Islamic Bank (50%). Among the governance standards, the lowest compliance of Jordan Islamic Bank is for the internal Shari'a audit (GS 11, 65%), the Shari'a compliance function (GS 9, 75%) and the independence of the Shari'a supervisory board (GS 5, 75%),

while the lowest compliance of Safwa Islamic Bank is for the independence of the board (GS 5, 80%) and the audit and governance committee (GS 4, 86.7%). In other words, the banks apply the standards of the contracts almost completely, while the gaps are in the standards that require the disclosure

of the internal governance structures, which is consistent with the prior evidence that the compliance with the governance standards is lower than the compliance with the accounting standards (Albarrak & El-Halaby, 2019; Brahim & Arab, 2020; Mnif & Tahari, 2020) [6, 17, 44].

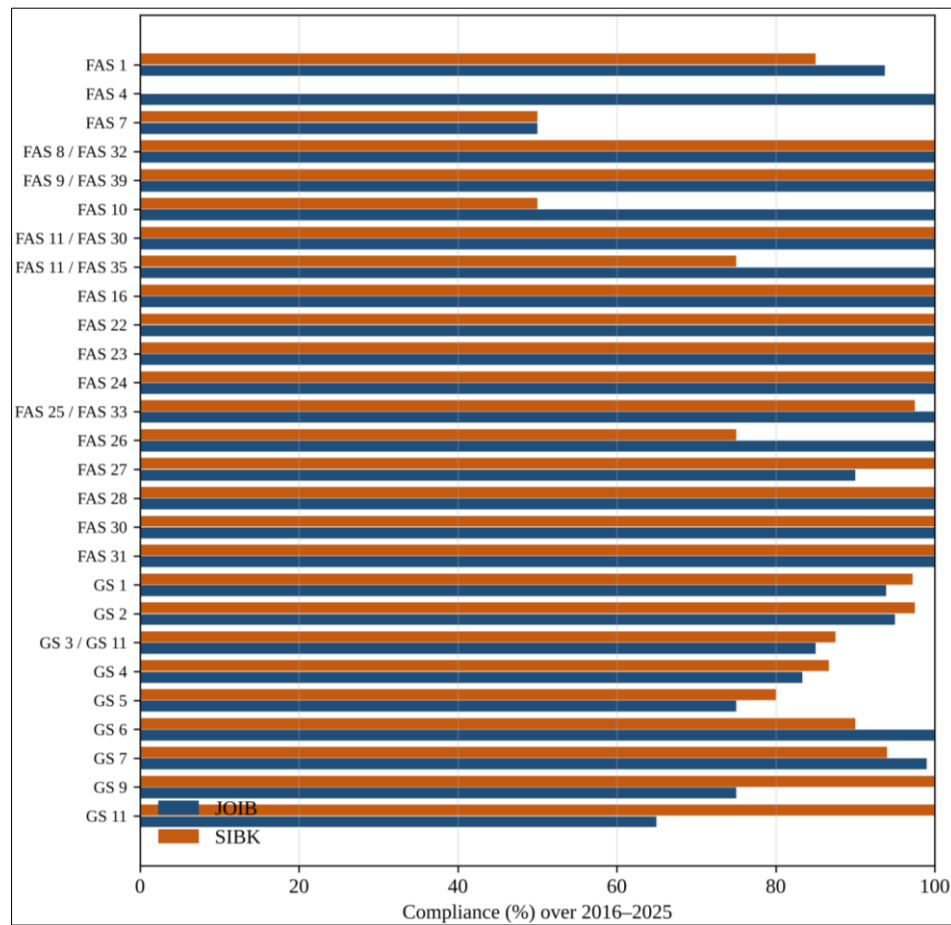


Fig 3: Compliance by AAOIFI standard and bank, 2016–2025

Figure 3 shows the compliance by standard for the two banks, and it shows clearly that the gaps are concentrated in a small number of standards, i.e., FAS 7, FAS 10, GS 4, GS 5, GS 9 and GS 11, while most of the bars reach 100%.

