

# INTERNATIONAL FINANCE FACILITY FOR IMMUNISATION COMPANY

INTERIM FINANCIAL REPORT  
HALF YEAR ENDED 30 JUNE 2021  
(UNAUDITED)

International Finance Facility for Immunisation Company, 2 Lambs Passage, London EC1Y 8BB, United Kingdom. Registered in England and Wales as a company limited by guarantee with number **5857343** and as a charity with number **1115413**.

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INTERIM MANAGEMENT REPORT  
HALF YEAR ENDED 30 JUNE 2021

## OBJECTIVES AND PUBLIC BENEFIT

### OBJECTIVES

The International Finance Facility for Immunisation Company (“IFFIm”) was created to accelerate the availability of predictable, long-term funds for health and immunisation programmes through Gavi, the Vaccine Alliance, in over 71 developing countries around the world. IFFIm promotes the effective use of Gavi resources for charitable purposes, and for the benefit of the public, by providing services and facilities that assist Gavi in raising funds. Such services and facilities include, but are not limited to, borrowing money, or entering into agreements that are backed by legally binding funding commitments from sovereign government donors (the “Grantors”).

Every year, in many of the world’s low-income countries, millions of children miss out on vaccinations against common diseases, making them vulnerable to sickness, disability and death. Millions of children die from easily preventable diseases such as diphtheria, pneumonia, diarrhoea, meningitis, and yellow fever. In 2020, the COVID-19 pandemic gave rise to unprecedented new challenges with providing vaccines for these preventable diseases while also introducing the need for a new coronavirus vaccine. Gavi is now coordinating the COVAX Facility, a global initiative to ensure equitable access to COVID-19 diagnostics, treatments, and vaccines in addition to its work providing access to new and under-used vaccines for the world’s most vulnerable children.

IFFIm funding accelerates the availability and increases the predictability of funds for immunisation, vaccine procurement and health systems strengthening (“HSS”) programmes. Gavi uses funds raised by IFFIm to reduce the number of worldwide vaccine-preventable deaths and illnesses. Gavi achieves this by funding the purchase and delivery of vaccines and strengthening health systems in many of the world’s low-income countries. Gavi is now leveraging these resources to also help address the COVID-19 pandemic. IFFIm will provide the same level of support to the COVAX initiative as it does for Gavi’s core programmes.

IFFIm raises funds by issuing bonds in the international capital markets under its *Global Debt Issuance Programme* and through its involvement in issues of Sukuk certificates. IFFIm then disburses the funds to Gavi to support various Gavi vaccine procurement, immunisation and HSS programmes. Through its bond issuances, IFFIm converts long-term government pledges into immediately available cash resources. IFFIm uses grant payments from the Grantors to pay the principal and interest on its bonds.

### PUBLIC BENEFIT

Through supporting the charitable aims of Gavi and meeting its objects, IFFIm is a public benefit entity but does not work directly with the public. IFFIm’s directors have considered the Charity Commission’s general guidance on public benefit and have paid due regard to it when planning IFFIm’s activities and assessing how IFFIm’s activities further its objectives described above.

## PROGRAMMES FUNDED BY IFFIm

Gavi programmes are funded by IFFIm, subject to the IFFIm board’s approval of a request for funding from Gavi and when an indicative funding confirmation, signed by any trustee on behalf of the IFFIm board, is issued to Gavi. The trustees are also directors of IFFIm for the purposes of company law. In the six months ended 30 June 2021, IFFIm issued four new indicative funding confirmations, totalling US\$ 1,110 million, to fund Gavi programmes and made grant payments to Gavi, totalling US\$ 1,214 million, with respect to approved funding.

Since its inception, IFFIm has funded several Gavi programmes, which are categorised into Country-Specific Programmes and Investment Cases. Each of these categories is described below.

### COUNTRY-SPECIFIC PROGRAMMES

Governments of eligible developing countries apply for vaccine procurement, immunisation and HSS support by submitting applications to Gavi. Once it has reviewed and approved the applications, Gavi requests funding from IFFIm. Since its inception in 2006, IFFIm has provided funding in support of the following Gavi Country-Specific programmes:

New and Underused Vaccine Support (“NVS”) programmes: Gavi supports developing countries in introducing vaccines and associated vaccine technology. Gavi’s support is aimed at accelerating the countries’ vaccine uptake and improving their vaccine supply security. NVS programmes funded by IFFIm related primarily to the following diseases:

- Pneumococcal Disease: This is a bacterial infection and is the leading cause of pneumonia, which kills more children each year than any other disease. It is the single largest infectious cause of death in children worldwide, killing more than 800 thousand children aged under five in 2017 alone. Most of these deaths

occur in developing countries. The bacterium that causes pneumococcal disease can also cause meningitis, which often leaves survivors with permanent disabilities, including mental retardation and seizures.

- **Hepatitis B:** This is a viral infection which claims more than 880 thousand lives every year, through chronic or acute liver infections. Babies and young children are most at risk, with the virus often passing from mother to child before or shortly after birth and putting victims at high risk of death from cirrhosis of the liver and liver cancer in later life. More than 250 million people worldwide are chronically infected with hepatitis B.
- **Haemophilus Influenzae Type B (“Hib”):** This is a bacterial infection which causes meningitis and pneumonia. It is considered the third biggest cause of vaccine-preventable death in children under five years of age. It is estimated that Hib accounts for approximately 200 thousand child deaths every year, most of them in low-income countries. Most survivors suffer paralysis, deafness, mental retardation and learning disabilities.
- **Diphtheria:** This is a bacterial infection transmitted from person to person through close physical and respiratory contact. The disease can be fatal. Death occurs in 5% to 10% of those infected, mainly in children under five years of age.
- **Tetanus:** Also known as lockjaw, tetanus is a bacterial infection. Tetanus affects new-born babies and their mothers, usually because of unsafe delivery in unhygienic conditions, often without skilled birth attendants.
- **Pertussis:** Also known as whooping cough, pertussis is a disease of the respiratory tract caused by bacteria that live in the mouth, nose, and throat. Many children who contract pertussis have coughing spells that last four to eight weeks. The disease is most dangerous in infants.
- **Yellow Fever:** As an acute viral haemorrhagic disease transmitted by mosquitoes, yellow fever causes devastating epidemics in areas where people who are not vaccinated are exposed to infected mosquitoes. Up to 50% of people severely affected by yellow fever will die. Yellow fever virus poses the greatest threat to 900 million people in Africa, Central and South America. Together, deforestation, urbanisation, climate change and low population immunity have contributed to its re-emergence since the 1980s.
- **Measles:** This is a highly contagious virus, whose symptoms include a high fever, severe skin rash, and a cough. Because it is so contagious, measles remains a significant threat to child health even in those areas where the rates of measles are reduced. By weakening the immune system, measles can also lead to other health problems such as pneumonia, blindness, diarrhoea, and encephalitis.
- **Rotavirus:** This virus is the leading cause of severe and fatal diarrhoea in children under five years of age. More than 500 thousand children under five die from diarrhoeal disease each year. Nearly every child in the world will suffer a rotavirus infection by their third birthday. While rotavirus infects children in every country, more than 95% of rotavirus deaths occur in low-income countries in Africa and Asia, where access to treatment for severe rotavirus-related diarrhoea is limited or unavailable.

**Health Systems Strengthening (“HSS”) programmes:** The objective of HSS programmes is to achieve and sustain increased immunisation coverage, through strengthening the capacity of countries’ systems to provide immunisation and other health services. Countries are encouraged to use HSS funding to target the bottlenecks or barriers in their health systems.

**Immunisation Services Support (“ISS”) programmes:** Gavi provides developing countries with flexible reward payments for strengthening their immunisation systems. These payments are subject to strict performance requirements and Gavi works with governments and inter-agency coordinating committees to set goals and monitor progress.

