

# AAIB Sustainability Bond

Annual Impact Report 2025

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# VICE CHAIRMAN & MANAGING DIRECTOR STATEMENT

Dear Partners and Stakeholders,

It is with great pride that we present AAIB's inaugural Sustainability Bond Allocation & Impact Report; a milestone not only for our institution, but for Egypt's sustainable finance landscape.

AAIB has been committed to embedding sustainability into the core of our strategy, operations, and culture. Our dedication to responsible banking is not new; it is a legacy built on decades of leadership, innovation, and purposeful partnerships. In November 2024, AAIB issued Egypt's first Sustainability Bond, and the largest ever by a private bank in Africa. With leading institutional investors, the International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD), and British International Investment (BII) underwriting the deal, demonstrating that mobilizing capital regardless of volatile global market conditions. This achievement reflects our belief and responsibility to create a sustainable future for generations to come. We are ensuring that AAIB remains at the forefront of both financial innovation and environmental stewardship by directing capital toward projects that advance ESG.

This report offers a transparent account of how the proceeds of our Sustainability Bond have been allocated to projects that generate measurable environmental and social benefits. It highlights the impact delivered by the first set of eligible assets financed under the bond and reaffirms our commitment to transparency, accountability, and high-quality reporting standards.

The Sustainability Bond is one of the key vehicles through which AAIB supports Egypt's transition to a low-carbon, resilient, and inclusive economy. By financing projects in energy efficiency, green buildings, sustainable water management, and financial inclusion, we are contributing to Egypt Vision 2030, the United Nations Sustainable Development Goals, and the Paris Agreement.

Looking ahead, AAIB remains steadfast in its commitment to sustainable finance. Over the five-year impact reporting cycle associated with this bond issuance, we will continue to disclose results with clarity, expand the scope of reported eligible assets, and further develop solutions that create long-term value for our clients, our communities, and our country.

Thank you for your continued partnership and confidence in AAIB's journey toward a more sustainable and prosperous future.

Sincerely,

**Tamer Waheed**

Vice Chairman and Managing Director



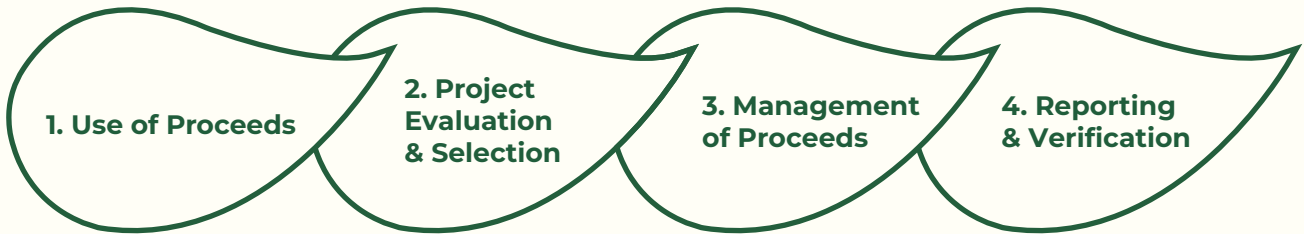
## ABOUT AAIB



Arab African International Bank (AAIB) has been advancing sustainability as a core business priority since 2003 - positioning it among the early adopters of responsible banking in Egypt and the region. Over two decades, AAIB has progressively embedded environmental, social, and governance (ESG) considerations across its strategy, risk management, and operations. The Bank's sustainability journey is marked by pioneering milestones, including early adoption of global initiatives, the publication of Egypt's first sustainability and carbon footprint reports by a financial institution, and continued leadership in responsible finance frameworks. These efforts culminated in the issuance of AAIB's first Sustainability Bond in 2024 - reinforcing its commitment to climate action, social development, and sustainable economic growth.

Guided by strong governance and transparent reporting, AAIB continues to translate sustainability into measurable impact and long-term stakeholder value.