Compliance by Item

Table 7 presents the compliance of each item for each bank over the whole period, together with the number of years in which the item was applicable. The table gives the detailed picture behind the indices, and it follows the same classification of Table 4 (Vinnicombe, 2012) [58].

Table 7: Compliance by item, 2016–2025 (%)

Item	Standard	Disclosure item	JOIB (years)	SIBK (years)
F01	FAS 1	Statement that the financial statements are prepared under AAOIFI FAS	100.0 (10)	100.0 (10)
F02	FAS 1	Hierarchy disclosed: IFRS applied only where no AAOIFI standard exists	100.0 (10)	100.0 (10)
F03	FAS 1	Unrestricted investment account holders presented separately from liabilities and owners' equity	100.0 (10)	100.0 (10)
F04	FAS 1	Restricted investments (off-balance-sheet) disclosed with their movement	75.0 (10)	55.0 (10)
F05	FAS 1	Statement of sources and uses of the Qard Hasan fund	100.0 (10)	70.0 (10)
F06	FAS 1	Sources and uses of zakah and charity funds disclosed	50.0 (10)	50.0 (10)
F07	FAS 1	Earnings or expenditures prohibited by Shari'a disclosed with their disposal	100.0 (10)	100.0 (10)
F08	FAS 1	Basis of profit allocation between owners and investment account holders (Mudarib share) disclosed	100.0 (10)	95.0 (10)
F09	FAS 1	Rates of return / profit distribution to investment account holders disclosed	100.0 (10)	55.0 (10)
F10	FAS 28	Murabaha and deferred sales receivables presented net of deferred profits	100.0 (10)	100.0 (10)
F11	FAS 28	Recognition basis of Murabaha / deferred sales profit disclosed	100.0 (10)	100.0 (10)
F12	FAS 28	Nature of the purchase promise (binding / non-binding) in Murabaha disclosed	100.0 (10)	100.0 (10)
F13	FAS 8 / FAS 32	Ijarah Muntahia Bittamleek assets at cost less accumulated depreciation and impairment	100.0 (10)	100.0 (10)
F14	FAS 8 / FAS 32	Recognition basis of Ijarah income disclosed	100.0 (10)	100.0 (10)
F15	FAS 4	Musharaka financing and its measurement disclosed	100.0 (10)	– (0)