**Injection Safety Support (“INS”) programmes:** Gavi contributes to the provision of auto-disable syringes, reconstitution syringes and safety boxes. These syringes and safety boxes facilitate the administering of vaccines in developing countries.

**Vaccine Introduction Grant:** Recognising that introduction of a new vaccine can imply additional costs for a country’s health system, Gavi provides additional support to bridge this resource gap. This support takes the form of an upfront cash grant and is used by implementing countries to pay for costs such as training, social mobilisation, programme management surveillance and monitoring.

## INVESTMENT CASES

From time to time, IFFIm funds tactical investments in disease prevention and control. These investments are made through Gavi partners such as the United Nations Children’s Fund (“UNICEF”) and the World Health Organization (“WHO”). Each investment targets a disease that constrains progress towards improved child and maternal health. Since its inception in 2006, IFFIm has provided funding in support of the following Investment Cases:

**Yellow Fever Stockpiles:** Gavi supported the creation and maintenance of yellow fever vaccine stockpiles to ensure that vaccines are ready for deployment as soon as an outbreak is identified. The stockpiles also help to secure supply for routine programmes. IFFIm funds were used for both outbreak response and preventative campaigns.

**Polio Eradication:** Gavi supported intensified eradication activities that were implemented to interrupt wild and vaccine-derived poliovirus transmission. These activities included sustaining polio surveillance and laboratory activities, improving social mobilisation and enhancing technical assistance.

**Measles Mortality Reduction:** Gavi supported efforts to reduce the level of mortality from measles. The measles mortality reduction campaign is a partnership among several global health and development agencies to address this major childhood disease. Measles vaccination campaigns have become a channel for the delivery of other life-saving interventions, such as bed nets, de-worming medicine and vitamin supplements.

**Maternal and Neonatal Tetanus:** Gavi supported a campaign to eliminate maternal and neonatal tetanus. Maternal and neonatal tetanus continues to burden the most poorly served populations in many of the world's low-income countries. The campaign was implemented to build on existing efforts to improve clean delivery practices and immunisation services in these populations.

**Yellow Fever Continuation:** In March 2009, Gavi and IFFIm boards approved funding for an extension and expansion of Gavi's original yellow fever investment case described above. The additional funds allowed for increased and extended yellow fever vaccine coverage and helped offset higher than expected vaccine prices.

**Meningitis Eradication:** Gavi supported efforts to eliminate meningococcal A meningitis epidemics in 25 African countries that were estimated to be home to approximately 95% of the world's meningococcal meningitis burden. Meningococcal meningitis is a bacterial disease that mainly affects children and can result in death or permanent disability.

**Vaccine Research and Development:** Gavi provides support to the Coalition for Epidemic Preparedness Innovations ("CEPI") for its late-stage vaccine research and development activities. CEPI is a global public-private partnership whose mission is to accelerate the development of vaccines against emerging infectious diseases and enable equitable access to these vaccines during outbreaks.

**COVAX:** COVAX is the vaccines pillar of the Access to COVID-19 Tools ("ACT") Accelerator, a ground-breaking global collaboration to accelerate the development, production, and equitable access to COVID-19 tests, treatments, and vaccines. COVAX is co-led by WHO, Gavi, and CEPI, alongside key delivery partner UNICEF. Its aim is to accelerate the development and manufacture of COVID-19 vaccines, and to guarantee fair and equitable access for every country in the world. Gavi's role in COVAX involves coordinating the COVAX Facility, a global risk-sharing mechanism for pooled procurement and equitable distribution of COVID-19 vaccines.

## FINANCIAL OVERVIEW

### OVERVIEW OF ASSETS AND LIABILITIES

The following table summarises IFFIm's assets and liabilities as of 30 June 2021 and 31 December 2020:

<b>In Millions of US\$</b>	<b>As of 30 June 2021</b>	<b>As of 31 December 2020</b>	<b>Change</b>
Sovereign pledges	3,003	3,286	(283)
Funds held in trust	226	478	(252)
Other assets	8	14	(6)
<b>Total assets</b>	<b>3,237</b>	<b>3,778</b>	<b>(541)</b>
Bonds payable	1,626	916	710
Derivative financial instruments	312	407	(95)
Grants payable	57	161	(104)
Other liabilities	-	1	(1)
<b>Total liabilities</b>	<b>1,995</b>	<b>1,485</b>	<b>510</b>
<b>Net assets</b>	<b>1,242</b>	<b>2,293</b>	<b>(1,051)</b>
<b>Total liabilities and net assets</b>	<b>3,237</b>	<b>3,778</b>	<b>(541)</b>

**Sovereign Pledges:** IFFIm's asset base consists primarily of irrevocable and legally binding multi-year sovereign pledges from the Grantors. As of 30 June 2021, the Grantors were the Republic of France, the Republic of Italy, the State of the Netherlands, the Kingdom of Norway, the Republic of South Africa, the Kingdom of Spain, the Kingdom of Sweden, the United Kingdom of Great Britain and Northern Ireland, the Commonwealth of Australia, and the Federative Republic of Brazil.

During the six months ended 30 June 2021, IFFIm's sovereign pledges decreased by US\$ 283 million primarily due to payments received from Grantors totalling US\$ 295 million, partially offset by net fair value gains on sovereign pledges of US\$ 12 million. These net fair value gains were primarily due to the decrease in the fair value adjustment applied to sovereign pledges with respect to the Grant Payment Condition ("GPC Fair Value Adjustment") from 8.72%, as of 31 December 2020, to 7.4%, as of 30 June 2021, which were of greater magnitude than losses due to higher sovereign yields and the weakening of the United States dollar relative to the British pound and other currencies during the period. The decrease in the GPC Fair Value Adjustment was due to improvements in probabilities of default of countries in the reference portfolio as well as the clearance of all Sudan's outstanding arrears to the International Monetary Fund ("IMF") and its removal in May 2021 from the list of countries in protracted arrears to the IMF. A more detailed description and discussion of the GPC Fair Value Adjustment is included in the Notes to the Consolidated Interim Financial Statements in Note 12 *Fair Values of Financial Instruments*.

**Funds Held in Trust and Investment Strategy:** IFFIm's funds held in trust represent an investment portfolio denominated in United States dollars and managed by the World Bank. IFFIm has established liquidity and investment policies based on recommendations made by the World Bank. The World Bank maintains a single, commingled investment portfolio (the "Pool") for IFFIm, certain trust funds and other entities administered by the World Bank, as well as assets held in trust for other World Bank Group institutions. The Pool's assets are maintained separate from the funds of the World Bank Group. The Pool is divided into sub-portfolios to which allocations are made based on funding specific investment horizons, risk tolerances and other eligibility requirements set by the World Bank. Under IFFIm's investment strategy approved by the trustees, IFFIm's liquid assets are invested in high-grade fixed-income instruments with interest rate sensitivity matching that of the liabilities funding IFFIm's investment portfolio. IFFIm's trustees regularly review the portfolios within which IFFIm's investments are held. IFFIm holds sufficient liquidity to satisfy investor expectations and rating agency requirements that a sufficient balance be available to meet interest and principal payments to debt holders. Consistent with these purposes, IFFIm maintains a minimum liquidity equivalent to its cumulative contracted debt service payments for the next 12 months.

During the six months ended 30 June 2021, funds held in trust decreased by US\$ 252 million primarily due to (1) programme grant disbursements of US\$ 1,214 million, (2) net swap settlement payments of US\$ 43 million, (3) bond redemptions of US\$ 38 million, and (4) interest payments of US\$ 7 million. These were partially offset by (1) bond issuance proceeds of US\$ 750 million, (2) payments received from Grantors of US\$ 295 million, and (3) other net cash outlays of US\$ 1 million, including general and administrative expenses.