# OVERVIEW OF AAIB'S \$500 MILLION SUSTAINABILITY BOND



## 1 Use of Proceeds

Proceeds are exclusively allocated to eligible environmental or social impact transactions. All assets financed through the bond proceeds align with the Bond Framework and contribute to national sustainability priorities, with 100% of proceeds deployed within Egypt.

## 3 Management of Proceeds

The proceeds of the Sustainability Bond are managed transparently by the sustainable assets committee after undergoing a screening process, ensuring that all funds are allocated to eligible, approved transactions through the Sustainable Assets Committee. Unallocated Sustainability Bond proceeds are temporarily invested in cash, cash equivalents, or other high-quality liquid assets, in line with the Framework.

## 2 Project Evaluation & Selection

Each asset undergoes assessment to ensure alignment with Environmental & Social eligibility criteria, including relevant Environmental and Social risk categorization. It is understood that no material risks will be associated with any of the projects financed by the bond proceeds.

## 4 Reporting & Verification

AAIB is committed to transparently reporting on the allocation and impact of the Sustainability Bond proceeds. Each reporting cycle is supported by independent verification to ensure accuracy, accountability, and alignment with international best practices.

# CATEGORY-LEVEL ALLOCATION OVERVIEW

The table below presents an aggregated overview of Sustainability Bond allocations by eligible environmental and social category, including each category's share of the total bond amount.

The figures presented reflect allocations and associated impact metrics as of 31 December 2025.

## Environmental Categories

Categories are defined in accordance with IFC's Climate Assessment for Financial Institutions (CAFI) classification methodology.

Eligible Category	Use of Proceeds (\$ MM)	% of Total Bond	Green Built Area (m <sup>2</sup> )	Annual Water Treated (m <sup>3</sup> )	Annual Energy Savings (MWhe/yr)	Actual GHG Reduced (tCO <sub>2</sub> e/yr)
Energy Efficiency	176.49	35.37%	-	-	78,349.44	32,136.04
Green Buildings	66.32	13.29%	32,789	-	832.84	342.3
Climate Adaptation	2.69	0.50%	-	1,095,000	-	-
Other Climate Mitigation	89.12	17.86%	-	-	-	-
<b>Total</b>	<b>\$334.62</b>	<b>67.06%</b>	<b>32,789</b>	<b>1,095,000</b>	<b>79,182.28</b>	<b>32,478.34</b>

Allocation figures and impact indicators reflect the eligible Environmental portfolio as of 31 December 2025.

## Social Categories

Eligible Category	Use of Proceeds (\$ MM)	% of Total Bond	Numbers of Beneficiaries; Jobs Supported	Number of Patients Served
Socioeconomic Advancement & Empowerment	118.63	24%	85,939	-
Healthcare	6.12	1%	-	130,942
<b>Total</b>	<b>124.75</b>	<b>25%</b>	<b>85,939</b>	<b>130,942.00</b>

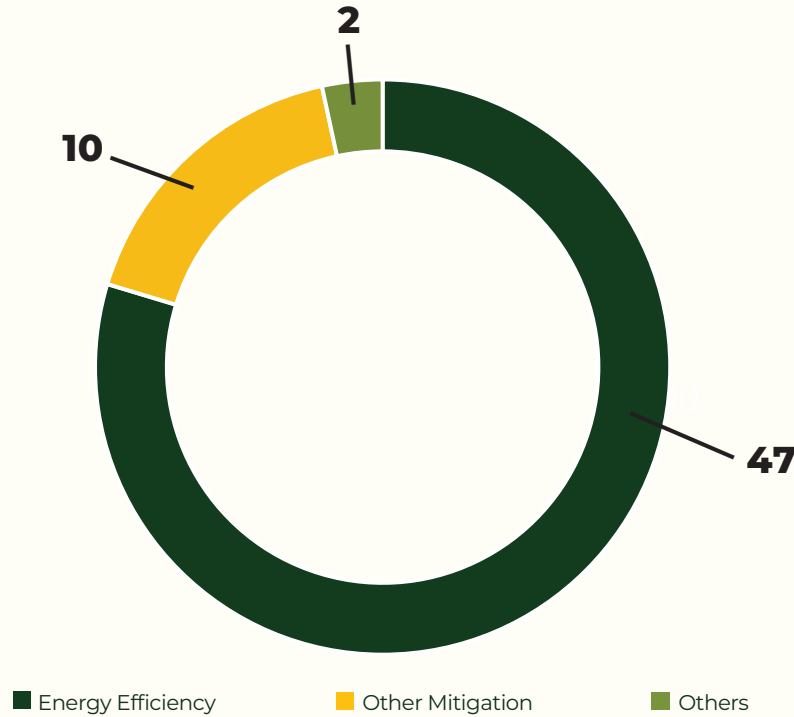
Allocation figures and impact indicators reflect the eligible Social portfolio as of 31 December 2025.