F16	FAS 10	Istisna'a contracts and their revenue recognition disclosed	100.0 (10)	50.0 (3)
F17	FAS 7	Salam contracts disclosed	50.0 (10)	50.0 (2)
F18	FAS 31	Investment agency (Wakala bi al-Istithmar) arrangements disclosed	100.0 (6)	100.0 (1)
F19	FAS 25 / FAS 33	Classification of investments in Sukuk and shares (fair value through equity / income, amortised cost)	100.0 (10)	100.0 (10)
F20	FAS 25 / FAS 33	Fair value reserve and its movement disclosed	100.0 (10)	95.0 (10)
F21	FAS 26	Investment in real estate and its fair value disclosed	100.0 (10)	75.0 (2)
F22	FAS 24	Investments in associates (equity method) disclosed	100.0 (10)	100.0 (2)
F23	FAS 23	Basis of consolidation disclosed	100.0 (10)	100.0 (10)
F24	FAS 16	Foreign currency translation policy disclosed	100.0 (10)	100.0 (10)
F25	FAS 27	Participation basis of unrestricted investment accounts in investment profits disclosed	90.0 (10)	100.0 (10)
F26	FAS 11 / FAS 35	Investment risk fund / reserve and its movement disclosed	100.0 (10)	75.0 (10)
F27	FAS 11 / FAS 30	Provision for impairment of financing and its movement disclosed	100.0 (10)	100.0 (10)
F28	FAS 30	Expected credit loss with three-stage classification disclosed	100.0 (6)	100.0 (6)
F29	FAS 9 / FAS 39	Zakah base, amount or responsibility disclosed	100.0 (10)	100.0 (10)
F30	FAS 22	Segment information disclosed	100.0 (10)	100.0 (10)
F31	FAS 1	Commitments and contingent liabilities disclosed	100.0 (10)	100.0 (10)
F32	FAS 1	Concentration of credit risk disclosed	100.0 (10)	100.0 (10)
F33	FAS 1	Related party transactions disclosed	100.0 (10)	95.0 (10)
G01	GS 1	Shari'a Supervisory Board (SSB) report included in the annual report	100.0 (10)	100.0 (10)
G02	GS 1	Names of SSB members disclosed	100.0 (10)	100.0 (10)
G03	GS 1	Appointment of SSB members by the general assembly disclosed	45.0 (10)	75.0 (10)
G04	GS 1	SSB report addressed to the shareholders / general assembly	100.0 (10)	100.0 (10)
G05	GS 1	SSB opinion that contracts and transactions comply with Shari'a	100.0 (10)	100.0 (10)
G06	GS 1	SSB opinion on the allocation of profits and losses to investment accounts	100.0 (10)	100.0 (10)
G07	GS 1	SSB opinion on the calculation / payment of zakah	100.0 (10)	100.0 (10)
G08	GS 1	SSB statement on earnings from prohibited sources disposed to charity	100.0 (10)	100.0 (10)
G09	GS 1	SSB report signed by its members / chairman	100.0 (10)	100.0 (10)
G10	GS 2	Scope of the Shari'a review performed by the SSB stated	95.0 (10)	100.0 (10)
G11	GS 2	Number of SSB meetings during the year disclosed	95.0 (10)	95.0 (10)
G12	GS 3 / GS 11	Internal Shari'a audit unit disclosed	100.0 (10)	100.0 (10)
G13	GS 3 / GS 11	Reporting line of the internal Shari'a audit to the SSB disclosed	70.0 (10)	75.0 (10)
G14	GS 9	Shari'a compliance function disclosed	75.0 (8)	100.0 (8)
G15	GS 11	Work of the internal Shari'a audit (plan, reports, findings) disclosed	65.0 (10)	100.0 (10)
G16	GS 4	Audit committee and its composition disclosed	100.0 (10)	100.0 (10)
G17	GS 4	Number of audit committee meetings disclosed	100.0 (10)	95.0 (10)
G18	GS 4	Audit committee role in Shari'a compliance or investment account holders matters disclosed	50.0 (10)	65.0 (10)
G19	GS 5	Independence of the SSB disclosed	50.0 (10)	60.0 (10)
G20	GS 5	Remuneration of the SSB disclosed	100.0 (10)	100.0 (10)
G21	GS 6	Corporate governance code / guide disclosed	100.0 (10)	100.0 (10)
G22	GS 6	Corporate governance committee disclosed	100.0 (10)	100.0 (10)
G23	GS 6	Protection of the rights and interests of investment account holders disclosed	100.0 (10)	50.0 (10)
G24	GS 6	Risk management committee disclosed	100.0 (10)	100.0 (10)
G25	GS 6	Independent board members disclosed	100.0 (10)	100.0 (10)
G26	GS 7	Corporate social responsibility policy / programmes disclosed	95.0 (10)	95.0 (10)
G27	GS 7	Amounts of donations and charitable contributions disclosed	100.0 (10)	95.0 (10)
G28	GS 7	Qard Hasan provided to the community (number / amount of beneficiaries) disclosed	100.0 (10)	80.0 (10)
G29	GS 7	Employee training and welfare disclosed	100.0 (10)	100.0 (10)
G30	GS 7	Community support and development activities disclosed	100.0 (10)	100.0 (10)

Note: The value is the sum of the scores of the item divided by the maximum score over the applicable years; the number of applicable years is in brackets; – = not applicable in all years.