**Other Assets:** IFFIm's other assets comprise prepayments, amounts due from Gavi, and its cash balances held at depository bank accounts. Cash balances are moved to the investment portfolio on a regular basis.

**Bonds Payable:** IFFIm has continued to raise funds on the global capital markets. During the six months ended 30 June 2021, IFFIm's bonds payable increased by US\$ 710 million primarily due to a new bond issuance of US\$ 750 million in April 2021, partially offset by bond redemptions during the period totalling US\$ 38 million and fair value movements. The fair value of bonds payable is highly sensitive to yield and exchange rate movements, which are some of the market observable inputs that are used to fair value IFFIm's bonds.

**Derivative Financial Instruments:** During the six months ended 30 June 2021, IFFIm's net liability position on interest rate and currency swap contracts decreased by US\$ 95 million due to fair value gains of US\$ 52 million and net swap settlements of US\$ 43 million during the period. Fair value gains were primarily due to higher interest rates and exchange gains due to the depreciation of the Euro against the United States dollar, which were of greater magnitude than exchange losses due to the appreciation of the British pound against the United States dollar during the period.

**Grants Payable:** Grants payable represent board-approved commitments made by IFFIm to fund Gavi programmes. Each of these commitments is recognised when an indicative funding confirmation to Gavi is signed by one of IFFIm's trustees on behalf of the IFFIm board. During the six months ended 30 June 2021, IFFIm's grants payable balance decreased by US\$ 104 million due to grant payments to Gavi totalling US\$ 1,214 million, partially offset by new indicative funding confirmations issued by IFFIm to Gavi totalling US\$ 1,110 million.

**Other Liabilities:** Other liabilities are primarily comprised of trade creditors and amounts due to Gavi.

## OVERVIEW OF INCOME AND EXPENSES

The following table summarises IFFIm's income and expenses for the six months ended 30 June 2021 and 2020:

In Millions of US\$	Six Months Ended 30 June 2021	Six Months Ended 30 June 2020	Change
Contribution revenue	-	187	(187)
Net fair value gains	63	33	30
Investment income	-	3	(3)
Total income	63	223	(160)
Programme grants	1,110	-	1,110
Financing costs	3	3	-
Other expenses	2	2	-
Total expenses	1,115	5	1,110

**Contribution Revenue:** IFFIm receives its funding from Grantor contributions in the form of long-term legally binding sovereign pledges and converts these pledges into immediately available cash resources by issuing bonds in the international capital markets. IFFIm then disburses the funds to Gavi to support various Gavi programmes as described in the *Programmes Funded by IFFIm* section of this report. No new contributions were received by IFFIm during the six months ended 30 June 2021. Contribution revenue for the six months ended 30 June 2020 was comprised of a new sovereign pledge of kr (NOK) 2 billion from the Kingdom of Norway, with an initial fair value of US\$ 187 million.

**Net Fair Value Gains:** During the six months ended 30 June 2021, IFFIm recorded net fair value gains of US\$ 63 million primarily attributed to gains on its sovereign pledges due to the decrease in the GPC Fair Value Adjustment from 8.72%, as of 31 December 2020, to 7.4%, as of 30 June 2021, which were of greater magnitude than net losses on pledges, bonds, and swaps due to interest rate and foreign currency exchange movements during the period.

**Investment Income:** Investment income was lower by US\$ 3 million during the six months ended 30 June 2021 compared to 2020 as IFFIm's investment portfolio had a relatively lower weighted average balance, primarily due to the large grant payments to Gavi during the period, and achieved a lower rate of return in the six months ended 30 June 2021 due to the prevailing market conditions.

**Programme Grants:** During the six months ended 30 June 2021, four new indicative funding confirmations totalling US\$ 1,110 million were issued by IFFIm to Gavi, comprising US\$ 400 million and US\$ 380 million to fund the Gavi COVAX Advance Market Commitment ("Gavi COVAX AMC") programme, US\$ 334 million to fund Gavi core programmes, and a US\$ 4 million reduction to previously approved funding in support of vaccine research and development activities by CEPI.

**Financing Costs:** Financing costs remained at the same level during the six months ended 30 June 2021 compared to 2020. Despite a higher weighted average balance of bonds payable in 2021 compared to 2020, there was a greater proportion of floating rate bonds in 2020, including a US\$ 300 million floating rate bond that was subsequently redeemed in November 2020. Relatively higher three-month USD LIBOR rates in the first half of 2020 compared to 2021 resulted in higher financing costs on floating rate bonds in 2020, at a level comparable to higher financing costs in 2021 due to the relatively higher weighted average balance of bonds payable.

**Other Expenses:** IFFIm's other expenses predominantly comprise treasury management fees billed by the World Bank, legal fees, audit fees, consulting fees, and administrative support services donated to IFFIm by Gavi. As there were no significant changes in IFFIm's operations or suppliers, its other expenses remained at the same level during the six months ended 30 June 2021.

## RISK MANAGEMENT

The major risks to which IFFIm is exposed, as identified by the trustees, have been reviewed and systems or procedures have been established to manage these risks. IFFIm has two main areas of risk: financial risks and operational risks.

IFFIm's activities expose it to three principal types of financial risk: (1) credit risk, (2) liquidity risk, and (3) market risk. IFFIm seeks to mitigate each of these risks based on a risk management strategy approved by its board.



Key among its operational risks are programme risks, which include: (1) the performance risk that IFFIm funds may not be efficiently and effectively applied by implementing countries to meet Gavi's programme objectives, and (2) the risk that implementing countries may misuse funds they receive from IFFIm. The programme performance risk is mitigated through the Gavi programme monitoring process, which is a multi-step monitoring and evaluation process that includes an initial project assessment and approval, as well as annual monitoring reviews. The programme risk related to misuse of funds is addressed by management controls and audit processes put in place at Gavi. IFFIm's Audit Committee monitors the effectiveness of IFFIm's risk management and internal grant monitoring systems.

Detailed descriptions of the above risks and their mitigation are included in IFFIm's annual report and financial statements for the year ended 31 December 2020, which are published on IFFIm's website: <https://iffim.org/investor-centre/trustee-reports-financial-statements>.

The COVID-19 pandemic has significantly disrupted economic activity and financial markets globally, including the economies of IFFIm's Grantors and implementing countries parts of which were shut down to slow the spread of the disease. As a result of the disruption caused by the pandemic, IFFIm is exposed to increased risk and disruptions to its business operations, including treasury management and administrative support functions outsourced to the World Bank and Gavi, respectively. As described above, IFFIm has appropriate measures in place to mitigate the key programme and financial risks to which it is exposed and has relied on those measures to effectively mitigate incremental risk due to the pandemic, including the risk of misuse of COVID-19 vaccines in implementing countries the funding of which is leveraging IFFIm support through the COVAX Facility. The distribution of COVID-19 vaccines in countries may be associated with a higher risk of theft and diversion than traditional Gavi-supported vaccines given they are in low supply with potentially high demand and the existence of secondary markets. They could be diverted to non-target groups within countries or be used in exploitative transactions. The Gavi Secretariat is actively working on managing these risks and will closely monitor the utilisation of vaccines in implementing countries through country monitoring and reporting from an early stage. Key IFFIm operational processes proceeded as planned during the first half of 2021 and continue to do so, ensuring that the directors receive timely information from the World Bank and Gavi to facilitate key decisions and provide necessary guidance on operational matters on a timely basis. The World Bank and Gavi each invoked business continuity procedures at the onset of the pandemic, including home-based work and other prudent measures to ensure the health and safety of their employees, which have ensured IFFIm's operations continue to function. The board, in its 2020 annual board evaluation exercise, noted it is satisfied with its ability to carry out its responsibilities within the COVID-19 working environment.