## Refinancing of Eligible Assets Using Bond Proceeds

In accordance with the Sustainability Bond Framework, approximately, 14% of the USD 500 million Sustainability Bond proceeds were allocated to the refinancing of eligible assets, subject to a look-back period of up to two years, while the remaining proceeds were allocated to the financing of new eligible assets.

# ENVIRONMENTAL IMPACT

NUMBER OF APPROVED TRANSACTIONS



## Key Environmental Metrics

Estimated annual climate impact based on IFC's CAFI tool.

*more than*  
**32,478.34 tCO<sub>2</sub>e**  
 Projected GHG emissions reduced per year

*more than*  
**79,182.28 MWh**  
 Projected annual energy savings

*more than*  
**1,095,000 m<sup>3</sup>**  
 Annual treated water produced

By channeling capital to impactful activities, the Bank supported the following Sustainable Development Goals, creating value for both people and the environment.

**3** GOOD HEALTH AND WELL-BEING



**6** CLEAN WATER AND SANITATION



**7** AFFORDABLE AND CLEAN ENERGY



**9** INDUSTRY, INNOVATION AND INFRASTRUCTURE



**11** SUSTAINABLE CITIES AND COMMUNITIES



**13** CLIMATE ACTION



**14** LIFE BELOW WATER

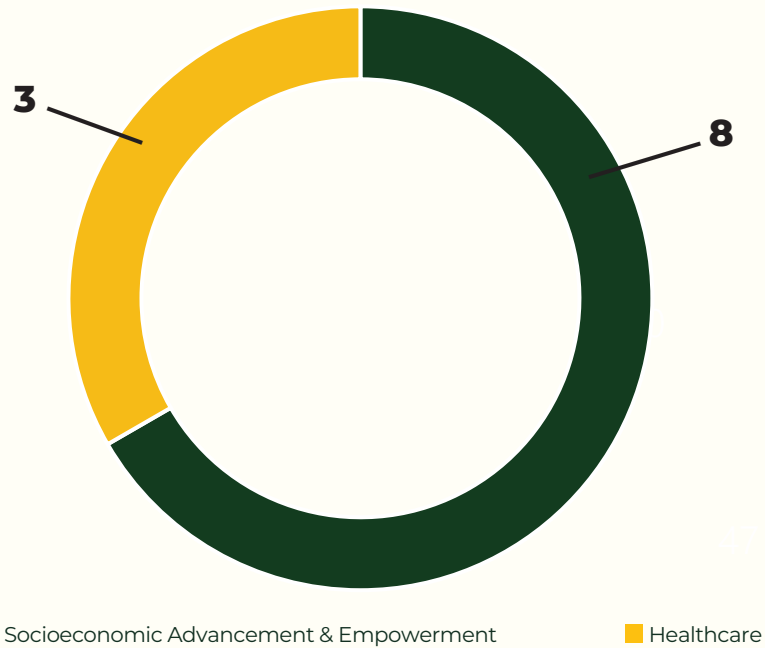


**15** LIFE ON LAND



# SOCIAL IMPACT

NUMBER OF APPROVED ASSETS



## Key Social Impact Indicators

Measurement indicators: Total Beneficiaries, Women Supported MSMEs Financed, Jobs Created.