Table 7 shows that 50 of the 63 items are fully applied by Jordan Islamic Bank in all the applicable years and 41 items by Safwa Islamic Bank, and that most of the fully applied items are the basic requirements of the financial statements, e.g., the statement of compliance with the AAOIFI standards (F01), the separate presentation of the unrestricted investment accounts (F03), the deferred sales net of the deferred profits (F10) and the Shari'a supervisory board report (G01). The lowest items for both banks are the sources and uses of the zakah and charity funds (F06, 50% for both banks), the role of the audit committee in the Shari'a matters (G18, 50.0% for Jordan Islamic Bank and 65.0% for Safwa Islamic Bank), the independence of the Shari'a supervisory

board (G19, 50.0% and 60.0%) and the appointment of the board by the general assembly (G03, 45.0% and 75.0%). Moreover, Safwa Islamic Bank is weaker in the restricted investments (F04, 55.0%), the rates of return on the investment accounts (F09, 55.0%) and the protection of the investment account holders (G23, 50.0%), while Jordan Islamic Bank is weaker in the work of the internal Shari'a audit (G15, 65.0%). It is worth mentioning that most of these weak items are related to the investment account holders and to the internal Shari'a governance, which are the two areas that distinguish the Islamic banks from the conventional banks (Archer *et al.*, 2010; Grassa, 2013) ^[10, 27].