For the second half of the year ending 31 December 2021, IFFIm does not currently envisage any additional significant risks to its operations besides the risks identified above.

## RECENT DEVELOPMENTS

On 1 January 2021, Mr Kenneth Lay commenced his tenure as Chair of the IFFIm board. Mr Lay, who was appointed as a director of IFFIm effective 16 October 2020, is Senior Managing Director of The Rock Creek Group, an asset management firm based in Washington D.C. that manages globally diversified portfolios of public and private assets for institutional investors. Mr Lay also works with international institutions, private foundations, and non-governmental organisations in efforts to develop new approaches to increasing the scale and reducing the cost of financing for global public goods.

In January 2021 and May 2021, IFFIm issued new indicative funding confirmations of US\$ 400 million and US\$ 380 million, respectively, to support the Gavi COVAX AMC. It issued an indicative funding confirmation of US\$ 334 million in May 2021 to support Gavi core programmes, and a reduction of US\$ 4 million to previously approved funding in support of vaccine research and development activities, resulting in a total of US\$ 1,110 million in new funding to Gavi in the first half of 2021.

On 21 April 2021, IFFIm issued US\$ 750 million 5-year fixed rate Vaccine Bonds, which provided Gavi with immediate funding to support routine immunisation in lower-income countries. The issuance also accelerated the availability of critical funding for the Gavi COVAX AMC. The transaction will mature on 21 April 2026, has a re-offer price of 99.704%, and carries a semi-annual coupon of 1%.

In June 2021, the IFFIm board appointed Monique Barbut to a three-year term as a director of IFFIm effective 1 July 2021. Ms Barbut is the President of the World Wide Fund for Nature France ("WWF France") and brings to the IFFIm board a new perspective from an influential sector affecting global health - the environment. Ms Barbut had a long career at the Agence Française de Développement ("AFD"), the main French public institution for aid in development, and has previously held several senior positions, including Chief Executive Officer and Chairperson of the Global Environment Facility ("GEF"), Director of the Division of Technology, Industry and Economics at the United Nations Environment Programme ("UNEP"), and Executive Secretary of the United Nations Convention to Combat Desertification ("UNCCD").

In June 2021, the IFFIm board appointed Hassatou Diop N'Sele to a three-year term as a director of IFFIm effective 1 July 2021. Ms N'Sele is the Treasurer of the African Development Bank Group ("AfDB") where she has led the expansion of AfDB's capital markets activities across the globe while setting an effective funding strategy for the institution. She leads a diverse team in managing AfDB's borrowing portfolio, oversees investments of its liquidity in multicurrency portfolios, and supervises its hedging activities. Prior to this, she was the Head of Funding of the AfDB and was previously the Finance Director of Tiger Denrees Senegal, a startup commodities trading company, and a Manager in the Financial Institutions Department of Citibank in Senegal.

In June 2021, the IFFIm board appointed Ingrid van Wees to a three-year term as a director of IFFIm effective 1 October 2021. Ms van Wees is the Vice President for Finance and Risk Management of the Asian Development Bank ("ADB") and is responsible for the overall management of the operations of the Office of Risk Management, Controller's Department, and Treasury Department. Prior to this, she was a Senior Director at the German Investment and Development Corporation ("DEG") following a career in the private sector with leading international companies in infrastructure and consumer goods.

In June 2021, the IFFIm board appointed Jessica Pulay as a member of the audit committee with effect from 1 July 2021 until 31 March 2023. Ms Pulay has served on the IFFIm board since her appointment in March 2020.

In June 2021, the IFFIm board appointed Helge Weiner-Trapness as a member of the audit committee with effect from 1 July 2021 until 31 December 2021. Mr Weiner-Trapness has served on the IFFIm board since his appointment in December 2018.

On 30 June 2021, Fatimatou Zahra Diop concluded her tenure as a director of IFFIm and member of the audit committee. Ms Diop served on the IFFIm board since her appointment in May 2015.

In July 2021, IFFIm received a new sovereign pledge from the Kingdom of Norway in the amount of kr (NOK) 4 billion, which is payable to IFFIm in annual instalments commencing in March 2022 and ending in March 2030.

In August 2021, IFFIm received a new sovereign pledge from the Commonwealth of Australia in the amount of A\$ 86 million, which is payable to IFFIm in annual instalments commencing in March 2022 and ending in March 2030.

In August 2021, IFFIm received two new sovereign pledge from the Kingdom of Sweden: (1) a pledge in the amount of kr (SEK) 2,250 million, payable to IFFIm in annual instalments commencing in September 2021 and ending in March 2030; and (2) a pledge in the amount of kr (SEK) 250 million, payable to IFFIm in annual instalments commencing in March 2022 and ending in March 2031.

## RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that:

- the unaudited condensed consolidated financial statements of IFFIm, presented in this Interim Financial Report for the half year ended 30 June 2021 and prepared in conformity with International Accounting Standard 34 *Interim Financial Reporting*, give a true and fair view of the assets, liabilities, financial position, surplus or deficit of IFFIm; and
- the interim management report includes a fair review of important activities during the half year ended 30 June 2021, their impact on the condensed consolidated interim financial statements, and an overview of the principal risks and uncertainties faced by IFFIm during the period and for the remainder of the year.

  
**Kenneth Lay**  
**IFFIm Board Chair**  
**28 September 2021**

  
**Bertrand de Mazières**  
**Audit Committee Chair**  
**28 September 2021**

CONDENSED CONSOLIDATED  
INTERIM FINANCIAL STATEMENTS  
HALF YEAR ENDED 30 JUNE 2021  
(UNAUDITED)

## CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

In Thousands of US\$	Note	As of 30 June 2021	As of 31 December 2020	As of 1 January 2020
<u>Non-current assets</u>				
Sovereign pledges due after more than one year	7	2,683,269	2,880,945	1,745,455
Derivative financial instruments due after more than one year	9	348,291	79,391	1,915
<b>Total non-current assets</b>		<b>3,031,560</b>	<b>2,960,336</b>	<b>1,747,370</b>
<u>Current assets</u>				
Sovereign pledges due within one year	7	319,742	404,840	328,381
Derivative financial instruments due within one year	9	12,579	-	190
Prepayments		133	32	-
Amounts due from related parties		-	11	111
Funds held in trust	8	226,376	478,455	427,925
Cash		7,885	13,906	15
<b>Total current assets</b>		<b>566,715</b>	<b>897,244</b>	<b>756,622</b>
<u>Current liabilities</u>				
Bonds payable falling due within one year	10	97,240	39,966	331,467
Derivative financial instruments due within one year	9	121,964	5,638	26,171
Grants payable falling due within one year	11	57,064	160,987	200,000
Other payables		333	1,042	1,486
<b>Total current liabilities</b>		<b>276,601</b>	<b>207,633</b>	<b>559,124</b>
<b>Net current assets</b>		<b>290,114</b>	<b>689,611</b>	<b>197,498</b>
<b>Total assets less current liabilities</b>		<b>3,321,674</b>	<b>3,649,947</b>	<b>1,944,868</b>
<u>Non-current liabilities</u>				
Bonds payable falling due after more than one year	10	1,529,184	876,361	178,334
Derivative financial instruments due after more than one year	9	551,306	480,978	495,205
Grants payable falling due after more than one year	11	-	-	157,064
<b>Total non-current liabilities</b>		<b>2,080,490</b>	<b>1,357,339</b>	<b>830,603</b>
<b>Net assets</b>		<b>1,241,184</b>	<b>2,292,608</b>	<b>1,114,265</b>
<b>Restricted funds</b>		<b>1,241,184</b>	<b>2,292,608</b>	<b>1,114,265</b>