**≈ 216,881**  
Estimated beneficiaries supported

**≈ 129,312**  
Estimated female beneficiaries reached

Through these allocations, the Bank delivered meaningful social impact, contributing to the following Sustainable Development Goals:

**1** NO POVERTY



**2** ZERO HUNGER



**4** QUALITY EDUCATION



**5** GENDER EQUALITY



**8** DECENT WORK AND ECONOMIC GROWTH



**10** REDUCED INEQUALITIES



**11** SUSTAINABLE CITIES AND COMMUNITIES



# RATIONALE FOR AAIB SUSTAINABILITY BOND ISSUANCE

## Issuance Objectives & Governance Structure

AAIB's \$500 million Sustainability Bond stands as a landmark instrument in Egypt's sustainable finance market and a core pillar of the Bank's sustainability strategy. Issued in partnership with IFC, EBRD, and BII, the Bond mobilizes capital at scale toward projects that generate lasting environmental and social value while strengthening the resilience and competitiveness of the real economy.

The Bond operates under [AAIB's Sustainability Bond Framework](#) with a robust four-pillar structure that governs the Bond across: use of proceeds, project evaluation and selection, management of proceeds, and transparent reporting supported by independent verification. All financed assets undergo Environmental and Social risk assessment, ensuring disciplined allocation, full traceability and strong lifecycle governance.

This report presents the allocation and impact of Sustainability Bond proceeds as of 31 December 2025.

## How the Bond Delivers Impact

Through investments in pollution prevention & control, sustainable water solutions, and climate-resilient infrastructure, the Sustainability Bond actively converts capital into tangible environmental outcomes. On the social and economic front, the Bond expands access to finance and supports productive activity across key sectors. It reached 216,881 beneficiaries and is reaching a growing base of enterprises and households, including approximately 129,331 women, reinforcing AAIB's commitment to financial inclusion, MSME development and job creation.



# SUSTAINABILITY BOND FRAMEWORK

## Use of Proceeds

The use of proceeds is a cornerstone of the AAIB Sustainability Bond Framework. Proceeds from the \$500 million issuance are exclusively directed to finance or refinance eligible Green and Social Projects located in Egypt that generate environmental and social benefits. These projects support Egypt's transition toward a low-carbon, resilient, and inclusive economy while contributing to both national and global sustainability goals.

### To qualify for allocation, projects must:

1. Be located in Egypt and comply with local environmental and social regulations.
2. Align with internationally recognized principles, including the International Capital Market Association (ICMA) Green, Social and Sustainability Bond Principles, IFC Climate Eligibility Criteria, and the Financial Regulatory Authority (FRA) Sustainable Finance Guidelines.
3. Demonstrate measurable contribution to environmental improvement or social inclusion.

## Eligible Green Categories

Pollution Prevention & Control | Sustainable Water and Waste Management | Green Buildings | Clean Transportation

## Eligible Social Categories

SME and Microfinance | Access to Essential Services | Financial Inclusion | Gender Empowerment

Each financed project undergoes environmental and social risk screening to ensure compliance with AAIB's Environmental & Social Risk Policy and the IFC Performance Standards.



# SUSTAINABILITY BOND FRAMEWORK - USE OF PROCEEDS

## Project Evaluation & Selection Process

Projects funded under the AAIB Sustainability Bond undergo a careful selection process to ensure environmental and social integrity. Eligible projects must align with the AAIB Sustainability Bond Framework and demonstrate long-term impact according to international standards.

The process involves:

1. Identification of eligible projects by the Sustainable Finance Division, based on green and social criteria.
2. Screening and Technical Assessment of environmental projects using the IFC Climate Assessment for Financial Institutions (CAFI) tool and AAIB's Environmental & Social Risk Policy.
3. Screening and Technical Assessment of social projects according to the ICMA Social Bond category and the SDGs, alongside AAIB's Environmental & Social Risk Policy.
4. Risk Categorization and Validation by the Sustainability Assets Committee (SACo) to approve allocations and reporting in accordance with the framework standards.
5. Final Approval and Portfolio Inclusion after meeting all requirements.