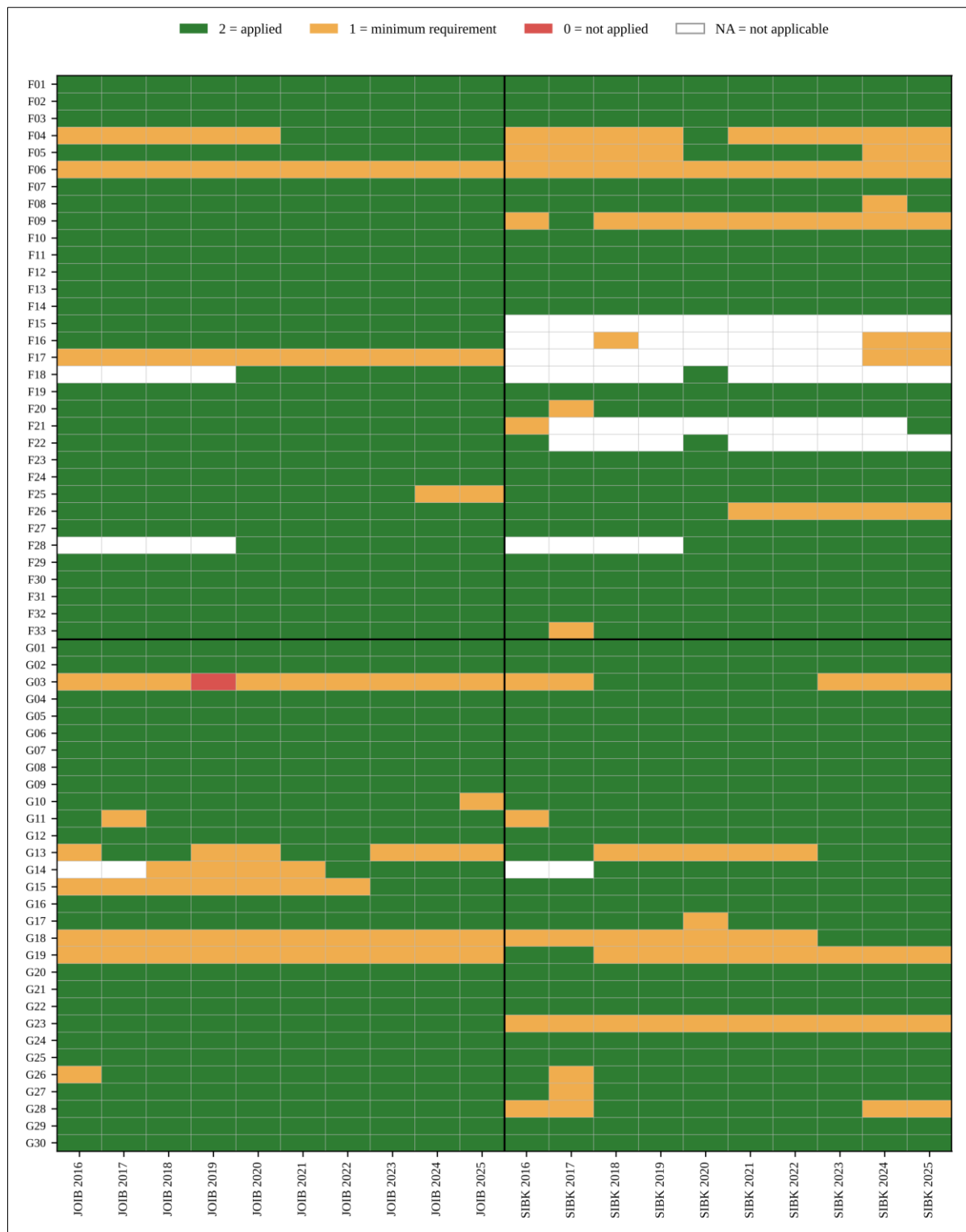


Fig 4: Score of each item by bank and year (F = FAS item, G = GS item)

Figure 4 presents the score of each item in each bank-year, and it shows that the scores of 1 are concentrated in a few rows, i.e., the same items remain at the minimum level in most of the years, while the score of 0 appears only once. This means that the gaps are structural and related to specific items, and they are not the result of a general weakness of the reporting in a specific year.

Adoption of the new AAOIFI standards

Table 8 presents the year in which each bank disclosed the first application of the new AAOIFI standards in the note of the changes in the accounting policies, compared with the mandatory date of each standard. The decision rule is that a standard is adopted on time when the bank applies it in the fiscal year of its mandatory date.

Table 8: Disclosure of the adoption of the new AAOIFI standards

Standard	Title	Mandatory year	JOIB	SIBK
FAS 28	Murabaha and other deferred payment sales	2019	2019	Listed as issued in 2018; first application not stated
FAS 30	Impairment, credit losses and onerous commitments	2020	2020 (no material difference from IFRS 9)	2020 (no material effect)
FAS 31	Investment agency (Wakala bi al-Istithmar)	2020	2021	2020 (no effect)
FAS 33	Investments in Sukuk, shares and similar instruments	2020	2020	2020
FAS 35	Risk reserves	2021	2020, early application (no effect)	2021 (no effect)
FAS 32	Ijarah	2021	2021	2021 (no effect)
FAS 37 and FAS 38	Waqf institutions; Wa'd, Khiyar and Tahawwut	2022	2022	2022 (no effect)
FAS 39	Financial reporting for zakah	2023	2023	2023 (no effect)
FAS 1 (revised)	General presentation and disclosure	2023	2024 (listed as not yet effective in 2022 and 2023)	2024 (listed as not yet effective in 2021–2023)
FAS 45, 46 and 47	Quasi-equity; off-balance-sheet assets under management; transfer of assets between pools	2026	Listed as issued in 2023	Listed as issued in 2024 and 2025, with an expected material effect

Note: Years are fiscal years of the annual report in which the bank stated the first application of the standard in the note of the changes in the accounting policies.