**The accompanying notes are an integral part of these financial statements.**

## CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

<b>In Thousands of US\$</b>	<b>Note</b>	<b>Six Months Ended 30 June 2021 Restricted Funds</b>	<b>Six Months Ended 30 June 2020 Restricted Funds</b>
<u>Operating income</u>			
Contribution revenue	4	-	187,490
Donated services		473	485
Total operating income		473	187,975
<u>Operating expenses</u>			
Programme grants	5	1,110,477	-
Treasury manager's fees		1,187	996
Governance costs		851	746
Total operating expenses		1,112,515	1,742
Net operating (expenses) income		(1,112,042)	186,233
<u>Financing and investment income (expenses)</u>			
Investment and interest income		349	3,466
Net fair value gains on bonds and bond swaps	6	212	2,099
Net fair value gains on pledges and pledge swaps	6	64,065	30,790
Other foreign exchange (losses) gains	6	(1,140)	405
Interest expense on bonds		(2,689)	(3,050)
Other financing charges		(179)	(71)
Net financing and investment income		60,618	33,639
(Decrease) increase in funds		(1,051,424)	219,872
Other comprehensive income		-	-
Total comprehensive income for the period		(1,051,424)	219,872

**The accompanying notes are an integral part of these financial statements.**

## CONSOLIDATED STATEMENT OF CHANGES IN FUNDS

<b>In Thousands of US\$</b>	<b>Restricted Funds</b>
As of 1 January 2020	1,114,265
Increase in funds during the year	1,178,343
Other comprehensive income	-
As of 31 December 2020	2,292,608
As of 1 January 2021	2,292,608
Decrease in funds during the period	(1,051,424)
Other comprehensive income	-
As of 30 June 2021	1,241,184

**The accompanying notes are an integral part of these financial statements.**

## CONSOLIDATED STATEMENT OF CASH FLOWS

<b>In Thousands of US\$</b>	<b>Six Months Ended 30 June 2021 Restricted Funds</b>	<b>Six Months Ended 30 June 2020 Restricted Funds</b>
<u>Cash flows from operating activities</u>		
Net change in funds	(1,051,424)	219,872
Investment and interest income	(349)	(3,466)
Bond interest expense	2,689	3,050
Fair value (gains) losses on sovereign pledges	(12,062)	29,981
Fair value gains on bonds	(588)	(12,804)
Initial fair value of pledges	-	(187,490)
Payments received from donors	294,836	241,687
(Decrease) increase in prepayments and amounts due from related parties	(90)	44
Decrease in amounts due under derivative financial instruments	(94,825)	(295,770)
Decrease in other payables	(709)	(625)
Decrease in grants payable	(103,923)	-
Net cash used in operating activities	(966,445)	(5,521)
<u>Cash flows from investing activities</u>		
Investment and interest income received	349	3,466
Decrease in funds held in trust	252,079	51,515
Net cash provided by investing activities	252,428	54,981
<u>Cash flows from financing activities</u>		
Proceeds from bond issuances	750,000	-
Redemption of bonds	(37,608)	(25,010)
Interest paid on bonds	(4,396)	(4,111)
Net cash provided by (used in) financing activities	707,996	(29,121)
Net change in cash	(6,021)	20,339
Cash as of the beginning of the period	13,906	15
Cash as of the end of the period	7,885	20,354

**The accompanying notes are an integral part of these financial statements.**

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The International Finance Facility for Immunisation Company (“IFFIm”) is a multilateral development institution incorporated as a private company, limited by guarantee, and registered as a charity in England and Wales. The Gavi Alliance (“Gavi”) is the sole member of IFFIm.

To achieve its objectives, IFFIm works with Gavi and the International Bank for Reconstruction and Development (the “World Bank”). Gavi is a Swiss foundation that is accorded international institution status in Switzerland with certain privileges and immunities like those accorded to international intergovernmental organisations. It uses funds raised by IFFIm to finance immunisation-related charitable activities in many of the world’s low-income countries. Gavi also provides administrative support to IFFIm. The World Bank is a global development organisation based in the United States. It provides treasury management, risk management and accounting services to IFFIm on a commercial basis.

## 2. BASIS OF PREPARATION

First-time adoption of International Financial Reporting Standards (“IFRS”): For all reporting periods up to and including the year ended 31 December 2020, IFFIm prepared its consolidated financial statements in accordance with Generally Accepted Accounting Practice in the United Kingdom (“UK GAAP”). These consolidated interim financial statements for the six months ended 30 June 2021 are the first IFFIm has prepared in accordance with IFRS to comply with reporting obligations as an issuer of securities admitted to trading on a regulated market in the European Union, which became effective for IFFIm on 1 January 2021 following the United Kingdom’s withdrawal from the European Union.

IFFIm has prepared these consolidated interim financial statements in compliance with the relevant IFRS applicable as of 30 June 2021, together with the comparative period data for the six months ended 30 June 2020 and as of 31 December 2020. In preparing these consolidated interim financial statements, IFFIm’s opening statement of financial position was prepared as of 1 January 2020, which is deemed as IFFIm’s date of transition to IFRS. No adjustments have been made to IFFIm’s financial position, financial performance, and cash flows in restating its comparative period financial statements from UK GAAP to IFRS.

Statement of Compliance: The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* and do not include all the information and disclosures required in annual consolidated financial statements. They should be read in conjunction with consolidated financial statements of IFFIm for the year ended 31 December 2020. The condensed consolidated interim financial statements are unaudited and were authorised for issue in accordance with a resolution of the Board of Directors of IFFIm on 24 September 2021.

Basis of Measurement: The consolidated financial statements are prepared on the accruals basis of accounting, under the historical cost convention, with the exception of sovereign pledges, funds held in trust, derivative financial instruments, and bonds payable, which are included at fair value.

Basis of Consolidation: A subsidiary is an entity controlled by a group. Control exists when the group is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intragroup balances, and any gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

IFFIm has control over IFFIm Sukuk Company III Limited (“IFFImSC III”), a Cayman Islands company with limited liability. IFFImSC III was incorporated on 5 March 2019 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number 348825. IFFImSC III was established for the sole purpose of issuing sukuk certificates in support of IFFIm’s operations and its activities conducted on behalf of IFFIm and according to IFFIm’s business needs. IFFIm is the primary beneficiary of IFFImSC III, bearing a significant level of risk incidental to its activities, and retaining residual or ownership risk related to the entity or its assets. Therefore, these consolidated financial statements include the accounts of IFFImSC III.

Functional and Presentation Currency: The condensed consolidated interim financial statements are presented in United States dollars, which is IFFIm’s functional and reporting currency. All financial information presented in United States dollars has been rounded to the nearest thousand, unless otherwise indicated.

Use of Estimates and Judgements: The preparation of the condensed consolidated interim financial statements involves the use of estimates and assumptions that affect the reported amounts of assets and



liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of the revenues and expenses during the year. Actual results could differ from these estimates. Significant estimates and judgements are used in determining the fair values of IFFIm's sovereign pledges receivable, bonds payable, and derivative financial instruments.

**New Standards and Interpretations Not Yet Effective:** The International Accounting Standards Board ("IASB") has issued several amendments to standards and interpretations, which are effective for annual reporting periods beginning on or after 1 January 2021. The following are relevant for IFFIm:

- On 23 January 2020, the IASB issued "Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)". The amendments will affect the presentation of liabilities in the statement of financial position. The amendments clarify that the classification of a liability as current or non-current should be based on rights in existence at the end of the reporting period to defer settlement of a liability by at least 12 months. The amendments also clarify that classification of a liability should be unaffected by the entity's expectations regarding whether it will exercise its rights to defer payment. The amendments are effective for annual reporting periods beginning on 1 January 2023. IFFIm does not expect any significant impact of these amendments on its consolidated financial statements.
- On 12 February 2021, the IASB issued amendments to IAS 1 "Presentation of Financial Statements", regarding the disclosure of accounting policies, and amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors" on the definition of accounting estimates. Both amendments aim to improve accounting policy disclosure and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. The amendments are effective for annual periods beginning on or after 1 January 2023. IFFIm does not expect any significant impact of these amendments on its consolidated financial statements.