Regular SACo meetings ensure projects align with AAIB's principles of credibility, transparency, and positive impact.

## Management of Proceeds

The Sustainability Bond proceeds are managed through a dedicated, transparent portfolio that ensures full traceability from issuance to impact. Oversight by the Finance, Treasury, and Sustainable Assets Committee guarantees that funds are responsibly invested and continuously aligned with the ICMA Principles and AAIB's internal governance standards.

Pending full allocation, any unallocated Sustainability Bond proceeds are temporarily invested in cash, cash equivalents, and/or other high-quality liquid assets, in accordance with AAIB's Sustainability Bond Framework.

## Reporting & Verification

AAIB is committed to setting the highest standards of transparency and trust in sustainable finance. The Bank will publish an annual Allocation and Impact Report showcasing how Sustainability Bond proceeds are deployed and the tangible environmental and social value created. All reported data will be independently verified in line with international assurance standards.

Prior to issuance, the Framework received a Second-Party Opinion-Party Opinion from Sustainalytics, confirming its alignment with the Green Bond Principles (GBPs), Social Bond Principles (SBPs), and Sustainability Bond Guidelines (SBGs).

The Second-Party Opinion (SPO) and future annual reports will be publicly available on AAIB's official website, reinforcing investor confidence and accountability.

## Methodology & Assumptions

AAIB applies internationally recognized methodologies to estimate the environmental and social impacts of assets financed under its Sustainability Bond. Impact calculations are primarily derived using the IFC Climate Assessment for Financial Institutions (CAFI)\* Tool. For the other mitigation projects where impact cannot be quantified using the CAFI Tool - such as climate adaptation and resilience measures - impacts are assessed qualitatively through technical evaluations and structured case-study analysis. This approach ensures conservative, transparent, and attributable impact reporting.

*\*The IFC CAFI tool estimates expected climate impacts on an ex-ante basis using standardized emission factors and baseline scenarios. Reported results therefore represent modelled estimates, not measured project-level outcomes.*

# IMPACT HIGHLIGHTS

**CASE 1 | CLIENT “A”**

**INDUSTRY SECTOR: PRIMARY METALS**

**FACILITY TYPE: ENERGY EFFICIENCY & POLLUTION PREVENTION – FINANCING SCRAP**

**USE OF PROCEEDS: ENERGY EFFICIENCY PROJECT**

**ALLOCATED AMOUNT: \$93.9 MILLION**

<p><b>Facility Summary</b></p>	<p>This project supports the production of steel rebar using recycled iron scrap in Electric Arc Furnaces (EAF), replacing traditional Direct Reduced Iron (DRI). By shifting to a scrap-based production route, the project enables a transition toward lower-emission, circular steelmaking, contributing to global climate-mitigation efforts and resource efficiency.</p>
<p><b>Climate Challenge</b></p>	<p>Global steel demand continues to grow, driven by industrial development and population increase. However, steel manufacturing remains among the most carbon-intensive industries, heavily dependent on fossil fuels—particularly coal—as both an energy source and reducing agent. This results in significant greenhouse-gas emissions, estimated at 2.62 gigatons of CO<sub>2</sub> annually, highlighting the urgent need for cleaner, energy-efficient technologies in the sector.</p>
<p><b>Mitigation Opportunity</b></p>	<p>By substituting DRI with recycled scrap in the EAF process, the operation reduces energy intensity and emissions, lowering electricity consumption from about 750 kWh per ton in the baseline scenario to around 550 kWh per ton in the improved case. The measure promotes circularity by reintegrating end-of-life steel into production while improving competitiveness through energy savings of roughly 200 kWh per ton of scrap. A revolving working capital facility ensures steady scrap procurement and operational continuity.</p>
<p><b>Key Economic &amp; Environmental Results</b></p>	<ul style="list-style-type: none"> <li>📍 <b>Location:</b> Alexandria, Egypt</li> <li>⚡ <b>Energy Efficiency Improvement:</b> The use of recycled scrap instead of Direct Reduced Iron (DRI) in Electric Arc Furnace (EAF) steel production reduces specific energy consumption from approximately 750 kWh/ton to 550 kWh/ton, representing an estimated 27% reduction in energy intensity.</li> <li>♻️ <b>Economic Impact:</b> Supports Egypt’s circular-economy transition through resource reuse and energy-efficient production.</li> </ul>