Table 8 shows that the two banks adopted most of the new standards in their mandatory year, which meets the decision rule. Jordan Islamic Bank applied FAS 28 in 2019, FAS 30 and FAS 33 in 2020, FAS 35 early in 2020, FAS 31 and FAS 32 in 2021, FAS 38 in 2022 and FAS 39 in 2023, and it stated that FAS 30 did not result in material differences from the IFRS 9 that the bank applied in 2018 and 2019 according to the instructions of the Central Bank of Jordan. Safwa Islamic Bank applied FAS 30, FAS 31 and FAS 33 in 2020, FAS 32 and FAS 35 in 2021, FAS 37 and FAS 38 in 2022 and FAS 39 in 2023, and it reported no effect for most of these standards. Notably, the two banks presented the revised FAS 1 among the issued standards that are not yet effective in their 2023 reports, and they applied it from 2024, that is, one year after its effective date, and Safwa Islamic Bank disclosed that FAS 45, FAS 46 and FAS 47 are expected to have a material

effect when they are applied in 2026. In other words, the transition to the new standards was smooth in the reported numbers, and its main effect was on the presentation and the disclosure rather than on the measurement, which is consistent with the coercive role of the regulator in the adoption of the standards (DiMaggio & Powell, 1983; Karim, 2001) ^[20, 34].

Difference Between The Banks And Trend Over Time

Table 9 presents the Wilcoxon signed-rank test of the difference between the two banks, in which the two banks are paired by year, and the Spearman correlation between the total index and the year for each bank. The decision rule is that the difference or the trend is significant when the p-value is below 0.05 (Spearman, 1904; Wilcoxon, 1945) ^[54, 59].

Table 9: Difference between the banks and trend of the total index

Test	Mean difference (JOIB – SIBK)	Statistic	p-value
Wilcoxon: FAS index	4.45	W = 1.0	0.004
Wilcoxon: GS index	-1.33	W = 10.0	0.094
Wilcoxon: Total index	1.62	W = 3.0	0.010
Spearman trend: JOIB	–	$\rho = 0.689$	0.028
Spearman trend: SIBK	–	$\rho = 0.036$	0.920

Note: The Wilcoxon signed-rank test pairs the two banks by year (N = 10 pairs); the p-values are exact.

Table 9 shows that the FAS index of Jordan Islamic Bank is higher than that of Safwa Islamic Bank by 4.45 percentage points on average, and the difference is significant (W = 1.0, p = 0.004), and the total index is also higher for Jordan Islamic Bank (difference 1.62, p = 0.010), which meets the decision rule (Wilcoxon, 1945) ^[59]. On the other hand, the difference in the GS index is not significant (p = 0.094), which means that the two banks have a similar level of compliance with the governance standards. As for the trend, the total index of Jordan Islamic Bank has a positive and significant correlation with the year ($\rho = 0.689$, p = 0.028), that is, the compliance of the bank improved over the period,

while the total index of Safwa Islamic Bank has no trend (p = 0.036, p = 0.920), because its improvement until 2020 was followed by the decline of 2024 and 2025.

Robustness Test

Table 10 presents the robustness test, in which the index is computed as a dichotomous index that counts only the fully applied items, and the same tests of Table 9 are repeated, together with the Spearman correlation between the main index and the dichotomous index. The decision rule is the same as in Table 9 (Spearman, 1904; Wilcoxon, 1945) ^[54].

Table 10: Robustness test with the dichotomous index

Test	Mean difference (JOIB – SIBK)	Statistic	p-value
Spearman: total index vs dichotomous index (N = 20)	–	$\rho = 0.995$	< 0.001
Wilcoxon: dichotomous index	3.41	$W = 3.0$	0.010
Spearman trend: JOIB	–	$\rho = 0.726$	0.018
Spearman trend: SIBK	–	$\rho = 0.036$	0.920

Note: The dichotomous index is the share of the applicable items that received a score of 2.

Table 10 shows that the dichotomous index is almost perfectly correlated with the main index ($\rho = 0.995$, $p < 0.001$), which means that the ranking of the bank-years does not depend on the weight given to the minimum disclosure. Moreover, Jordan Islamic Bank remains higher than Safwa Islamic Bank (difference 3.41, $p = 0.010$), the trend of Jordan Islamic Bank remains positive and significant ($\rho = 0.726$, $p = 0.018$), and Safwa Islamic Bank still has no trend. Therefore, the robustness test confirms the main results.