IFFIm has not early adopted the above amendments in preparing these interim financial statements and plans to adopt them when they become effective.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies of IFFIm are summarised below. Where International Financial Reporting Standards are silent or do not give guidance on how to treat transactions specific to charities such as IFFIm, accounting policies have been based on the general IFRS principles and other relevant accounting standards, as detailed in the IASB Framework for the Preparation and Presentation of Financial Statements.

**Contribution Revenue:** Income received by way of contributions and grants that are for a defined portfolio of programme implementing countries or specified purposes is recognised as revenue in the restricted net asset class when there is evidence of entitlement, it can be measured reliably, and receipt is probable. Contributions and grants are reported as contribution revenue at fair value in the year in which payments are received or unconditional promises to give or pledges are made.

**Donated Services:** Donated services are included at the value to IFFIm of the service provided.

**Programme Grants:** Programmes funded by IFFIm are recognised as expenses in the Statement of Income and Expenditure when indicative funding confirmations to Gavi have been signed by any trustee on behalf of the IFFIm board.

**Other Operating Expenses:** Treasury manager's fees and governance costs are expensed through the Statement of Income and Expenditure in the years in which they are incurred.

**Interest Income and Expense:** Investment and interest income is recognised during the year in which it is earned. Interest expense is recognised during the year in which it is incurred.

**Sovereign Pledges:** Sovereign pledges are recognised as contribution revenue and as receivables upon assignment of donor contributions to IFFIm by Gavi. Sovereign pledges are initially recognised at fair value then subsequently remeasured at fair value as of each reporting date. Gains and losses due to changes in fair market values are reported in fair value gains (losses) in the Statement of Income and Expenditure. Contribution amounts received from sovereign government donors (the "Grantors") depend on a Grant Payment Condition (the "GPC") which allows the Grantors to reduce such amounts.

**Funds Held in Trust:** Funds held in trust represent IFFIm's investments in a portfolio maintained by the World Bank in its capacity as IFFIm's treasury manager. IFFIm's share in the pooled investment portfolio is measured at fair value on initial recognition, and then subsequently remeasured at fair value at the reporting date. Gains or losses due to changes in fair market values are reported in fair value gains (losses) in the Statement of Income and Expenditure.

**Cash:** Cash consists of cash at depository bank accounts. Cash does not include IFFIm's pooled investment portfolio, which is presented separately as funds held in trust in the Statement of Financial Position.

**Derivative Financial Instruments:** IFFIm uses derivatives to manage its assets and liabilities. Derivative financial instruments are accounted for at fair value. Changes in the fair values of derivatives are reported in fair value gains (losses) in the Statement of Income and Expenditure.

In applying IFRS 9, IFFIm has elected not to apply hedge accounting.

**Bonds Payable:** Bonds payable are recognised at fair value at the time of issuance and subsequently remeasured at fair value at each reporting date. Bonds payable have been elected to be fair valued as IFFIm manages all its assets and liabilities on a fair value basis. The bond issuance costs are written off in the year of issue and reported in financing expenses in the Statement of Income and Expenditure. Gains or losses due to changes in fair market values are reported in fair value gains (losses) in the Statement of Income and Expenditure.

**Grants Payable:** Grants payable are initially recognised at board-approved amounts when an indicative funding confirmation to Gavi has been signed by one of IFFIm’s trustees on behalf of the IFFIm board. They are subsequently remeasured at amortised cost where settlement is delayed and the effect of the time value of money is material.

**Funds:** Funds, revenues, gains, and losses are classified based on the existence of Grantor-imposed restrictions. IFFIm receives its funding from Grantors or by raising funds by borrowing in worldwide capital markets. Proceeds are used to fund Gavi programmes for a defined portfolio of eligible countries or specified purposes. Therefore, all funds are treated as restricted funds. Where a Grantor requests funds be made available to a specific Gavi programme, this further restriction is maintained. There are currently no unrestricted or designated funds.

**Foreign Currency Remeasurement:** Foreign currency transactions are translated into the functional currency using the exchange rates in effect on the dates on which they occur. Foreign currency denominated assets and liabilities are translated into the functional currency using the exchange rates in effect on the reporting date. Exchange gains and losses arising on settled transactions and gains and losses on the translation of foreign currency denominated assets and liabilities are included in fair value gains and losses in the Statement of Comprehensive Income.

#### 4. CONTRIBUTION REVENUE

Grantors enter into legally binding obligations (“Grantor pledges”) to make scheduled grant payments to Gavi over periods of up to 20 years. Gavi assigns the right to receive these grant payments to IFFIm in consideration for IFFIm’s agreement to assess for approval programmes presented to IFFIm by Gavi, and to use its reasonable endeavours to raise funds for such programmes if approved.

Contribution revenue recognised was comprised of:

<b>In Thousands of US\$</b>	<b>Six Months Ended 30 June 2021</b>	<b>Six Months Ended 30 June 2020</b>
Initial fair value of pledges received from the Kingdom of Norway	-	187,490
Total contribution revenue	-	187,490

#### 5. PROGRAMME EXPENSES

IFFIm provides programme funding to Gavi, subject to the IFFIm board’s approval of a request for funding from Gavi and when an indicative funding confirmation, signed by any trustee on behalf of the IFFIm board, is issued to Gavi.

Programme expenses were comprised of:

<b>In Thousands of US\$</b>	<b>Six Months Ended 30 June 2021</b>	<b>Six Months Ended 30 June 2020</b>
<u>Country-specific programmes:</u>		
New and underused vaccines	334,400	-
<u>Investment cases:</u>		
COVAX	780,000	-
Vaccine research and development	(3,922)	-
Total programme expenses	1,110,478	-

## 6. FAIR VALUE GAINS AND LOSSES

<b>In Thousands of US\$</b>	<b>Six Months Ended 30 June 2021</b>	<b>Six Months Ended 30 June 2020</b>
<u>Fair value gains (losses) on bonds and bond swaps</u>		
Fair value gains on bonds	588	12,804
Net fair value losses on bond swaps	(377)	(10,705)
Net fair value gains on bonds and bond swaps	211	2,099
<u>Fair value gains (losses) on pledges and pledge swaps</u>		
Fair value gains (losses) on sovereign pledges	12,062	(29,981)
Net fair value losses on pledge swaps	52,002	60,771
Net fair value gains on pledges and pledge swaps	64,064	30,790
Other foreign exchange (losses) gains	(1,140)	405
Net fair value gains on pledges, bonds, and swaps	63,135	33,294

## 7. SOVEREIGN PLEDGES

IFFIm's sovereign pledges represent grants from the Grantors. These legally binding payment obligations are irrevocable by the Grantors and are paid in instalments according to predetermined fixed payment schedules.

Sovereign pledges, like contribution revenue, are recognised upon assignment of the Grantor contributions to IFFIm by Gavi. Fair value adjustments due to changes in interest rates, the GPC, including when Grantors choose to make grant payments in full without applying any GPC reduction, discounting, and exchange rates are recognised from inception until year end.