**SDGs Associated with Case “A”**

**9** INDUSTRY, INNOVATION AND INFRASTRUCTURE



**12** RESPONSIBLE CONSUMPTION AND PRODUCTION



**13** CLIMATE ACTION



# IMPACT HIGHLIGHTS

## CASE 2 | CLIENT “B”

**INDUSTRY SECTOR: CONSTRUCTION AND REAL ESTATE**

**CLIMATE CATEGORY: WASTEWATER MANAGEMENT**

**PROJECT TYPE: WASTEWATER TREATMENT FACILITY**

**USE OF PROCEEDS: SUSTAINABLE WATER AND WASTEWATER MANAGEMENT**

**ALLOCATED AMOUNT: \$2.69 MILLION**

<p><b>Summary</b></p>	<p>This project involves the construction of a modern wastewater treatment facility with a capacity of 3,000 m<sup>3</sup>/day, designed to enhance water recycling and reduce environmental stress. Equipped with advanced treatment technologies, the plant supports cleaner water discharge, reduced pollution, and long-term climate resilience for surrounding communities.</p>
<p><b>Climate Challenge</b></p>	<p>Egypt’s freshwater resources are under mounting pressure. Annual per-capita water availability has dropped from 1,972 m<sup>3</sup> in 1970 to just 570 m<sup>3</sup> in 2018, and is projected to decline to 390 m<sup>3</sup> by 2050, pushing the country below the severe water scarcity threshold. Climate change, pollution, and population growth are accelerating the urgency for sustainable water infrastructure.</p>
<p><b>Adaptation Opportunity</b></p>	<p>Replacing outdated and inefficient water systems with climate-adaptive wastewater infrastructure improves water security, public health, and environmental protection. The facility is built to resist climate variability, reduce untreated wastewater discharge, and contribute to resource recovery and reuse within industrial and urban zones.</p>
<p><b>Key Economic &amp; Environmental Results</b></p>	<ul style="list-style-type: none"> <li>📍 Location: Egypt (Industrial Zone)</li> <li>💧 Water Treated: 1,095,000 m<sup>3</sup>/year</li> <li>🌍 Climate Impact: Improved water availability and pollution prevention</li> <li>🏭 Economic Impact: Enhances industrial efficiency and community resilience through sustainable water management.</li> </ul>