Discussion

The main result of the study shows that the Islamic banks listed on the Amman Stock Exchange comply with the AAOIFI standards at a very high level, in which the total index is above 89% in all the bank-years. This result is consistent with the institutional theory, which explains that the coercive pressure of the regulator leads the organizations to adopt the required rules (DiMaggio & Powell, 1983)^[20], because the Central Bank of Jordan mandates the AAOIFI standards and reviews the financial statements of the Islamic banks. The result is also consistent with the evidence from Bahrain, in which the mandatory adoption led to a high level of compliance (Vinnicombe, 2010; Vinnicombe, 2012)^[57, 58], and it is higher than the compliance found in the countries where the standards are voluntary or partially adopted (Ahmad & Daw, 2015; Sellami & Tahari, 2017; Zafar, 2026)^[3, 53, 60]. In other words, the mandate in Jordan is not only a formal rule, but it is applied in the practice of the two banks. However, the gap between the main index and the dichotomous index shows that part of the compliance is at the minimum level, and this gap is concentrated in specific items. The weakest items are related to the zakah and charity funds, the restricted investments and the rates of return on the investment accounts, and these items are the items that inform the investment account holders and the society about the Islamic nature of the bank. This is consistent with the legitimacy theory, which explains that the organizations disclose what supports their legitimacy, and that the Islamic banks may emphasise the Shari'a report and the social activities more than the detailed information that the stakeholders need to evaluate them (Haniffa & Hudaib, 2007; Kamla & Rammal, 2013; Suchman, 1995)^[30, 32, 55]. It is also consistent with the prior evidence that the disclosure of the Islamic banks is lower for the Shari'a related and the social items (Brahim & Arab, 2020; Hassan & Harahap, 2010; Maali *et al.*, 2006)^[17, 31, 39].

The second result is that the compliance with the governance standards is lower than the compliance with the accounting standards for Jordan Islamic Bank, and that the lowest governance items are the independence of the Shari'a supervisory board, the role of the audit committee in the Shari'a matters and the appointment of the board by the general assembly. This result agrees with the studies that found that the compliance with the AAOIFI governance standards is lower than the compliance with the accounting

standards (Albarrak & El-Halaby, 2019; Mnif & Tahari, 2020; Mnif & Tahari, 2021)^[6, 44, 45], and it shows that the Shari'a governance disclosure needs more attention, because the Shari'a supervisory board and the audit committee are the main mechanisms that protect the quality of the reporting in the Islamic banks (Bechihi & Nafti, 2025; Elnahass *et al.*, 2022; Kolsi & Grassa, 2017)^[14, 24, 27, 36]. It is worth mentioning that the two banks improved the disclosure of the internal Shari'a audit and the Shari'a compliance function after 2018, in which Safwa Islamic Bank disclosed the Shari'a compliance function from 2018, when GS 9 became applicable, and Jordan Islamic Bank from 2022, and this coincides with the issue of GS 9 and GS 11 by AAOIFI (Grassa, 2015)^[28].

The third result is that Jordan Islamic Bank has a higher and more stable accounting compliance than Safwa Islamic Bank, while the governance compliance of the two banks is close. This difference can be explained by the age and the experience of the two banks, in which Jordan Islamic Bank is the oldest Islamic bank in Jordan and it has a long tradition of the Islamic accounting (Maali & Napier, 2010)^[39], while Safwa Islamic Bank, which was previously named Jordan Dubai Islamic Bank, expanded its activities to new contracts, such as Salam and Istisna'a, without a specific accounting policy for them. This is consistent with Sellami and Tahari (2017)^[53] and El-Halaby and Hussainey (2016)^[21], who found that the compliance with the AAOIFI standards depends on the characteristics of the bank. Moreover, the decline of Safwa Islamic Bank in 2024 and 2025 shows that the adoption of a new standard, i.e., the revised FAS 1, may change the place of the disclosure, e.g., moving the Qard Hasan statement to the notes, and this means that the compliance indices need to be updated when the standards change.