The table below shows changes in sovereign pledges during the period:

<b>In Thousands of US\$</b>	<b>Six Months Ended 30 June 2021</b>	<b>Six Months Ended 30 June 2020</b>
Balance as of the beginning of the period	3,285,785	2,073,836
Initial fair value of pledges	-	187,490
Payments received from donors	(294,836)	(241,687)
Fair value gains (losses)	12,062	(29,981)
Balance as of the end of the period	3,003,011	1,989,658
<u>Comprised of:</u>		
Sovereign pledges due within one year	319,742	329,359
Sovereign pledges due after more than one year	2,683,269	1,660,299

## 8. FUNDS HELD IN TRUST

The World Bank maintains a single investment portfolio (the "Pool") for IFFIm and other trust funds it administers. The World Bank maintains the Pool's assets separate and apart from the funds owned by the World Bank Group. Funds held in trust represent cash, money market instruments, government and agency obligations, asset-backed securities and corporate securities (together "Liquid Assets") that are managed by the World Bank.

The Pool is divided into sub-portfolios to which allocations were made based on fund specific investment horizons, risk tolerances and other eligibility requirements set by the World Bank. Under an investment strategy approved by IFFIm's trustees, IFFIm's Liquid Assets were invested in high-grade fixed-income instruments with interest rate sensitivity matching that of the liabilities funding the portfolio.

<b>In Thousands of US\$</b>	<b>As of 30 June 2021</b>	<b>As of 31 December 2020</b>
IFFIm's share in the Pool's fair value	226,376	478,455

## 9. DERIVATIVE FINANCIAL INSTRUMENTS

IFFIm entered into interest rate and currency swaps that economically hedged certain risks. The World Bank, as IFFIm's treasury manager, executed a comprehensive swap programme to mitigate IFFIm's exposure to movements in foreign currency and interest rates. IFFIm's swap contracts under the comprehensive swap programme were executed: (1) using the market exchange and interest rates at the time the swap contracts were written, (2) considering the different payment profiles in different grant currencies, (3) assuming that the reduction amounts due to the GPC will remain at the levels they were as of the time the swap contracts were written, and (4) assuming no Grantor defaults. At issuance, IFFIm's fixed rate bond obligations have been swapped simultaneously on a back-to-back basis into United States dollar 3-month LIBOR, floating-rate liabilities.

All derivatives were valued at fair value recognising the resulting gains and losses in the Consolidated Statement of Comprehensive Income during the period in which they occur. IFFIm applies overnight indexed swap discounting rates to value its interest rate and currency swaps for the major currencies. IFFIm includes a credit valuation adjustment and a debit valuation adjustment in the valuation of its derivative portfolio to account for counterparty credit risk and its own credit risk, respectively. These adjustments are determined by applying counterparty and own probabilities of default, based on the respective credit default swap spreads, to the market value of the derivative portfolio. The debit valuation adjustment is calculated based on the threshold amount, above which the World Bank, as a counterparty on IFFIm's interest rate and currency swap contracts, has a right to call for collateral.

The fair values of the interest rate and currency swaps were:

<b>In Thousands of US\$</b>	<b>As of 30 June 2021</b>	<b>As of 31 December 2020</b>
Currency and interest rate swaps receivable related to sovereign pledges	331,203	79,391
Currency and interest rate swaps receivable related to bonds payable	31,525	-
Total currency and interest rate swaps receivable	362,728	79,391
Currency and interest rate swaps payable related to sovereign pledges	(579,667)	(429,821)
Currency and interest rate swaps payable related to bonds payable	(95,461)	(56,795)
Total currency and interest rate swaps payable	(675,128)	(486,616)
Total fair value of interest rate and currency swaps	(312,400)	(407,225)
<b>Comprised of:</b>		
Net currency and interest rate swaps payable within one year	(109,385)	(5,638)
Net currency and interest rate swaps payable after more than one year	(203,015)	(401,587)

## 10. BONDS PAYABLE

IFFIm issues bonds on worldwide capital markets to meet IFFIm's primary objective of funding Gavi's immunisation, vaccine procurement, and HSS programmes. IFFIm's outstanding bonds payable were:

Issue Date	Maturity Date	Coupon Interest Rate	Nominal Amount, in Thousands		Fair Value as of 30 June 2021, in Thousands of US\$	Fair Value as of 31 December 2020, in Thousands of US\$
24 June 2009	24 June 2024	0.50%	R (ZAR)	800,000	47,630	47,051
28 June 2012	29 June 2027	0.50%	R (ZAR)	520,000	24,903	25,097
9 April 2019	9 April 2022	Libor+4bps	US\$ (USD)	50,000	50,098	50,061
18 July 2019	15 March 2025	0.00%	kr (NOK)	600,000	54,846	69,412
7 July 2020	5 April 2030	0.00%	kr (NOK)	2,000,000	196,601	223,328
6 November 2020	6 November 2023	0.38%	US\$ (USD)	500,000	499,336	501,378
21 April 2021	21 April 2026	1.00%	US\$ (USD)	750,000	753,010	-
Total bonds payable					1,626,424	916,327

### Comprised of:

Bonds payable falling due within one year	97,240	39,966
Bonds payable falling due after more than one year	1,529,184	876,361

## 11. GRANTS PAYABLE

The table below shows changes in grants payable during the period:

In Thousands of US\$	Six Months Ended 30 June 2021	Year Ended 31 December 2020
Grants payable as of the beginning of the period	160,987	357,064
Grant approvals during the period	1,110,477	210,365
Grant payments during the period	(1,214,400)	(406,442)
Grants payable as of the end of the period	57,064	160,987

### Comprised of:

Grants payable within one year	57,064	160,987
Grants payable after more than one year	-	-

## 12. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of IFFIm's financial assets and liabilities are equal to their carrying amounts shown in IFFIm's balance sheets.

Fair Value Hierarchy: The table below analyses IFFIm's financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Financial instruments that were valued using unadjusted prices quoted in active markets for identical assets and liabilities.
- Level 2: Financial instruments that were valued using inputs, other than quoted prices included with Level 1, which were observable for the asset or liability, either directly or indirectly.
- Level 3: Financial instruments whose valuation incorporated inputs for the asset or liability that were not based on observable market data.

<b>As of 30 June 2021, in Thousands of US\$</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets</u>				
Sovereign pledges	-	-	3,003,011	3,003,011
Funds held in trust	-	226,376	-	226,376
Derivative financial instruments	-	360,870	-	360,870
<b>Total financial assets</b>	<b>-</b>	<b>587,246</b>	<b>3,003,011</b>	<b>3,590,257</b>
<u>Financial liabilities</u>				
Bonds payable	-	1,626,423	-	1,626,423
Derivative financial instruments	-	673,270	-	673,270
<b>Total financial liabilities</b>	<b>-</b>	<b>2,299,693</b>	<b>-</b>	<b>2,299,693</b>

<b>As of 31 December 2020, in Thousands of US\$</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets</u>				
Sovereign pledges	-	-	3,285,785	3,285,785
Funds held in trust	-	478,455	-	478,455
Derivative financial instruments	-	79,391	-	79,391
<b>Total financial assets</b>	<b>-</b>	<b>557,846</b>	<b>3,285,785</b>	<b>3,843,631</b>
<u>Financial liabilities</u>				
Bonds payable	-	916,327	-	916,327
Derivative financial instruments	-	486,616	-	486,616
<b>Total financial liabilities</b>	<b>-</b>	<b>1,402,943</b>	<b>-</b>	<b>1,402,943</b>

The changes in the aggregate fair value of IFFIm's Level 3 financial assets and liabilities were:

<b>In Thousands of US\$</b>	<b>Six Months Ended 30 June 2021</b>	<b>Year Ended 31 December 2020</b>
Balance as of the beginning of the period	3,285,785	2,073,836
Initial fair value of pledges	-	1,347,303
Donor payments	(294,836)	(348,928)
Fair value losses	12,062	213,574
<b>Balance as of the end of the period</b>	<b>3,003,011</b>	<b>3,285,785</b>

The bases for techniques that IFFIm applied in determining the fair values of financial assets and liabilities are summarised below.