## SDGs Associated with Case “B”

**3** GOOD HEALTH AND WELL-BEING



**6** CLEAN WATER AND SANITATION



**9** INDUSTRY, INNOVATION AND INFRASTRUCTURE



# IMPACT HIGHLIGHTS

## CASE 3 | CLIENT “C”

**INDUSTRY SECTOR: INDUSTRIAL & CONSUMER PRODUCTS – ADVANCED MANUFACTURING**





**CLIMATE CATEGORY: CLIMATE RESILIENCE**

**PROJECT TYPE: LOW-CARBON TRANSPORTATION MANUFACTURING**

**USE OF PROCEEDS: FINANCING LOW-EMISSION VEHICLE MANUFACTURING AND**

**ASSOCIATED GREEN SUPPLY CHAINS**

**ALLOCATED AMOUNT: \$85.5 MILLION**

<p><b>Summary</b></p>	<p>This project supports the global transition to low-carbon transportation through the financing of electric bus manufacturing facilities, production lines, and key vehicle components, alongside a revolving working capital facility for export supply agreements. By strengthening large-scale production of zero-emission buses for international markets, the project contributes indirectly to transport-sector decarbonization and the advancement of sustainable mobility.</p>
<p><b>Climate Challenge</b></p>	<p>The transport sector is a major contributor to global greenhouse gas emissions, largely driven by the continued reliance on fossil fuel-powered road vehicles. Heavy-duty transport, including public bus fleets, plays a significant role in urban air pollution and carbon emissions. As cities work to meet climate targets and improve air quality, accelerating the shift toward zero-emission public transport has become an urgent priority worldwide.</p>
<p><b>Mitigation Opportunity</b></p>	<p>The financing provided to expand electric vehicle manufacturing capacity and green supply chains contributes to the scaling of zero-emission public transport solutions. As direct operational emission reductions are not measured at the manufacturing stage, the project delivers indirect climate-mitigation benefits by facilitating the gradual replacement of diesel-powered buses in international markets. The revolving working capital facility additionally strengthens production continuity and export capabilities for low-carbon transport technologies.</p>
<p><b>Key Economic &amp; Environmental Results</b></p>	<ul style="list-style-type: none"> <li> Location: Egypt (Export-Oriented Production Facility)</li> <li> Zero-Emission Vehicles Deployed: ~150 electric buses exported to the EU (Sweden)</li> <li> Climate Impact: Indirect climate mitigation through enabling the displacement of diesel-powered public buses in international markets</li> <li> Economic Impact: ~1,500 new jobs created, strengthening industrial capacity and local economic inclusion</li> </ul>

## SDGs Associated with Case “C”

**8** DECENT WORK AND ECONOMIC GROWTH



**9** INDUSTRY, INNOVATION AND INFRASTRUCTURE



**11** SUSTAINABLE CITIES AND COMMUNITIES



**13** CLIMATE ACTION



# IMPACT HIGHLIGHTS

## CASE 4 | CLIENT “D”

**INDUSTRY SECTOR: FINANCIAL INCLUSION & MICROENTERPRISE DEVELOPMENT**

**PROJECT TYPE: SOCIOECONOMIC ADVANCEMENT AND EMPOWERMENT**

**USE OF PROCEEDS: SOCIAL INCLUSION AND WOMEN’S EMPOWERMENT**

**ALLOCATED AMOUNT: \$59 MILLION**

<p><b>Summary</b></p>	<p>As part of AAIB’s commitment to inclusive and sustainable development, this project involves a partnership with a leading microfinance institution to expand access to financial services for underserved and unbanked populations, with a particular focus on women and micro-entrepreneurs.</p> <p>The facility enables the partner institution to on-lend affordable credit to individuals and small businesses that drive local employment and community growth, supporting Egypt’s broader agenda for financial inclusion and social equity.</p>
<p><b>Social Challenge</b></p>	<p>Access to formal finance remains limited for many Egyptians, especially women and microenterprises. This lack of access restricts opportunities for entrepreneurship, job creation, and economic resilience. Women-led enterprises, in particular, face barriers related to collateral, financial literacy, and market visibility.</p>
<p><b>Mitigation Opportunity</b></p>	<p>Through this loan, the microfinance partner has expanded its outreach to over 13,000 beneficiaries, of whom approximately 6,000 are women, creating tangible pathways toward economic independence, income generation, and gender equity.</p> <p>By promoting entrepreneurship and financial literacy, the program strengthens household stability, local economies, and inclusive community growth.</p>
<p><b>Key Social Results</b></p>	<ul style="list-style-type: none"> <li>👤 Beneficiaries Reached: 13,035 individuals</li> <li>👩 Women Beneficiaries: ~6,000 (46%)</li> <li>🌍 Social Impact: Enhanced financial access, gender empowerment, and community-level enterprise development</li> <li>📈 Economic Outcome: Improved small business performance and reinforced household economic resilience</li> </ul>

## SDGs Associated with Case “D”

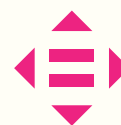
**1 NO POVERTY**



**5 GENDER EQUALITY**



**10 REDUCED INEQUALITIES**





البنك العربي الافريقي الدولي  
arab african international bank

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