The fourth result is that the two banks adopted the new standards mostly in their mandatory year and reported no material effect, while they applied the revised FAS 1 one year after its effective date. This shows that the transition to the new AAOIFI standards in Jordan was managed through the instructions of the Central Bank of Jordan, which is consistent with the role of the banking regulator in the adoption of the Islamic accounting standards (Archer & Karim, 2012; Karim, 2001)^[11, 34]. Notably, the absence of a material effect of FAS 30 is explained by the earlier application of the expected credit loss model under IFRS 9 in 2018, and the absence of an effect of FAS 35 is explained by the abolition of the investment risk fund in 2019. These results matter for the users of the reports, because the investors on the Amman Stock Exchange depend on the trust in the reported information (Tahat *et al.*, 2026)^[56], and the prior studies show that the AAOIFI adoption improves the quality of the reported earnings (El-Halaby *et al.*, 2020; Kateb *et al.*, 2025; Nafti & Kateb, 2025)^[35] and the performance of the Islamic banks (Mnif & Tahari, 2025)^[22, 47].

Conclusion

This study measured the compliance of the Islamic banks listed on the Amman Stock Exchange with the AAOIFI accounting and governance standards over the period 2016 to 2025. Using a checklist of 63 items that was scored on a scale of 0, 1 and 2 from 20 audited annual reports, the study found that the compliance is very high, in which the total index has a mean of 92.88%, that Jordan Islamic Bank has a higher accounting compliance than Safwa Islamic Bank, that the governance compliance of the two banks is close, and that the gaps are concentrated in the items related to the zakah and charity funds, the investment account holders and the internal Shari'a governance. Moreover, the two banks adopted the new standards mostly on time, and the robustness test with the dichotomous index confirmed the results. In other words, the mandate of the AAOIFI standards in Jordan is applied in practice, but the details of the Shari'a related disclosures still need improvement.

Implications

The study gives several implications. For the Central Bank of Jordan, the results show that the mandate of the AAOIFI standards is applied at a very high level, and that the supervision can focus on a small number of items, i.e., the zakah and charity funds, the restricted investments, the rates of return of the investment accounts and the independence of the Shari'a supervisory board. For the auditors, the checklist gives a tool to review the completeness of the disclosure of the Islamic banks, especially after the adoption of the revised FAS 1 and before the adoption of FAS 45, FAS 46 and FAS 47 in 2026. For the banks, the results show that the disclosure of the internal Shari'a audit, the Shari'a compliance function and the role of the audit committee can be improved without a cost on the reported numbers. For the investors and the investment account holders, the index gives a simple measure to compare the transparency of the two banks (Babiker *et al.*, 2026; Tahat *et al.*, 2026) ^[12, 56].

Limitations and Future Research

The study has some limitations. First, the sample includes only two banks, because these are the only Islamic banks listed on the Amman Stock Exchange, and therefore the results describe the full population of the listed banks but cannot be generalised to the other Islamic banks in Jordan. Second, the index measures the disclosure of the compliance in the annual reports, and it does not measure the compliance of the internal practices that are not disclosed. Third, the checklist covers the main requirements of each standard and not every paragraph of the standards. Future studies can extend the index to the other Islamic banks in Jordan and in the region, can follow the effect of FAS 45, FAS 46 and FAS 47 after 2026, and can test the relationship between the compliance and the governance characteristics of the banks (Bechihi & Nafti, 2025; Mnif & Tahari, 2022) ^[14, 46].

Declarations

Ethical Approval

This study uses publicly available secondary data from the annual reports of listed banks and does not involve human participants or animals; therefore, ethical approval was not required.

Conflict of Interest

The author declares no conflict of interest.

Data Availability Statement

The annual reports are available on the website of the Amman Stock Exchange. The coded dataset, including the score, the page and the matched text of every item, is available from the author upon reasonable request.

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