**Funds Held in Trust:** The World Bank, as treasury manager, maintains IFFIm's investments on a pooled accounting basis and the pooled investments are reported at fair value. IFFIm's share in pooled cash and investments represents IFFIm's allocated share of the Pool's fair value at the end of the year. The fair value is based on market quotations where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. The corresponding proportionate interest income and investment gains or losses are recognised by IFFIm in the year in which they occur.

**Sovereign Pledges Receivable:** Fair values are estimated using a discounted cash flow method. Each cash flow is reduced by an estimated reduction amount due to the GPC and the reduced cash flows are discounted to present value using observable Grantor-specific interest rates.

The GPC allows the Grantors to reduce their payments if an IFFIm-eligible country falls into protracted arrears on its obligations to the International Monetary Fund (the "IMF"). Each implementing country has been ascribed a weight in a reference portfolio that will remain static for the life of IFFIm. Grantors reduce the amounts they pay IFFIm by the aggregate percentage weights of countries that are in protracted arrears to the IMF. When countries clear their arrears to the IMF, future amounts payable by Grantors to IFFIm are increased by the respective weights of those clearing countries. The reference portfolio comprises 70 predetermined IFFIm-eligible countries. Each implementing country has been given a weighting of either 0.5%, 1%, 3% or 5%, totalling of 100%, as shown in the table below. The amount of each Grantor payment

is determined 25 business days prior to the due date of such payment.

The reference portfolio as of 30 June 2021 was as follows:

Country	Country Weighting	Total Share
South Sudan, Sudan	0.5%	1%
Afghanistan, Angola, Armenia, Azerbaijan, Benin, Bhutan, Bolivia, Burkina, Faso, Burundi, Cambodia, Cameroon, Central African Republic, Chad, Comoros, Congo, Cote d'Ivoire, Djibouti, Eritrea, The Gambia, Georgia, Ghana, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Kenya, Kiribati, Kyrgyzstan, Lao PDR, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Moldova, Mongolia, Mozambique, Myanmar, Nepal, Nicaragua, Niger, Papua New Guinea, Rwanda, Sao Tome & Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sri Lanka, Tajikistan, Tanzania, Timor-Leste, Togo, Uganda, Ukraine, Uzbekistan, Yemen Republic, Zambia, Zimbabwe	1%	61%
Vietnam	3%	3%
Bangladesh, Democratic Republic of Congo, Ethiopia, India, Indonesia, Nigeria, Pakistan	5%	35%

The fair values of contributions receivable are estimated using the discounted cash flow method. Each cash flow is reduced by an estimated percentage due to the GPC (the "GPC Fair Value Adjustment"), except when a Grantor irrevocably commits to make grant payments in full without applying any reduction due to the GPC, and the reduced cash flows are discounted to present value at Grantor-specific interest rates. The GPC Fair Value Adjustment is calculated using a probabilistic model, which estimates the likelihood and duration that any implementing country might fall into arrears with the IMF over the life of the Grantor pledges. This probabilistic model assumes that the performance of the implementing countries since 1981 is a reasonable proxy for their future performance.

The initial GPC Fair Value Adjustment used in October 2006 was 17.6%, and it was 7.4% and 8.72% as of 30 June 2021 and 31 December 2020, respectively. 1% decreases in the GPC Fair Value Adjustment as of 30 June 2021 and 31 December 2020 would have resulted in increases in the fair values of sovereign pledges of US\$ 30 million and US\$ 33 million, respectively. 1% increases in the GPC Fair Value Adjustment would have had equal but opposite effects on the fair values of sovereign pledges.

As of 30 June 2021, no reference portfolio country was in protracted arrears to the IMF. Sudan's arrears to the IMF were cleared in May 2021.

For the above sovereign pledges as of 30 June 2021, market-based discount rates ranging from 0.0% to 5.6% were applied, as appropriate, depending on the Grantor, payment schedule and currency of the grant payments.

**Bonds Payable:** The fair values of IFFIm's bonds payable are determined using a discounted cash flow method, which relies on market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads.

**Derivative Financial Instruments:** The fair values of derivatives are estimated using a discounted cash flow method representing the estimated cost of replacing these contracts on that date. All model inputs are based on readily observable market parameters such as yield curves, foreign exchange rates, and basis spreads.

## 13. RELATED PARTY TRANSACTIONS

IFFIm's related parties are:

**Gavi:** Gavi is a Swiss foundation that is accorded international institution status in Switzerland with certain privileges and immunities like those accorded to international intergovernmental organisations. Gavi is IFFIm's sole member.

**IFFImSC III:** IFFImSC III is a Cayman Islands company with limited liability, which was incorporated on 5 March 2019 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number 348825. IFFImSC III was established for the sole purpose of issuing sukuk certificates in support of IFFIm's operations. These consolidated financial statements include the accounts of IFFImSC III.

Balances due to or from related parties are non-interest bearing and do not have specific terms of repayment.

IFFIm's related party balances were:

<b>In Thousands of US\$</b>	<b>As of 30 June 2021</b>	<b>As of 31 December 2020</b>
Programme grants payable to Gavi	57,064	160,987
Amounts due to (from) Gavi	113	(111)

IFFIm recorded programme grants to Gavi of US\$ 1,110 million and estimated in-kind contributions from Gavi of US\$ 473 thousand during the six months ended 30 June 2021.

## 14. ACCOUNTING ESTIMATES AND JUDGEMENTS

IFFIm manages its sovereign pledges, funds held in trust, derivative financial instruments, and bonds payable on a fair value basis. Therefore, these assets and liabilities are measured at fair value on the balance sheets. When available, IFFIm generally uses quoted market prices to determine fair value. If quoted market prices are not available, fair value is determined using internally developed valuation models, which are often based on the discounted cash flow method and use market parameters such as interest rates and currency rates.

IFFIm applied the following key accounting estimate in the valuation of its sovereign pledges:

Certain contribution amounts received from Grantors may depend on a Grant Payment Condition ("GPC"), which allows the Grantors to reduce their payments if an IFFIm-eligible country falls into protracted arrears on its obligations to the IMF. Therefore, the fair values of IFFIm's sovereign pledges are estimated using a discounted cash flow method, which includes the application of an estimated reduction amount due to the GPC ("GPC Fair Value Adjustment"). The GPC Fair Value Adjustment is calculated using a probabilistic model, which estimates the likelihood and duration that any implementing country might fall into arrears with the IMF over the life of the Grantor pledges.

IFFIm made the following judgement in the valuation of its derivative portfolio:

IFFIm includes a credit valuation adjustment and a debit valuation adjustment in the valuation of its derivative portfolio to account for counterparty credit risk and its own credit risk, respectively. The debit valuation adjustment is typically applied to the uncollateralised portion of a derivative portfolio. However, IFFIm has not posted any collateral as the World Bank has not exercised its right to call collateral and protect its derivative exposure to IFFIm. After due consideration, consistent with market practice, IFFIm calculated the debit valuation adjustment based solely on the uncollateralised portion of its derivative portfolio.

## 15. SUBSEQUENT EVENTS

In July 2021, IFFIm received a new sovereign pledge from the Kingdom of Norway in the amount of kr (NOK) 4 billion, which is payable to IFFIm in annual instalments commencing in March 2022 and ending in March 2030.

In August 2021, IFFIm received a new sovereign pledge from the Commonwealth of Australia in the amount of A\$ 86 million, which is payable to IFFIm in annual instalments commencing in March 2022 and ending in March 2030.

In August 2021, IFFIm received two new sovereign pledge from the Kingdom of Sweden: (1) a pledge in the amount of kr (SEK) 2,250 million, payable to IFFIm in annual instalments commencing in September 2021 and ending in March 2030; and (2) a pledge in the amount of kr (SEK) 250 million, payable to IFFIm in annual instalments commencing in March 2022 and ending in March 2031.